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EAST INDIA LOAN—FINANCIAL STATEMENTS,
1861-62.

EXTRACT FROM THE DEBATE ON THE ADDRESS IN ANSWER
TO THE QUEEN'S SPEECH.

MR. CRAWFORD said, that as reference was made in the Address to India, he might be allowed to ask a question of the Secretary of State for India as to the proposed loan. The question which he wished to put was, whether the necessity for raising a loan of £3,000,000 in London, for the service of the Government of India, was owing to circumstances connected only with railway receipts and expenditure; or whether it arose from the falling off of the available sources of income or increase of expenditure in India?

6TH FEB.
1861.

Indian Loan
of three
millions to be
raised in
England.

SIR CHARLES WOOD said, he was very happy to be able to give to the question an answer which he thought would be considered satisfactory, not only by his hon. Friend, but by the House generally. As, however, the subject was one not of public interest only, but affected private interests also, he hoped that he might be permitted fully to explain the circumstances in which the loan was made. The House was aware that, as far as the public expenditure of the Indian Government was concerned, a considerable amount of money was disbursed in this country on account of India. The only source from which that money could be provided was the revenue of India, and under ordinary circumstances a considerable amount had to be remitted from India to this country for the purposes of defraying that expenditure. On the other hand, since the construction of large lines of railway in India had been undertaken, the money for which was subscribed principally in this country, large remittances to India would have been necessary, looking to railway interests alone. Of late years the remittances from India on account of the expenditure of the Government, and to India on account of the railways, had nearly balanced each other, and there was no remittance either way. The mode of effecting a balance was this. The railways paid into the Home Treasury of the Indian Government the whole amount

Funds for
meeting home
charges of
the Indian
Government.

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Railway
payments into
Home
Treasury used
for Home
charges, the
equivalent
being paid in
India to
Railway
Companies.

of their subscriptions. The portion necessarily required in this country for the purchase of materials and similar purposes was withdrawn from the Home Treasury. The expenditure incurred in India for railroad purposes was defrayed from the Indian Treasury. The Government of India, instead of remitting that which was required for Home Government purposes to England, paid the money for railway expenditure in India; and the money paid in England on account of the railway expenditure in India was applied to the payment of the expenditure of Government at home, thus avoiding the whole expense of remittance. Of course, while the expenditure in both countries was about equal, there was no necessity for any remittance either to or from India. Hon. Gentlemen, who took an interest in the finances of India, would remember that towards the close of last Session he stated that probably the payment of the railway companies to the Home Treasury in the course of the year 1860-1, would amount in round numbers to £7,070,000. Of that amount, he estimated that £2,500,000 would be required for home expenditure, leaving £4,500,000 available for railroad expenditure in India. He added to that £250,000, the amount by which he thought he could reduce the balance in the Home Treasury, and that gave a total of £4,750,000 to be expended in India in the year. The home expenditure of the Indian Government in this country was more than that, and he expected that the Indian Government would remit about £1,250,000. If the expenditure in India on railway account, and if the payment by the railway companies into the Home Treasury, had been what he had anticipated, he should have had no occasion to use the power of borrowing, which he obtained from Parliament last year. But at that time even there were symptoms that the expenditure would be greater and the receipts less, and he thought it necessary to arm himself with that power. The expenditure had been greater in India, because, amongst other reasons, the Government had been anxious to afford as much employment as possible to the people in the North-Western Provinces, who had been suffering from famine. According to the best estimate, the Indian Government could form the expenditure in India for the year ending the 30th of April next would be £6,000,000 instead of £4,750,000. Therefore, in the first place, the Government, who would otherwise have been in a condition to remit £1,250,000 for the home disbursements, was unable to remit that amount in consequence of that increased expenditure on the railways in India. The excess

of expenditure beyond what was anticipated was £1,250,000 in round numbers. On the other hand, the railway companies here, owing probably to the state of the money market, had, up to the present time, paid into the Home Treasury only £4,500,000, and giving them credit for paying in, up to the 30th of April next, £1,000,000 more, which he was afraid was as much as they could do, only £5,500,000 would be received in this country instead of £7,000,000. That would leave the Government here short of money to the extent of £1,500,000, and adding the excess of expenditure in India to the deficiency of payments here, there would be a total deficiency of £2,750,000, entirely on railway account. In point of fact some of the railways, and among them the company with which his hon. Friend was connected, had paid in the full amount anticipated, but others had paid considerably short of the amounts estimated, and the deficiency of payments added to the excess of expenditure gave, as he had stated, a total of £2,750,000. He, therefore, found it necessary to exercise the power which Parliament was good enough to give him in the last Session, and apply for a loan of £3,000,000—little more, probably, than would cover the deficiency in the railway accounts in the course of the year. The answer, then, to the first part of the question was, that the necessity of raising the loan was entirely owing to circumstances connected only with railway receipts and expenditure. With regard to the public receipts and expenditure in India, he was happy to say there was no need whatever for borrowing a single sixpence. There might be a little falling off of revenue, owing to famine and drought in the North-Western Provinces; but, on the other hand, he was happy to say the expenditure had been considerably reduced since he had last had the honour of making a statement on the subject to the House. When Mr. Wilson spoke, about that time last year, in proposing his Budget to the Indian Council, he estimated the probable reduction in military expenditure at £1,700,000 for the year. He stated later that the reduction would be about £2,500,000, and it had actually been about £800,000 more. Therefore, the reduction for military expenditure for the year had been £3,300,000 following a reduction of £3,500,000 in the year before, and showed a total reduction of £6,800,000 in the course of two years. He hoped it would be seen that the Government had fairly set their shoulders to the wheel, and that they were bringing down the expenditure much more rapidly than he had reason to anticipate when he last addressed the House. He could

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1861.

Government's payments in India having exceeded the Railway deposits in Home Treasury, a loan has become necessary.

8th FEB.
1861.

not speak confidently as to what the produce of new taxes might be, but if the produce of the new taxes came up to the estimate of the Indian Government, and if the reduction next year was equal to the reduction of this year, there was every reason to believe that the expenditure and income next year would be balanced. Mr. Wilson had been confident that such would be the case, and he, too, felt the same confidence, although no one could correctly estimate the income and expenditure for two years. Therefore, in answer to the second part of the question, he could say that the loan was not owing to any falling off of income or increase of expenditure in India; and if, by the blessing of Providence, peace was preserved and no other unforeseen circumstances arose, he entertained the sanguine hope that they would be relieved from the necessity of any further loan for the purposes of the State.

MR. VANSITTART said, he understood the right hon. Gentleman to say that £1,250,000 had been spent on railways in India. In the month of November the Governor General published a financial minute, in which it was stated, that all public works will be suspended, including works calculated to produce an increase of revenue, to which the Government was pledged. He wished to know whether these works had been prosecuted to the extent of £1,250,000, or whether they had been entirely deferred.

SIR CHARLES WOOD said, he thought he had stated that the expenditure this year would be £6,000,000. They expected that it would have been only £4,750,000. Therefore there had been no postponement whatever of railway works.

EAST INDIA LOAN.—COMMITTEE.

Order for Committee read.
House in Committee.

(In the Committee.)

8th JUNE
1861.
Sir Charles
Wood.

Accounts for
1859-60.

SIR CHARLES WOOD: It is not my intention, Sir, on the present occasion to go at any length into the general question of Indian finance. It will be my duty to do so later in the Session, but at present we have not that information which it is indispensable to possess in order to do so with advantage. The finance accounts for 1859-60 are on

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the table of the House, but they are not printed, or in the hands of hon. Members. Those accounts differ certainly very considerably from the last Estimates sent home by the Government of India. Both the revenue and the expenditure are considerably higher than we were led to expect; but the despatches explanatory of the difference have not yet reached us, and, of course, in the absence of those documents, it would be impossible to go into the question of past expenditure. In like manner, although we know by telegram that Mr. Laing has made his financial statement for the year 1861-2, we are not in possession of that statement. Although we know, from private letters, and from the telegram, that the statement is satisfactory, we do not know what it is, and it would be premature to attempt to enter into the details of future expenditure. One fact we know, that Mr. Laing has felt himself to be in a position to reduce the duties on yarn and twist from 10 to 5 per cent., and, therefore, that circumstances must have justified that reduction of duty. It is, however, necessary to make some statement on the financial prospects of India. I am anxious to make it as short and clear as I can. I have been accused of being at one time too gloomy, and at other times too sanguine. I hope to be able to satisfy the Committee that I have spoken accurately as far as the information which I possessed at the time enabled me to be accurate. The Committee will see that the only sources of information which I can have are the despatches from India, and every hon. Member of the House can test my judgment, because they have now in their possession all the despatches in reference to the general finances of India received from or sent to India since the last Session of Parliament. The first of those papers is a despatch addressed to the Government of India in August last, and those who have paid attention to the subject will find in it the most complete view which we were able to form of Indian finance. I allude to it, because I think the form adopted is the best for affording full information. The other despatches are those which have been received from or addressed to India up to February last. Those despatches will show the grounds upon which I made a statement early in the Session, which is supposed to have been more sanguine than I was justified in making. The actual deficit for the present year at the commencement was £5,500,000, and I anticipated that if no unforeseen circumstances occurred we might look forward to no deficit in the course of this year, and, therefore, no necessity for a loan. That statement was founded upon an

3rd June
1861.

Statement for
1861-2.

Prospect of
deficit in
1861-2.

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61.

anticipation of an increase of taxation to the extent of £2,500,000. The original estimate by the Indian Government of the whole increase was £3,500,000, of which £1,000,000 was realised; and it followed that if the estimate were correct, there would be an additional £2,500,000 to be received in the course of the present year. I find on reference to these despatches that even at a later period, when the Government of India took a more gloomy view of their finances, they estimated the increase at £2,200,000. In March they anticipated it would be not much less than what I stated in the preceding February. That reduced the deficit to £3,000,000, and I anticipated a reduction of expenditure to the extent of £3,000,000. Every letter which I have received since assures me that the reduction will, at least, amount to that, and, therefore, the Committee will see that it was not without satisfactory grounds that I made the statement which is thought to have been too sanguine. An unforeseen circumstance of considerable importance has, however, occurred since I made that statement. I refer to the famine in the North-West Provinces, which will necessarily cause some loss of revenue. The Lieutenant Governor of those Provinces expects that the deficiency will fall almost entirely upon the year 1861-2; and, of course, the expenditure for the relief of sufferers from the dearth will also fall, chiefly, upon the early part of this year. Should any deficiency occur it will, therefore, be owing to an event which I had no reason to anticipate when I made my statement to the House. In the despatches from India we find very different estimates of income and expenditure. In the first series of despatches the apprehension is expressed that increased taxation will be only sufficient to make up for the falling off in revenue, while in the subsequent series it is said that an increase of about £1,000,000 is to be anticipated in the revenue of 1861, but the ultimate result of both seems to point to a deficiency which will certainly be under £2,000,000. That, however, is the worst view which can possibly be presented. Even if there should be a deficiency, I do not think we shall have any reason to complain, considering the enormous expenditure on account of the mutiny which has just been wound up. We have never ceased to urge upon the Government in India a reduction of that great source of expenditure—the Native army of India. A large body of armed men cannot, however, be suddenly disbanded without causing great dissatisfaction; and an immediate reduction would, therefore, be exceedingly dangerous. The Native troops must be quietly and gradually absorbed into the population. I have received information

Famine in
North-West
Provinces.

Reduction of
native army.

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from Mr. Laing which shows that the Government of India is entering on a new career. Mr. Laing states that the balance in the Indian Treasury, which he had estimated at £11,500,000, will, in all probability, amount to £12,500,000 on the 30th of April. The inference, therefore, is either that the expenditure must have been diminished or that the revenue has increased considerably. Mr. Laing hopes that by the 1st of January, at the latest, he will be able to bring the income and expenditure to an equilibrium. A telegram which is published in to-day's papers reports Mr. Laing's satisfactory announcement that he anticipates no deficiency at all on the present year.

Sad JUDGE
1861.

Apart, however, from the necessity of providing against a possible deficiency, the loan is required on various grounds. Whatever may be the condition of the Indian finances towards the close of the year, it is quite certain that there will be a pressure for money in the early part of the year. As I have stated, the diminution of revenue and the heavy expenditure on account of the famine will fall on the summer months. And further, it is usual for a reduction to the amount of about £3,000,000 to take place in the balances in the Indian Exchequer during the first six months of the year, which is recovered during the six months following. Looking to the pressure which must arise from providing relief for the sufferers by the famine, and carrying on the railways and other works which we had ordered not to be stopped, I felt it to be my duty to purchase £1,000,000 of silver in this country, part of which has already been sent to India. Even if I could draw money from India at the close of the financial year, on the 30th of April, I should be sorry to do so, on account of the great public works which we are carrying on. At any rate, it is impossible for me to draw any money from India now, and yet money must be provided for the payments I shall be called on to make in this country in the early part of the year. The resources to which I look for that money are the payments from the railway companies, or, in default of these, a loan. As hon. Members are no doubt aware, the expenditure for railways in India is paid by advances from the India Treasury, while the expenses of the Home Government are defrayed from the sums paid by the railway companies into the Treasury in England. Indian finance is so much mixed up with payments on account of railroads that in a general statement it is almost impossible to disentangle them. In the early days of the railway companies, they paid in large sums to the Home Treasury, and the expenditure on account of them was comparatively small. The consequence was that there

Necessity of
a Loan.

Advances in
India for
Railways, and
receipts in
England.

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1861.

were considerable balances of railway money in the Treasury in England. We have always held it desirable to have about three months' expenditure in hand at the end of the year. Up to the present year, indeed, we have generally been in possession of more than that amount. All, however, who are versed in railway matters know that towards the conclusion of such undertakings there is generally some difficulty in raising funds. That has been the case in regard to these Indian lines. In the beginning of the year 1860-1, we expected that about £7,000,000 would be paid into the Home Treasury on account of the Indian railways. The anticipated expenditure amounted to £7,000,000, or rather more. In point of fact, the expenditure in India has been upwards of £8,000,000; and the payments into the Home Treasury less than £6,000,000. During the last few years, the balances of railroad money in the hands of the Home Government at the end of the financial year have been as follows:—1856, £3,265,000; 1857, £3,136,000; 1858, £2,750,000; 1859, £3,846,000; 1860, £2,220,000; and this year, according to a statement which is partly estimate, it is only £370,000. Therefore the House will see that I have not an overwhelming amount of money from which to meet any demands upon the Home Treasury. Further than that, the state of the money market at Home, and especially the raising the rate of discount by the Bank of England a day or two before the payments were to be made, have prevented my receiving the sums which I anticipated from the railway companies. It will be remembered also that—as I have already stated—I sent £1,000,000 to India to enable the Government there to meet the demands likely to be made upon them in the early part of the year, and that has further diminished the means at my command to meet the demands upon the Home Treasury. Under these circumstances, I have no alternative but to appeal to this House for power to raise money; and the only question really is, what sum I should borrow. Hon. Gentlemen will see from the despatches that the estimated expenditure in England on Indian account,—*i. e.*, for the interest of debt, payments for stores chargeable to Indian account, and the service funds—will amount to £9,500,000. There is also to be paid on account of railroads about £1,800,000; making together, to be provided for payments in this country in the course of the year, £11,300,000. The mode in which that amount will be provided is as follows:—The probable expenditure on account of the railroads in India during the year will be at least £7,500,000, and, as some little balance must be provided, I may state the expenditure in the course of the year 1861-2

Mode of
providing for
expenditure
in England.

See C Wood.

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1861.

at £8,000,000. Of that sum about £530,000 has been raised, and there are available calls upon shares to the extent of £1,300,000, so that £1,830,000 may be considered as more or less provided for, and the balance of rather more than £6,000,000 is what must be raised by the railroad companies in the London money market between now and April next. Speaking in round numbers, £6,000,000 will be required for expenditure in India, and £2,000,000 in this country. The amount required to be expended in India is the measure of the sum available for the Home Treasury because, come what will, the Indian Treasuries will provide this £6,000,000 for the railway expenditure in that country. Deducting that, therefore, from the £9,500,000, which is the amount due from the Home Treasury for various purposes, there remains to be raised £3,500,000. I may probably in the course of the year obtain the repayment of the advances made in India on account of the China expenditure, which are estimated at about £,1000,000; but at the same time I cannot be quite sure that the railway companies will provide all the money which they ought during the year, and, therefore, I propose to borrow a sum of £4,000,000. What it may hereafter be necessary for me to do I am not at present in a position to state. If the railway companies raise in the course of the year a sum sufficient to meet the expenditure in India, it will not be necessary for me to borrow a shilling more. If, on the other hand, they cannot pay in the amount required to meet the expenditure on railway account in England and India, I may have, as I did last year, to ask Parliament for power to raise money for railway purposes. This is a subject of such vast importance, and it is in my opinion so desirable that the country should know what is the full extent of the demand which may be made upon it, that I will, with the permission of the Committee, state the general position of railroad finance in India.

Previous to the breaking out of the mutiny, several large and extensive railways were sanctioned. Without going into details, I may state that according to the Indian estimate, the amount required to construct railways already sanctioned is £56,000,000; according to the English estimate it is £54,600,000; but, judging from past experience, I am disposed to think that the Indian estimate is the more correct of the two. There has been guaranteed up to the present moment £36,556,000; there has been paid up £32,190,000; and, according to the last account from India, which is not of very recent date, there had been expended £30,802,000. It follows that there will have to be raised,

General
position of
Railway
finance in
India.

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before the railways are completed, a sum of about £25,000,000 more. I have no doubt that, had things gone on as prosperously as they were before the mutiny, there might have been no difficulty in raising the money; but, on the one hand, the expenditure arising from the mutiny has rendered it necessary to borrow from £40,000,000 to £50,000,000, which have made Indian securities more plentiful than is advantageous in the money market; and, on the other, the present state of that market, owing to the uncertainty which exists as to what may happen in Europe, keeps interest at a rate which is not favourable to borrowing money on a large scale. There is not much use in discussing that subject now. Government is pledged to this extent; that sooner or later these undertakings are to be carried out, and the only question is, what practical steps it is necessary to take at the present juncture? I have no hesitation in saying that it is our interest to finish those railroads which are now in hand as quickly as possible. The shareholders receive 5 per cent. whether the works are finished or not, and altogether irrespective of the existence of any receipts from traffic. A strong opinion exists in India with regard to the management of railroads, but it is not necessary that I should go into that question now. As far as pecuniary interests go, it is the Government rather than the shareholders who are concerned in the early completion of these lines, because until they are completed no returns can be expected from traffic, and it is to that source that the Government look for a diminution of the heavy payments of interest they have guaranteed. The Government of India feel this so strongly that they are willing to recommend what, otherwise, would be a most objectionable proceeding—the raising of money in India, to be expended with this object. I believe it would be far better on all accounts that the money should be raised here. At present we are paying no less than £2,000,000 per annum for guaranteed interest; that amount is of course increasing every day, and we cannot hope to put an end to this growing charge till the railroads are actually completed and at work, when we may be able, to some extent, to recoup ourselves. Those which we have determined on pushing forward with the utmost despatch consistent with the proper execution of the work are lines which in the present crisis in America must be looked to with the greatest interest. One pierces the cotton district, and the other skirts its very edge. The only delay which will arise will be occasioned by the natural obstacles that present themselves. There are other railroads

Sir C. Wood.

on which no capital has yet been paid up, and on which, therefore, we do not pay interest; we propose that the commencement of these shall be postponed. I by no means say that their completion will not ultimately be of importance, for they will fill up gaps in the communication; but, generally speaking, they pass through rather a desolate country, and, therefore, they are not so pressing. The demand, then, for this year will be £8,000,000, and the indispensable requirements for the next two years will be £6,000,000 or £7,000,000. In all, allowing for contingencies, £24,000,000 or £25,000,000 will be required for the completion of the lines of Indian railway which have been laid out, and which are requisite for the development of the resources of the country. Some gentlemen did me the honour of calling on me, and of representing that large sums ought to be raised for the prosecution of public works in India. I apprehend they were hardly aware that, directly or indirectly, the Indian Government is responsible for the large amount to which I have referred. And I must say that I do not believe we could apply money to any purpose so profitably as to the completion of those railways. Other undertakings may be more immediately remunerative; but we are pledged to the railways, and by completing them we shall be relieving ourselves from annual payments in respect of guaranteed interest, the amount of which may then be applied in reduction of duties justly complained of as oppressive, or in the advancement of other public works, the advantageous character of which may be hereafter urged upon the Government. Another question to be considered is whether, in the present state of the money market, we should be justified in asking for a larger sum between the Government and the railway companies than £12,000,000, the interest of which, if we obtain it, the Committee will bear in mind is £600,000. I am told, indeed, by some of my friends that the more I ask the more I am likely to get; but I do not think the experience of last year justifies such an expectation, and the City authorities whom I have consulted do not lead me to entertain that opinion. I believe the wise course is to ask for that which will meet the present emergency, and see what its result will be, and then in more favourable times to renew our demand upon the money market. I am aware that the object which these gentlemen have in view is the vitally important one of developing the resources of India. But that is a question to which I have not at any time been blind. When I first became President of the Board of Control, railways in India were in their infancy,

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1861.

Prosecution of
Public Works.

Sir C. Wood.

Sad Jura
1861.

Production of
cotton.

and it was suggested that the main lines should be treated simply as experimental lines. After having put myself in communication with my lamented friend the Marquess of Dalhousie, I determined that they should be completed as soon as possible. The opening of the Godavery was also a project of which I early saw the importance, and I ordered a survey of it, believing that it was capable of being made a great high road of traffic to the interior. But all the plans for the improvement of India were most lamentably interfered with by the Sepoy mutiny, and it is not likely that so great a storm could have passed over, or have calmed down, without leaving traces of its mischievous effects, and one of those is the interruption of public works. Happily the accounts which we receive of late show that its injurious results have nearly expired, and in the course of this year, or at any rate at the beginning of next, I hope the Indian authorities may turn their undivided attention to peaceful pursuits, and to the amelioration of the internal state of India. I am fully aware of the importance of the subject of the production of cotton in India, and it is one in which I have always taken a deep interest. I have been in communication with many gentlemen who have a commercial interest in it, and all I can say is that they shall receive the support and heartiest co-operation of the Government. I think that they are now taking a correct view of the subject, and nothing that the Government can do in this respect shall be wanted. I have already stated that we have urged the completion, as rapidly as possible, of those works which, by improving the carriage down, will bring the producing country into convenient connexion with one of the best harbours on the west coast. With respect to the Godavery, I think, myself, that it is better in the hands of the Government, and that is the opinion of Sir William Denison, a most experienced engineer officer. The House may rest assured of this—that no unnecessary delay shall take place; but that the Government will do all in their power to accomplish the opening of that river. I am not very likely to overlook what I may call a pet project of my own. The loan which I am about to ask power to raise is required for Home expenditure. I should be very glad to leave as much money as possible in India for the purposes of public works, for I believe it can be applied with more advantage there; but whether there be a deficiency or a surplus in India, it is equally necessary that I should be supplied with means of meeting the demands for the Home expenditure on account of the Government of that country. It is, therefore, that

Sir C. Wood.

I propose a Resolution as a preliminary to a Bill to empower me to raise a sum of money. The sum I propose to ask for, and which I shall put in the Bill founded on this Resolution, is £4,000,000. The right hon. Baronet concluded by proposing—

“That it is expedient to enable the Secretary of State in Council of India to raise money in the United Kingdom for the service of the Government of India.”

SEN JURY
1861.

Resolution.

MR. BAZLEY said, he proposed to make a few remarks on that portion of the statement of the right hon. Gentleman which affected the commerce of India. The northern part of the United Kingdom might probably soon be embarrassed by the want of raw material, but independent of that no new-born zeal induced him to claim justice for India, and the development of the vast resources of that dependency. The resources of India were daily becoming more apparent, but, as an agent for their full development, the establishment of public works was indispensable. He considered that the statement which the right hon. Gentleman had made, considering the difficulties which surrounded him, was eminently satisfactory. As the first agent of progress the means of communication were required. At present they were so lamentably deficient that they had neither the means of taking their manufactures to the interior of the country, nor of bringing the productions of the country to the seaboard for transmission to this country. Indeed, so difficult was the access that the funds which had been charitably subscribed to relieve the famine in the North-Western Provinces were mostly expended in the transit, so that if a gentleman subscribed £50 to the fund, £40 of it would be expended in carriage. A gentleman writing from India said, had there been cheap and easy communication the famine now raging would not have existed. Again, for the cotton coming to the London markets the ryots received only 2*d.* per lb., while the price here was 6½*d.* What would our agriculturists say if the carriage of their produce was 200 per cent. on the value in this country? As between the price of cotton in America and the sum which it cost here there was only the difference between 7*d.* and 8*d.* or 12½ per cent. He believed that under a proper system cotton could be had from India at as low a rate of carriage as from the United States; but railways of themselves would not afford the best means of carriage. The canals and rivers were the natural channels of communication for heavy traffic, and he hoped canals would be established both as means of communication and for purposes of irrigation.

Mr. Bazley.

Improvement
of interior
communications.

Mr. Bazley.

3rd June
1861.

Land tenure.

Cost of
carriage.

Production of
cotton.

Effect of
increased
import duty.

He wished he could induce the Minister of India to come forward and ask for such a sum as would give them roads and canals within a short space of time. There was another subject of much importance. He alluded to the land tenure in India. He hoped the system would be improved so that property could be passed from hand to hand as it was in this country. Though on the railways the cost of carriage would still be relatively high, still, on present rates, it would be a great reduction. He hoped, however, that the railways would not charge more than one-third of a penny per mile on cotton, making its way to the seaboard. One-eighth or one-tenth was ^{one} rate charged on the Mississippi. His personal knowledge of the subject induced him to say that, with improved cultivation, India could produce cotton as good as the American, but from the agricultural Returns he perceived that 12s. an acre was the whole pecuniary produce in India, while in America it was £12 per acre. He regretted that greater exertion was not made to induce a larger production of cotton in India. Last year our consumption of the raw material was £2,500,000 bales of cotton obtained from all sources. Of that quantity 85 per cent. came from the United States, 8 per cent. from Egypt, Brazil, and other foreign sources, and only 7 per cent. from the East and West Indies. The disproportion between our colonial and our foreign supply would appear still greater when they took into consideration the question of value. He calculated that last year we paid America £26,000,000, and Egypt and Brazil £2,500,000, while we only paid £1,500,000 for the cotton which we received from our own possessions. The Indian mutiny had unfortunately led the Government to take a step which he deeply deplored. Before that event the import duty upon British goods was 5, but afterwards it was raised to 10 per cent. The result had been to encourage the establishment of rival manufactories in India to an immense extent. Within the last few days, a gentleman had told him that there were at present eight new and extensive spinning and weaving concerns in Bombay, and that there were already 4,000 power looms at work. All that had been done in the face of immense disadvantages. For instance, machinery which in Lancashire or Lanarkshire would cost £100,000 would cost £300,000 in India; and coal, which could be had in England for 10s. per ton, sold in Bombay for £3. There was, however, an immense saving of wages, for while a very moderate concern in Lancashire would expend £400 a week under that head, the cost in India would only be £100. That saving of £300 a week in

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wages could not but hold out a very great inducement to speculators to establish mills in India. It was, however, only just to the Indian Government to say that they had reduced the duty on cotton yarns 5 per cent. ; but he trusted that before long there would be no duty at all on goods imported from England. Our exports to India during the last year had amounted to £18,000,000, while our imports from it were only worth £15,000,000, showing thus a large misdirection of energy and capital. If, instead of that excess of three millions in their imports, the capital in India had been applied to the development of the natural resources of the country, an immense advantage would have accrued both to the natives and to us. They had great and varied resources, which a wise Government would labour to develop instead of encouraging the formation of resources which were merely artificial. He was sorry to say that our exports were diminishing, a fact that must produce a depressing effect upon our manufactures. Since the commencement of the year they had, in fact, fallen off to the extent of 20 per cent. as compared with the same period of last year; and that fact, coming at a time when a large expenditure had been incurred in the erection of new mills, was very disappointing. The history of the American cotton trade afforded strong grounds of hope for India. It was only seventy-five years ago that America entered upon the growth of cotton, and it did not succeed without great outlay and exertion. The labour was not aboriginal, and the plant was not indigenous, nevertheless, the cotton trade of America had become one of the wonders of the world. The value of the cotton of America was £45,000,000 per annum; and a similar triumph was in store for India if similar means were taken to develop its resources. America had largely benefited from her intercourse with this country during the last two years. Last year we imported from her £20,000,000 worth of corn and £26,000,000 worth of cotton, making a total of £46,000,000; whereas our exports to her had been only £24,000,000. This year those exports, he was sorry to say, were rapidly diminishing. In cotton goods alone we had sent out 25 per cent. less in the first four months of 1861 than we did in 1860. The total exports of the United Kingdom last year amounted to £136,000,000, of which the cotton trade alone furnished £ 3,000,000—a fact alone sufficient to show the vast magnitude of that industry, and the necessity there was for providing a requisite supply of the raw material. He viewed with some alarm the present aspect of affairs, though not perhaps to the same extent as the hon. Member

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exports.

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for Inverness (Mr. Baillie), for he still hoped that means might be found to arrive at an amicable settlement; in which case we might not suffer any serious inconvenience, while at the same time we should have learned the lesson not to extend our commercial operations too rapidly, and not to vaunt too highly our great prosperity. During the first quarter of this year, we received $7\frac{1}{2}$ per cent. less of cotton than we had during the first quarter of last year. There had been lately, however, an increase in the number of mills, and our increased power of production could not be less than 10 per cent., so that embarrassment and confusion would be the result. Up to the present time we had received a less supply of cotton by 15 per cent. than we did during the same time last year. Therefore, our condition seemed to be one of increasing difficulty and embarrassment, and called for greater exertions on our part to obtain *somewhere* new supplies of cotton. He hoped the Indian Government would look seriously to this matter, and encourage to the utmost the cultivation of cotton in India, whence abundant supplies might be had. He trusted that some one would inquire of the Indian Minister whether the beneficent proclamation of Her Majesty had been carried out, and whether the admirable Minute of the noble Lord (Lord Stanley), touching the sale of waste lands, had been acted upon? He feared that the answer in neither case would be in the affirmative. If, however, the acts of the Home Government and of the Government in India were not in harmony, they could not expect satisfactory results. It was quite true that there were other places from which we might expect supplies of cotton. Many of our colonies were admirably adapted to its growth; in fact, we had more cotton-growing territory than any other power in the world, and yet we only received 7 per cent. of our supply from British territory. We had the West India Islands, which were lying comparatively idle. We had also a vast and magnificent territory in Australia—namely, Queensland, which was under the care of a most enlightened, able, and energetic Governor, Sir George Bowen. He (Mr. Bazley) could state, from his personal knowledge, that no cotton that was ever grown was comparable in point of quality to the cotton of Queensland, and we might have any quantity of it. For his own part, he had always been of opinion that it would be unwise for a great manufacturing country like England to depend upon any one particular locality for her supply of cotton, even though that locality might be within her own territories. The greater the number of our sources of supply

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the greater in that respect our security, and he must do his friends in Manchester the justice to say that they had made no slight exertions with the view of increasing the quality of cotton to be obtained from new fields. Six thousand bags of cotton, indeed, he believed, had reached this country last year from twenty-four new fields, and of that quantity a very considerable portion, equal to the average New Orleans cotton, he was glad to find, came from Western Africa. He had, in conclusion, simply to express a hope that our attention would be turned to the cultivation of the land which lay ready to our hands in India, and if we did so, the object which we sought to attain would, he felt assured, be achieved at no distant day.

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LORD STANLEY said, he only rose for the purpose of making one or two remarks on the question which had just been brought under their notice. It was obviously impossible to criticise at once the proposition of the right hon. Gentleman. It was never wise to attempt to enter into a minute examination of any financial scheme until time had been given for its consideration, and in the present case, it was clearly impossible for the House to discuss the general state of our Indian finances, because they could not regard a telegraphic summary of the statement of the Finance Minister in India as that statement itself; and although his right hon. Friend had given them all the information he possessed himself upon that subject, everybody who possessed any acquaintance with India was aware how uncertain were all financial estimates and anticipations in that country, how widely they sometimes differed from the actual results, and how impossible it was to speak of financial totals in such a case until all the figures were produced. It was clear, therefore, it would be necessary that an opportunity for the full discussion of the proposition of the right hon. Gentleman should be furnished at a later period of the Session, and, that being so, he should not trouble the House by dealing with it at any length that evening. He might, however, be permitted to observe that there was one remark made by his right hon. Friend which he had heard with great satisfaction—he alluded to the statement that the military expenditure of India was this year being rapidly reduced, especially in the case of the Native army. Upon that reduction all our prospects of equalizing revenue and expenditure, he felt confident, hinged; for any retrenchments which could be effected in the salaries of the civil servants, or by putting a stop to the prosecution of unnecessary works, would be found to be comparatively insignificant,

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Reduction of
military
expenditure.

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Proposed
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Railways.

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and would by no means greatly alter the general result. The question, indeed, had long been regarded in that light; for ever since the pacification of Oude had been accomplished, the reduction of the Native army had been continually pressed on the attention of the Indian Government. That that reduction should be carried out to a large extent he thought the House had a right to expect. The danger, it was true, of turning loose on the country a number of men accustomed to the use of arms, and naturally indisposed to take up any other profession, was not to be altogether lost sight of; but when the present state of India was taken into account; when one reflected how completely her internal peace had been restored; how well-disposed the Native princes were towards us, and how thoroughly our power had been re-established and consolidated in that quarter, it would, he thought, be admitted that we should be able to carry on our administration there with a much smaller military force than we had hitherto deemed it necessary to maintain. He might add, with respect to the loan for railways, that the right hon. Gentleman was, in his opinion, perfectly right in proposing to push on those works. Indeed, in the actual state of affairs, the only option left to the Government was either to assist the railway companies by the resources of the Government, or to leave the railways in an unfinished state, when they would be likely to suffer to such an extent from the action of the elements and other causes that the cost of restoring them to their present state would, in many instances, be as great as that of carrying out the original plan. It would be idle, in dealing with that particular point, to raise the question whether it was desirable, with the view to the promotion of the interests of India, that the railways should be completed, or canals and works of irrigation taken in hand in the first instance; because, so far as the Home Government were concerned, they were pledged in a manner quite irrevocable to the adoption of the former course, by the fact of the guarantees that had been granted, unless they were prepared to sacrifice the interest on all capital which they had already guaranteed. But he regretted to hear his right hon. Friend state, if he understood him rightly, that he was inclined to keep in the hands of Government officers those other works which they all knew were so necessary in that country—such works as canals, works of irrigation, and the opening of rivers. It seemed to him quite clear that the Government, having undertaken the construction of railways to an extent involving an outlay of between £20,000,000 and £30,000,000 for the be-

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nefit of India, would have no money available for the prosecution of any other works not absolutely necessary. Canals and works of irrigation, therefore, must either be neglected, or some means must be adopted of committing their construction to private hands, different from any to which we had hitherto had recourse; for he regretted to say that the only one public work which had been undertaken in India without a Government guarantee, and which would not involve a loss of one shilling to the Government in the event of its failure, appeared to him—and he had looked into all the circumstances of the case—scarcely to have been dealt with in a fair or friendly spirit. He did not, however, rise to discuss the affairs of any particular company, and would simply add that he thought the Government would find that they had as much work as they could accomplish in the completion of railways in India, and that the construction of other works of importance must either be suspended altogether or entrusted to private individuals. Taking it for granted that they would not, in agreeing to any Resolution on the subject that evening, be pledging themselves to the amount of the loan, he should reserve any further observations which he might have to make for a future occasion.

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Works
other than
Railways.

MR. J. B. SMITH said, he could not but express his disappointment at the circumstance that the right hon. Gentleman the Secretary for India had, in proposing to raise so large a sum of money for railways, shown so little affection for what he called his "pet scheme"—the opening up the navigation of the Godavery river—a work which might be carried out by merely making an addition of 10 per cent. to the amount now asked for the construction of railways. The Godavery led into the finest cotton districts of India—districts hitherto inaccessible except on those occasions when cotton stood at so high a price as to enable merchants to pay extraordinary sums for its carriage on the backs of bullocks. A few years ago, some native houses, under those circumstances, made an attempt to convey cotton from Berar, a distance of nearly 600 miles, and 30,000 bullocks were employed for the purpose; but thousands of them perished of hunger and fatigue, because sufficient provender could not be procured for them on the route. If New Orleans had adopted the same system as the Government of India had done, and been content with having its cotton brought there on bullocks' backs, instead of by means of the Mississippi river, it would never have been the great and flourishing place it had become. What was wanted from

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Opening up of
the Godavery.

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India was good cotton, and that would never be obtained until there should be a cheap conveyance for it. They would probably receive 1,000,000 bales of cotton during the present year from India, as all the rubbish that could be scraped together would be sent over now that the price had risen so high. But that was not the sort they wanted. They required good cotton, and good cotton could be got from India as well as from America if its carriage to market were equally cheap. Cotton was brought down the Mississippi 1,000 miles for half a farthing a pound, and for the same price it could be brought 500 miles down the Godavery if that river were made navigable. About a year ago a company proposed to make this river navigable; but at that time the right hon. Baronet the Secretary for India preferred that the work should be carried on by the Government, because it would be impolitic, he said, to impose tolls on the traffic, as a company necessarily must, to compensate them for their outlay. If it were thought advisable last year to open out the river, it had not been rendered less desirable by occurrences which had taken place since. No one could foresee what effect the events on the other side of the Atlantic might have on the supply of cotton. There could be no objection to the opening out of the Godavery on the score of the great expense of the work; and when the right hon. Gentleman talked of £8,000,000 for railways, £300,000 or £400,000 for opening the river constituted no immense expenditure for an undertaking which Sir Charles Trevelyan, who had travelled through the district and described it as one of the richest in India, declared to be of the highest importance to India, and claiming the first attention on the part of the Government. He believed that in a few years, the opening out of the Godavery would yield the Government 100 per cent. per annum on their outlay, while the great increase in the consumption of salt, which was a Government monopoly, and the carriage of Government stores alone would nearly pay the annual interest on the outlay. He would mention an instance of the effects of cheap carriage: the Indus having recently been opened and steamers placed on it, a flax company in Ireland had been induced by these facilities to send an agent to India to obtain flax. The agent stated that when he got out, he found that the flax grown was only eight to twelve inches high; he found that the land prepared for its growth was merely scratched with a stick; and that from generation to generation there had been the same seed without change. This gentleman tried

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the experiment of an English plough, and ploughed a portion of the land, sowed it with fresh seeds from Europe, and had the satisfaction of finding that flax was thus produced four times longer than that previously grown. Similar results would take place from a better cultivation of cotton under English superintendence, and that better cultivation would come if only cheap conveyance were obtained. The right hon. Gentleman said that he was glad to see Englishmen going out to India to cultivate cotton. But he would be mistaken; they would not go out because they could not successfully cultivate cotton unless he gave them conveyance to market equally cheap with America. On Friday last, the Under Secretary for India (Earl de Grey and Ripon) stated in the other House that the Government had appropriated for opening out the Godavery the sum of £30,000 during the present year. At that rate of expenditure, it would take fifteen years to open out the river, whereas the work might be effected in two years if the Government authorised the engineers to set about it in different parts at once. He heard the other day a similar account respecting the improved growth of cotton in India to that which he had related respecting flax. An English gentleman in Madras turned his attention to the cultivation of cotton, and produced 1,000 bales last year of a quality worth 7*d.* a lb., double the price of ordinary India cotton; but not one pound of that cotton came to this country, the whole of it went to Calcutta for the Indian manufactures. He, therefore, had no doubt that if the attention of Englishmen were directed to the cultivation of cotton, and if they were encouraged to do so by the facility of cheap carriage, India could be made to produce cotton equal in quality to that of America, and to as great an extent as this country might require. He hoped, then, the right hon. Baronet would not take upon himself the responsibility of delaying the great work of opening up the Godavery for fifteen years, but set about it immediately. If the right hon. Baronet did not take that course, then he (Mr. Smith) would appeal to the noble Lord at the head of the Government. The noble Lord was distinguished at all times for protecting the persons and property of Englishmen in all parts of the world, and had even sent large fleets to collect money unjustly withheld from British subjects. He, therefore, did not believe that the noble Lord would, at the present moment, withhold from the English people the means of obtaining a supply of that most important article, on which the welfare of 4,000,000 of the population depended.

Mr. J. B. Smith.

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1861.
Mr. Vansittart.

State of Indian finances.

Unproductive-
ness of
Income Tax.

MR. VANSITTART said, that notwithstanding the statement of the right hon. Baronet, and which he had introduced with one of his usual *couleur de rose* speeches, it appeared to him that, on the whole, it rather confirmed than otherwise the gloomy view which he (Mr. Vansittart) took of the state of our Indian finances last year. On that occasion he ventured to draw the attention of the right hon. Baronet to a speech of the late Mr. Wilson, which he delivered in the Calcutta Legislative Council, in the course of which he inquired "What is to be the state of our Indian debt, if we are to resort to the miserably disreputable expedient, of continuing to borrow in time of peace?" He regretted that that warning appeared to have produced so little impression upon the right hon. Baronet that, not satisfied with asking the House for power to raise a second loan this year in this country, he only so recently as on the 2nd of May last, in paragraph 33 of his letter to the Governor General, gave his sanction to his raising a loan in India. That seemed to him to be very much like burning the candle at both ends. If they required proof of the state into which the Indian finances were falling, it was only necessary to refer to the correspondence contained in a Return which had been placed on the table during the last few days. In a letter dated the 5th of February, 1861, and signed by Messrs. Frere, Beadon, and Laing, and addressed to the right hon. Baronet, it was stated that "by the 1st of May of this year the cash balances in India will be reduced to the lowest point at which it is possible to carry on the government of the country;" that the deficit in 1860-1 amounted to £6,678,000; that, looking to the remissions of revenue which it would be necessary to make on account of the famine, and the disbursement of £664,000 on account of prize money, the current deficit would be in round numbers £5,000,000 (which was recognized in the 19th paragraph of the right hon. Baronet's reply, already referred to); that, with the exception of the licensing tax, no new taxes could be imposed; and, lastly, that no further reduction of expenditure was feasible. These gentlemen, moreover, verified the prediction which he ventured to make last Session in regard to the unproductiveness of the income tax. In their letter of the 5th of February, to which he had just referred, they

"Calculated that the full year's collection of the income tax for 1861-2, with the arrears of the previous half-year not collected by the 30th of April, would give a total receipt for 1861-2 of £2,500,000, or every £2,200,000, being £2,000,000 more than the receipt from the income tax in 1860-1."

Mr. Vansittart.

But on the 13th of March, only five weeks later, these gentlemen wrote—

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“We apprehend that our estimate of the produce of the income tax for 1861-2 may have been taken considerably too high; and we hardly venture now to place it at a higher figure than £2,000,000, or £1,800,000 above the estimated receipt for 1860-1, given in our regular estimate.”

It would, therefore, appear that that odious and oppressive tax, by which it was supposed that the restoration of the Indian finances would be effected, barely yielded £2,000,000 a year, which had to be wrung from 200,000,000 of people, amid great discontent and sullenness. Then, again, there was a claim for £250,000, which had been alluded to that evening by the hon. Member for Inverness-shire. As he did not find that the right hon. Gentleman the Chancellor of the Exchequer had made any provision in his rash and improvident Budget to liquidate that claim of £250,000, the correctness of which the right hon. Baronet recognized in his letter in reply, and as no allusion whatever had been made in these estimates to the half-million which the right hon. Baronet had ordered to be paid to the Mysore family, he thought he would find that the pleasant dream of an equilibrium, in which he was so apt to indulge, was very far from being realized. Under those circumstances, it appeared to him that the first thing to be done in order to place the Indian finances on a satisfactory footing was to restore that confidence in the Native mind in respect to the soundness of our financial and commercial schemes which we had lost since the mutiny. The late Mr. Wilson was of opinion that the existing railways ought to be completed not only at any cost, but quickly. It was, he believed, calculated that an additional capital of £24,000,000 would be required to be raised for that purpose, and that of the shareholders, numbering 17,118, only 336 were Natives. It was a notorious fact that the railway companies could not raise this additional capital, as they were unable to compete in the money market against the Secretary of State for India and his Council, although precisely the same terms, rate of interest, security, and guarantee were offered by both parties. If the right hon. Baronet was sincerely desirous to bring about a more favourable state of affairs, and to implant confidence in the Native mind, he should lose no time in introducing such a Bill—which should take precedence of all other Indian Bills—as would prove to the people of India that he was determined to uphold the power and credit of that country from home. Now that India had been made financially one with England, he was bound to come forward with

Importance of
restoring
confidence.

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a bold and comprehensive Bill, explaining what our future financial policy was to be in regard to that country. He ventured to warn the right hon. Gentleman that he would not succeed in carrying out that object by simply coming down to that House, year after year, and asking for small irritating loans, which were only calculated to meet the exigencies of the present hour.

Mr. Crawford.

MR. CRAWFORD said, it was more desirable that the discussion should be confined to the subject before them than that they should enter into the whole question of Indian finance, Indian economy, and Indian everything at that time. The proposal of the right hon. Baronet was to ask the House to give him power to raise the sum of £4,000,000 sterling to make good a deficiency in the general balance of the Indian Exchequer; and if the railway companies should not be successful in obtaining the money necessary to enable them to carry on their works, then the right hon. Baronet said he was prepared to ask Parliament in the course of the Session for powers to enable him to raise the money for that purpose. It was clear to his mind that the right hon. Gentleman, in asking Parliament for the power to raise that money, would not place any additional burden upon the market. He would merely take power himself to do that which he apprehended the railway companies might not be able to do. The question was, would the railway companies be able to raise the money? He had no doubt whatever that, if it were not for the state in which they found the money market placed, in consequence of the events occurring on the other side of the Atlantic, they would have no difficulty at the present time in raising all the money necessary for the purposes of the railway companies. He obtained power about a month ago for the company he was connected with to raise a sum of £1,000,000. He was proceeding satisfactorily with the operation, but two days before that on which it was to have been brought to a close, the Bank of England was compelled, in consequence of the advices received from America, to raise the rate of discount, which increased the value of money in this country, and, but for that fact, he had no hesitation in saying that he should have had no difficulty in raising the £1,000,000. As it was, he should pay into the hands of his right hon. Friend on the next day very nearly £400,000. It must be clear to the minds of all those who watched the progress of events in India, and took an interest in this matter, that the security offered by the railways was not undervalued by the public. What the money market feared was these

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constant applications for money for the service of India. Year after year, the Secretary of State asked for fresh powers to raise loans, and the public always doubted whether the last of these loans had been reached. He trusted, however, that after the statement of his right hon. Friend that evening, the public mind would recover itself, and that the value of these Indian securities would rise very considerably in the market. Reference had been made in a despatch from the Governor General to the extravagant system of expenditure on which Indian railways were constructed. It should, however, be remembered that the whole of the railway companies in India carried on their operations under the direct control and superintendence of the Indian Government. If any extravagance took place, therefore, it could only be with the concurrence of the Government, whose officers had the power of checking it. He did not, however, believe the statement. He doubted whether there would be found anywhere railways either of a better class, or constructed at a cheaper rate than those of India. He made that assertion with great confidence on the authority of persons who had seen the Indian railways. Nor was there anything in the cost of these railways that would justify so positive a statement as that made by the Governor General of India. The East Indian railway, in which he had an interest, connected the port of Calcutta with the imperial city of Delhi on the Ganges. The length of the line was 1,140 miles, and it would be opened, if not all the way, at all events to Agra, 900 miles, by the end of next year. The Committee would bear in mind that there was not a single railway in existence of that length; and having regard to the physical difficulties in constructing a line of that extent in a tropical country, the various impediments in the way, and the time that had elapsed since the work was first undertaken, the result could not be regarded as unsatisfactory. Not less than 371 miles of the railway were in actual operation, and the average returns upon the cost of the line already opened were sufficient to pay the whole of the guaranteed interest upon that part of the line. He believed the time was not far distant when the railways of India, so far from constituting a charge on the resources of India, would, independently of the great collateral benefits to be derived from them, bring in a large annual sum in the shape of interest on the advances made by the Indian Government. His hon. Friend the Member for Manchester talked about the want of communication. On that subject, however, he would beg to recall to his attention a document published in

Alleged
extravagant
construction
of Indian
Railways.

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Cotton
cultivation.

August, 1847—the Report of a Committee appointed in the Bombay Presidency to inquire into the question of the cotton supply. The whole basis of that Report was the want of communication with the interior. Whatever the value of canals might be, there were no doubt many cotton districts which it was impossible to reach by means of canals. His hon. Friend had talked of the land tax, and was in favour of the system of redemption which had been proposed by the noble Lord (Lord Stanley). But when they talked of revising the land tenures, it must be remembered that India had been in a state of civilization for 3,000 years; and that the tenure and value of land in India rested on a basis as well understood as the tenure and value of land in this country. Again, these cotton lands were the most valuable in India, and it was not to be supposed that cotton was the most valuable production which could be raised there. In a densely populated country, food was the most profitable article of cultivation. It seemed as though some hon. Members thought they had merely to express a wish for the growth of cotton in India, and the native would at once produce it, merely because we found it desirable to import large quantities of cotton into this country. The people of India could not be expected to put out of cultivation more valuable products to gratify our wishes in this respect. As to the supply of cotton from India, it might be observed that within the last year the whole supply to this country was 800,000 bales; whilst within the first five months of the present year, the supply from Bombay alone was 550,000 bales. Large quantities were also exported from India to China; and it might be found desirable to import cotton from China to this country. Strange and paradoxical as it might seem, he (Mr. Crawford) believed that India produced, bale for bale and pound for pound, more cotton than the United States. There were 200,000,000 of persons in India to be clothed, and though they might be very lightly clothed: still a large quantity of material was requisite to supply this demand. India supplied her own people, and sent to this country and to China her surplus production, and in facilitating the export of that, one of the main points for consideration by the Indian Government was the provision of railway transit between the seacoast and the cotton districts. His hon. Friend seemed to view with some apprehension the establishment of mills and manufactories in India as the result of the increase in the import duties there upon British manufactures. No doubt this might prejudice the interests of Lancashire; but every well-wisher of India ought to

Mr. Crawford.

think that rather a matter for congratulation. With regard to the comparison instituted by his hon. Friend between the circumstances of India and those of America in relation to the cotton supply, he thought no such comparison could be fairly drawn, seeing that America was comparatively a new country, while in India they had to deal with a well-established and ancient civilization. He was glad his right hon. Friend had announced his intention of coming to the House again to enable him to raise money, but he understood the additional powers he had referred to, were to be exercised only under the contingency of the railway companies not being able to obtain money for themselves.

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MR. SMOLLETT said, the Resolution proposed by the right hon. Baronet the Secretary of State declared that it was expedient to borrow money in this country for the service of India. He, for one, was entirely hostile to that policy. According to the right hon. Baronet's statement, the finances of India appeared so exceedingly prosperous that the income and expenditure would be balanced at the end of the present year, and, therefore, the right hon. Baronet now sought to borrow £4,000,000, and also expected at the end of the year to have to enter the market again for a similar purpose. That was a most extraordinary proceeding. The hon. Member for London had described the Indian railways as so flourishing, and their prospects as so excellent, that they would return a very large sum for more rest, and yet the right hon. Baronet was now asking them to borrow £8,000,000 or £10,000,000, because the railway companies were unable to raise the money. Surely if Gentlemen in this country thought that these Indian railways would return 5 or 6 per cent., they would be anxious to lend money for railway purposes; but the fact was that it was because the public did not believe the works would be re-productive that the Indian Government had come into the market themselves to borrow £20,000,000 or £25,000,000. He (Mr. Smollett) was not one of those who thought there was anything unintelligible in Indian finance. In spite of the attempts at mystification, to him it seemed to be quite clear enough; and, certainly, nothing could be clearer than that the present impecuniosity of the Indian Government was owing to the wasteful expenditure which had been going on for some time both at home and in India. Up to 1860 there were only four great sources of revenue in India—the land tax, which produced from £19,000,000 to £20,000,000; the two Government monopolies of salt and opium, £10,000,000; the Customs' duties, about

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expenditure.

£4,000,000; stamps and some other small items, which, together, made up a total of £38,000,000. What was incomprehensible was that, with that amount of income, the Government did not make the two ends meet. That was a task which they ought to be called upon to perform, not only without aid from this country, but without imposing further taxation on the people of India. Instead of that, however, the opposite policy of constant loans with the imposition of new taxes was being pursued. In the year 1859, when Mr. Wilson went out to Calcutta, he told the public that in the year 1859-60 the expenditure was £47,000,000, and the income £38,000,000, showing a deficit of £9,000,000. In 1860-1, after every possible reduction in the Estimates, Mr. Wilson said that, supposing the income to remain the same, he could not anticipate a less deficiency than £6,000,000. Moreover, he repudiated the idea of having recourse to loans, yet we had had and were having constant loans. He insisted, too, upon the necessity of establishing an equilibrium between income and expenditure, and he showed how that could be achieved by an income tax, a tax upon trades and professions, by the introduction of a tobacco monopoly, and by raising the Customs' duties. He sought, in short, to raise the income to the level of the profligate expenditure which was then going on, instead of cutting down that profligate expenditure to the level of the income. But in this he was unsuccessful; for in 1860-1, the income was only £34,000,000, and the expenditure still remained at £47,000,000. Now, he (Mr. Smollett) agreed with the late Governors of Madras and Bombay in thinking that the proper policy would have been to have applied ourselves to the revision of our establishments, and not to the imposition of fresh taxation upon the people of India. In his opinion, the taxation imposed by Mr. Wilson had been rash and unnecessary. It was certainly unnecessary; for if they turned back to 1856, when the Marquess of Dalhousie resigned the reins of Government, after all those annexations and spoliations for which his vicereignty was notorious, he left behind him a minute in which he distinctly stated that for all ordinary purposes the ordinary revenue of India was then sufficient. At that period the revenue was between £33,000,000 and £34,000,000, and the Marquess of Dalhousie expressed his decided conviction that every possible exigency of the Government might be supplied with the sum of £34,000,000, including an expenditure of £2,000,000 or £3,000,000 for public works. What had since occurred to discredit or falsify that computation? Nothing but

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the mutinies. To suppress the insurrection in Bengal—for he took it to have been an insurrection of the people, not a mere mutiny of the army—£40,000,000 was borrowed, the interest of which was £2,000,000 per annum, and that £2,000,000 per annum was the penalty which the people of India were compelled to pay for what Mr. Wilson had termed their most foul and unnatural rebellion. But that was not the only penalty which they were paying. They were now required to provide for an expenditure of £47,000,000 sterling; or £14,000,000 more than the Marquess of Dalhousie thought to be amply sufficient to meet every exigency of the Government only four or five years ago. Surely the enunciation of such a fact was of itself sufficient to show the necessity of an urgent scrutiny into and reform of every branch of Indian expenditure. In his judgment a large sum might be saved in every department of the Government expenditure, and especially in the civil establishments, not by cutting down the salaries of individuals, though much might be done in that way, but by the introduction of new and improved fiscal schemes of administration in the country; by the introduction, for instance, into the territories of Madras and Bombay of the principles of that permanent settlement which Lord Cornwallis adopted in Bengal seventy years ago, and which was the foundation of the improvement and wealth of that portion of our Indian empire. The cry in India was always for more patronage, places, and situations, but, in his opinion, there were too many highly paid functionaries there already. Those parts of the country were best governed where there were fewest officials, and where power was centred in the hands of a small number of experienced officers, as for example in the non-regulation provinces. In fact, the ordinary administration had fallen into the utmost possible contempt in districts where appointments had been multiplied to the greatest extent. It was in the army, however, where the largest amount of reduction should be made. The maintenance of a force of 80,000 European troops in India was wholly unnecessary; 50,000 would be amply sufficient to preserve tranquillity if the country were only governed with justice and moderation, and endeavours were made to conciliate instead of to exasperate the inhabitants. But if the European army was to be maintained upon its present footing, there was a great necessity for considerably lowering the pay and emoluments of the officers and soldiers. At present, when a regiment was sent out to India, the pay and allowances were at once doubled, and the pay and emoluments of the superior officers

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army
expenditure.

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cases in
Public Works
Department.

became five or six times what they amounted to in this country. The time had arrived when that should be revised; when the pay should be rendered more commensurate with the duties performed, especially in time of peace, and be made nearly identical with the pay of regiments serving in our other tropical possessions. Then there were the staff appointments in India. Since he had served in India, they had been multiplied five-fold. Places had been made for men, not men selected for places. Last year the Secretary of State said there were 1,200 officers in the local Bengal army alone serving on the Staff, and this was mentioned apparently with the view of showing that the Queen's officers did not get their fair share of the plunder. A lieutenant-colonel presided over the stationery department; captains and majors on full pay superintended ragged schools; and not long ago, an officer in the Madras Presidency was selected to be photographer to the Governor, probably to take likenesses of the notables of the Council, and of the family of his Excellency. The sum paid for his chemicals, and for this officer's general establishment, was £1,600 a year. In former times, the staff appointments were limited in India, and only a certain proportion of officers could be taken from the regiments; but since the amalgamation of the armies had taken place, there seemed to be unlimited opportunities for multiplying these staff appointments. He feared they would be doubled in a few years, though he believed half of those which already existed were not needed. Then there was the Public Works Department, which seemed to be in such favour with hon. Gentlemen connected with Lancashire; though, after having watched it carefully for twenty-five years, he must say that he thought it one of the most expensive, corrupt, and profligate organizations in the world. In this country, where a work was undertaken by officers of the Government, one generally looked for the *maximum* of cost and the *minimum* of profit; but how much more must that be the case in India, where every public work was done by Government officers, from clearing a drain to opening the Godavery. In the Revenue department, when immense works were undertaken, fabulous reports were spread of the enormous profits derived from them, but those anticipations were too seldom realized. He would instance the irrigation works of the Godavery, which had been often referred to as likely to produce enormous profit; they were begun in 1847, and opened in 1852, at a cost of £300,000. The normal land revenue of the district previously stood at about £200,000 a year, and from 1852 to 1857, it

Mr. Smollett.

never rose above £204,000. The expenses of maintaining the works, superintendence, and the interest of capital sunk amounted to £40,000 a year, so that there was a clear loss of between £30,000 and £40,000 a year to the Government. And yet all this time the Government allowed their officers to state that the works had paid for their construction from the beginning, and that they were about to pay 70 per cent. per annum to the Exchequer. It was now stated, on the authority of Lord Canning, that the public works of re-production were stopped in India, but on looking into the accounts it would be seen that in 1859-60 £4,500,000 was expended on public works, irrespective of railways, and the estimate for 1860-1 was £4,300,000. The salaries for establishments alone in 1859-60 amounted to between £600,000 and £700,000. These public works might easily be cut down to the level of the Marquess of Dalhousie's time. In the home expenditure very large sums were lavished unnecessarily in subsidies to companies in the City of London, got up, in his opinion, for stockjobbing purposes. The expenditure of £47,000,000 for the year 1860-1 was a great scandal. The interest on the public debt of India was but £4,500,000, and the rest of that large sum was squandered to a great extent—on the civil and military services. Such an expenditure was altogether unnecessary if we governed the country with justice and moderation; but it was now required to be extorted from the Natives of India, because we carried on our Government there on the principle of military dominion. That military coercion was the rule of our Government there was shown by the fact that the income tax had been brought down to salaries of £20 in civil life, while all highly paid military officials up to the rank of majors of the line had been exempted. Such an exemption was most unexampled, and could only proceed from a desire to conciliate the military service. So long as our rule was conducted on this principle, so long should we have there a harvest of discontent. The true policy was to reduce expenditure. The Indian Government ought to be compelled to remit money to England for the expenses of the Home Government, instead of the Secretary of State having to borrow it here, and he should certainly, therefore, vote against the right hon. Gentleman's resolution.

MR. DANBY SEYMOUR said, he was sorry to see that the right hon. Gentleman the Secretary of State for India, had inherited a very bad principle of the old East India Company, never to allow a private company to get too good a thing in India. In the instance adverted to by the noble

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Seymour.

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Lord the Member for King's Lynn, a private company was raising money in this country for an object which would have been of great benefit to India, when the right hon. Gentleman turned round and retreated from the conditions to which he had agreed, or, at least, which he had led the company to believe he would agree to. This was the policy of the old company, and very injurious it had been to India, for it had prevented English capital from flowing into that country. The only exception was in the case of the Madras Irrigation Company, where the terms granted were fair and liberal, and the profits of that undertaking would be very considerable. The consequence was that the shares of that company had risen considerably. What they wanted to see in India was one or two companies which paid extremely well, so as to give confidence and enable them to raise capital without this extreme burden being cast on the finances. He believed that the more they reversed the old principles of Government the better it would be for India and for this country. The railways would carry anything but cotton. The ordinary carts might have been seen not long ago carrying cotton side by side with the Madras line. He did not know how far the change in the rates effected by Sir Charles Trevelyan had had the effect of altering such an extraordinary state of things, but he believed that even now other railways did not bring the products to convey which was the great object of their being made. There had been a small beginning in a new system of finance. The right hon. Gentleman had introduced the income tax, which, in a poor country like India, was an extremely heavy impost, and extremely distasteful to the people. It would be dangerous to persevere in taxing personality unless they removed the shackles which prevented the accumulation of capital, and the right hon. Gentleman had not taken measures to promote that great object. It was useless to send planters and seeds from South America, or to write despatches about the cultivation of cotton. The one thing needful was to alter the tenure of land. It might be quite true that, in some parts, the people were attached to the present system of tenure; but in such parts they need not alter it, as it was a great mistake to suppose that legislation must be uniform for the whole of a great continent. There were miles upon miles of waste districts adapted to the cultivation of cotton, which were once fertile through the irrigation works of former Mahomedan princes. Why were those lands not sold? He would give notice that dormant rights would be extinguished, and apply the same principle which had

Improvement
of tenure
of land.

Mr. D. Seymour.

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been successfully applied in America—of selling lands to settlers at low prices. The same cause which now attracted population to America and Australia would draw them to India, and make India prosperous. The parallel between the Godavery and the Mississippi had been questioned, but he had the authority of Captain Haigh, the engineer of the Godavery, who had seen the Mississippi, for saying that there were no more obstacles to making the Godavery navigable than to making any river in America navigable. The hon. Member had appealed to the noble Lord at the head of the Government as one imbued with the spirit of the age, and convinced of the necessity of going a little faster than people who lived in former times. He would ask the right hon. Gentleman the Secretary of State to take an example from his colleague the Chancellor of the Exchequer, whose alterations, during the last seven or eight years, had given satisfaction to the great mass of his fellow-countrymen? They did not want necessary reforms delayed for twenty years. The noble Lord the Member for King's Lynn (Lord Stanley) had been only a year in office, and he had made a beginning. The right hon. Baronet the Secretary of State had been two years in office, and he wanted to know how long it would be before he would decide on some bold and enterprising measures. If they had begun to govern India in the spirit and with the vigour which the Chancellor of the Exchequer had shown, they would never have had the mutiny. A miserable apathy prevented the cause being removed. They had paid dearly for it, but the same cause would lead to the same results. They would not only have a revolt of the army; but, if reforms were not adopted, they would have a rebellion, and they would lose India.

COLONEL SYKES said, that the subject of railways and cotton had an important bearing on the financial position of India. As to cotton, if the ryot or farmer, who generally had a proprietary right in the land found that the cultivation of it would pay better than the cultivation of sugar, he would grow it; he was fully alive to the value of money, and was free from the obligation to raise certain crops in rotation like the English farmer. Experience showed that cotton of any quality could be produced in India. But its prospect of sale depended upon the cost of its transit to the coast, and it was of importance, therefore, to get the cotton conveyed to the coast in the cheapest manner; and, as water carriage was less expensive than the railway, the Government ought to improve the rivers and canals as much as possible. He observed that the Ganges Canal Navigation

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Transport of
cotton.

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Company divided at the rate of 34 per cent. on their paid-up capital for the half-year ending last December; and he had no doubt that the navigation of the Godavery, if properly carried out, might be rendered equally profitable. With respect to the question of the sale of land in fee simple; the Government had no power to sell occupied land as long as the land tax was paid; but Government might dispose of waste land in that manner with great advantage. That was not the time to discuss the question of finance; but the explanatory despatches laid on the table upon the subject were utterly inexplicable. Whether these despatches were intelligible or not, public works in India could not go on without the assistance of the Government; and he apprehended, moreover, that the right hon. Gentleman, before the Session was over, would have to apply for power to raise more money to pay the home charges of the Indian administration.

Mr. Hadfield.

MR. HADFIELD said, he must complain of the great hardship inflicted on trade by the 10 per cent. duty which was charged on all goods, except cotton twist, entering India. It amounted, in fact, to a prohibition, and he hoped the Government of India would make a change in that respect.

Sir Charles
Wood.

SIR CHARLES WOOD said, he agreed with the noble Lord (Lord Stanley) in thinking that a discussion on the general state of the Indian finances would not be attended with any advantage until they had later and fuller information on the subject. As to the railways, the Government, after careful consideration, had come to the conclusion that it was better for them to assist the railway companies by advances of money than to take the lines out of their hands and complete the works on their own responsibility. The Godavery was essentially different from the Mississippi, as extensive and costly works were required to make it navigable, and would probably require the construction of canals in three separate places. No doubt the report of Captain Haigh was a very valuable one, but it would be very imprudent to commence a vast work, such as rendering practicable at all times the navigation of the Godavery, without further inquiry; and, in corroboration of that, he might refer to the proceedings of the Madras Irrigation Company, that model company which had been mentioned by his hon. Friend.

Railways.

The Godavery.

In the case of these operations, plans were prepared for the works in four sections, the whole cost of which was to be little more than a million; but it turned out upon more complete investigation that the lower section of the work alone would cost about a million, and in the other sections the cost would at least be equal to the whole amount of the

Mr. Hadfield—Sir C. Wood.

original estimate for the complete work. As to the danger of beginning works without a full survey, it appears that the same company built a dam across the river, in order to turn the water into a canal for irrigation, which had to pass over some high land, and when built, it was found that the water would not run over the heights from that head, so that a new one had to be built eighteen miles higher up the river, in order to gain a sufficiently high level from which to take the water. Thus, from want of a proper survey, from inaccurate estimates and inadequate levels, a considerable loss had been incurred. The result of the operations of this company ought to be a warning to the Government. In his own opinion, if the Government had the means, it would be better for them to construct those works than private companies, because the Government only required a fair interest upon the outlay, while a private company, of course, wishes for a profit besides. With respect to the growth of cotton in India, he agreed that English superintendence would be useful, but the ryots only wanted sufficient inducements to cause them to grow cotton instead of other crops. It was not quite the fact that the want of means of transport at present prevented the extension of the growth of cotton, for cotton was now sent from India to China. Improvements in the means of transport were no doubt desirable, but, as the hon. Member for London (Mr. Crawford) had truly said, the ryots would grow cotton suited for the English market, if the price offered for it were sufficiently remunerative. English superintendence and direction in the various processes of cultivation, picking, and cleaning would do much towards improving the quality; and within a year or two, he hoped the means of communication would be improved, and the cotton brought down for shipment at a cheaper rate than at present. With reference to the duties upon manufactured goods, he hoped that before long they would be reduced to 5 per cent., as that upon yarn had already been reduced; but as a revenue was necessary, it was hardly fair to object to direct taxation upon land, and to indirect taxation by means of Customs duties. In regard to the tenure of land in India, he had followed out the course adopted by his predecessor in office. It was not true that all the waste lands of India were the property of the Government, but in fact he never could see that the tenure of land was an insuperable bar to the cultivation of cotton, as had been represented, because leases for twenty or thirty years could be obtained. The proposal which he made had no reference whatever to

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the balance of income and expenditure of the year; he was not proposing to raise money to supply a deficit, but to supply immediate wants, because he had not, as he had during the last year, a considerable balance available for home expenditure. He was inclined to think that there would be no deficit at all in the course of the year; and, therefore, neither in the last year nor this, should he have to borrow a single sixpence, as he hoped, for the public expenditure of India. He might, however, have to borrow for the railroads. If the state of the money market enabled the railway company to raise the necessary capital for constructing the line, he had not the slightest wish to interfere; and he should only ask for power to raise money for that purpose, if the companies were not able to raise the necessary capital themselves upon reasonable terms.

Resolved,

“That it is expedient to enable the Secretary of State in Council of India to raise Money in the United Kingdom for the service of the Government of India.”

House *resumed*.

Resolution to be reported *To-morrow*.

13TH JUNE
1861.

EAST INDIA LOAN BILL.

COMMITTEE.

Order for Committee read.

Mr. Hadfield.

MR. HADFIELD said, he thought that trustees ought to be allowed to invest trust money in the stock which would be created by this Bill in the same manner that they were allowed to invest in the existing India stock, and gave notice that he would move a clause to that effect.

SIR H.
Willoughby.

SIR HENRY WILLOUGHBY said, that that House had been called upon from time to time to vote loans for India, which amounted in the aggregate to an enormous sum; and yet they knew very little at any particular moment of the financial condition of that country. It was quite astonishing to see how mistaken the right hon. Gentleman the Secretary of State for India had been in the statements he had submitted to the House with reference to the finances of that country. The right hon. Baronet was, no doubt, anxious to state what was the truth, but the facts had completely contradicted his anticipations. On the 6th of February last, he told them that, although a loan might be required in the course of the year on account of the Indian railways, none

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would be necessary for the current service of the Government; and the right hon. Gentleman had, in fact, made what was known as a "prosperity" speech. He (Sir Henry Willoughby) said at the time he thought the right hon. Baronet took too sanguine a view of the financial state of that country, but he was rebuked by the hon. Gentleman, the present Under Secretary for War (Mr. Baring), for his want of confidence in the calculations of the Indian Minister. The fact was, however, that the House was now asked to sanction a loan on account of India to the amount of £4,000,000. That loan would raise the debt of India to more than £100,000,000, upon which an annual interest of £5,000,000 would have to be paid, although the interest on the Indian debt in 1857, only four years ago, was only £2,500,000. On the 3rd of June, the right hon. Gentleman said that he anticipated that, in the year 1860-1, there would be a reduction of expenditure. A few days after there came a lengthy statement from Mr. Laing, which showed that the expenditure of that year, instead of diminishing, would be increased by about a quarter of a million. The financial condition of India seemed to him to be totally unintelligible. Mr. Laing had certainly made a very able statement upon the subject, just as his predecessor, Mr. Wilson, had done a short time previously. They were at present aware, however, that there was not much ground for their trusting to the calculations of the latter distinguished and lamented gentleman. The scheme of Mr. Wilson had since fallen to the ground; and, although Sir Charles Trevelyan had told the truth in a rather awkward way, it was clear that he was entirely right, and that Mr. Wilson was entirely wrong. It was now generally admitted that the only remedy for the unfortunate state of the finances of India was to be found in a reduction of military expenditure. They were all very much at sea with respect to the real condition of the evil with which they had to deal. They were intermingling the expenses of the Indian Government with the outlay upon gigantic railway works; while, in his opinion, the two subjects should be kept entirely distinct, or nothing but danger and confusion would ensue. He confessed, it appeared to him, that Mr. Laing, in his recent calculations, had taken too favourable a view of the finances of India, and he doubted very much whether it would be possible to realize in the coming year that Gentleman's anticipated surplus. We raised the enormous revenue of £41,000,000, and Mr. Laing attempted to show that this would leave a surplus over expenditure; but the hon. Gentleman's own

Reduction of
military
expenditure.*Sir Henry Willoughby.*

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Indian Navy.

figures showed this to be very doubtful. Mr. Laing proposed to effect a reduction of expenditure by abolishing the navy of India. But the result of such a measure would be to transfer an expenditure of £600,000 or £700,000 from the revenue of India to that of this country. He (Sir Henry Willoughby) believed that there were many items of expenditure which Mr. Laing had overlooked—such, for instance, as the loss on the exchanges, which might be estimated at £500,000 a year. Nothing could be more amusing than to read the affectionate exhortations addressed by the right hon. Gentleman to the Government of India, urging them to reduce their expenditure, and the replies of that Government, humbly suggesting that he should reduce the home charges. But the truth was that the House had no means of controlling the expenditure of India. No doubt, the home charges, especially as regarded the military expenditure, were most extravagant, and in asking for this loan the right hon. Baronet ought to show the necessity for those charges. Was it true that, although the men in the depôts had been reduced by one-half, yet that the officers who were paid out of the Indian revenue had been maintained at their full strength; and had not stores been sent from this country to India, which were not required there, and had not been asked for? It was the duty of the House to call upon the Government to look strictly into these matters. The debt of India had increased from £59,500,000 in 1857 to £103,000,000, and the only chance for that country was the reduction of the army. Yet those reductions could not be carried out without danger. He understood that 200 regiments of the Native army were about to be reduced. [Sir Charles Wood signified that this statement was not correct.] He believed that 100 battalions were to be reduced *instantly*. He thought that sudden changes of that kind in India, where affairs were in a delicate, if not critical, state, were much to be deprecated. He doubted the wisdom also of imposing new and dangerous taxes upon the people, and, above all, he was certain that they were acting with great impolicy by adding to the existing dead weight of India, which at this very moment, was not less than from £15,000,000 to £16,000,000. It was, therefore, with very great reluctance that he saw this proposition for an Indian loan brought forward, particularly after the assurance of the right hon. Gentleman that the year 1860 would see the end of these loans. With respect to the accounts, he could not too strongly condemn the mode which had been adopted of mixing up railway accounts with the general revenue of the country.

Home charges.

Accounts.

Sir Henry Willoughby.

COLONEL SYKES said; that unless the Secretary of State for India was assisted by means of a loan he would not be able to fulfil his engagements in this country, and the public service would be, in consequence, greatly damaged. The estimates sent from India were not trustworthy, and the explanations not easy to be understood. First they were told that no less than £6,678,097 would be required to balance the income and expenditure in 1860-1; and now, coming close upon the heels of the former estimates, came one from Mr. Laing, in which he stated that he actually anticipated a balance of income over expenditure of £239,896 in 1861-2. That excess of income could, however, only be obtained by making a very formidable and dangerous reduction in the Native army. He did not know whether it was resolved to reduce as many regiments as had been stated; but he believed the proposal was to dismiss 64,000 men. Surely the Indian Government would not be guilty of such rashness and impolicy as to dismiss all those men who had been trained to arms at once? The saving, therefore, could only be prospective, for if they proceeded to disband this large number of men at once, the result would be to cover the country with bands of brigands. If, in addition to reviewing the Indian expenditure, his right hon. Friend would turn his attention to the expenditure at home, he would find a wide field for curtailment. The troops in the dépôts far exceeded the number required, and the amount of stores sent out to India was so great as to be actually embarrassing to the authorities there. At the same time he was sensible how inexpedient it would be to embarrass the right hon. Gentleman, and therefore, though with very great reluctance, he should vote for the loan.

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1861.
Col. Sykes.

Home
expenditure.

MR. CRAWFORD said, that in reference to the remark of the hon. Member (Sir Henry Willoughby), that the Indian Government had embarked in "gigantic railway schemes," he wished to remind the House that every one of the railways waiting for completion had been contracted for by the old Court of Directors, and certainly no contract of the kind of any importance had been entered into since the time of the mutiny; the Government, therefore, were merely carrying out engagements into which they had long entered. If the railways were not enabled to sustain immense dividends upon the money invested in the country by the Government, a Court of law was, that trust-
 ing could not be so invested in India stock of that description; it could only be invested in the stock of the Ea-

Mr. Crawford.

Railway
schemes.

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Accounts.

greater amount would be levied by the Secretary of State than the companies themselves would raise were they in a position to do so. He utterly denied that the statements of accounts were obscure. Having read with great attention the speech of Mr. Laing to the Legislative Council, and the various official returns and accounts submitted to the House, he must say that he had never seen financial statements conveying a clearer perception of the matters to which they referred, the railway accounts being kept wholly separate from the general accounts of the Government of India. It was true that occasional mistakes were found to have been made in the estimates of expenditure; but when such difficulty was experienced in attaining a clear view of the public income and expenditure of this country, as appeared from a Return recently laid on the table of the House, it was not to be wondered at that discrepancies were sometimes observable in the statements of Indian revenue. For himself he did not feel the slightest apprehension for the future of India, either in respect to finance or any other matters; and he believed that the Government of that country were fully prepared to take every measure for the curtailment of the expenditure with judgment and discretion.

Mr. Ayrton.

MR. AYRTON said, in times past he had joined in pressing on the Government the necessity of embarking in the construction of Indian railways, and he thought the right hon. Gentleman the Secretary of State for the Indian Government had some reason to complain that rival schemes should now for the first time be pointed out as desirable or advantageous. For his own part, he did not think the objections well founded. It was suggested the other night that the water communications might be so improved as to render railways unnecessary; but this idea was opposed to the experience of practical men, for the last ten or fifteen years, and to the considerations which had repeatedly been urged upon the Government. In connection with the construction of railways in India, they had seen enough to show them that there must be ground for stating that it was not easy to improve the water communication; and that great result the way of such improvement could not be effected. For instance, some persons considered to be the assurance. His own idea was that the Government would see the better course than the accounts, he could not see. If this had been adopted of making up railway general revenue of the country, say

Railway
schemes.

S. H. Mr. Ayrton.

panies, unless he gave those companies practical support and protection in the prosecution of their great enterprises, and unless he gave guarantees that he was willing to carry out the engagements of the Government with perfect good faith. For instance, he understood that the Government were now offering land to the companies, in very inconvenient situations, provided they would pay for it; whereas the original understanding was that the Government would grant the land to the companies free of cost, wherever they wished for it. He trusted that the right hon. Gentleman would see that it was very shortsighted policy on the part of the Government to attempt to gain any small advantage over the railway companies, or to deviate in the smallest degree from any engagements, however onerous, which they had undertaken with a view of inducing private persons to invest their money in those railways. If he held out the prospect of fresh guarantees, and brought new competitors into the market, great difficulties would be experienced in raising the money necessary for the completion of the present undertakings. As the right hon. Gentleman had sent into the market a number of companies, all with guarantees, and all competing with each other for capital, there was no other course open to him than that of obtaining the loan, which he now proposed to raise. It should be remembered, that the money thus raised would not be unproductive; it was not analogous to loans raised to make good deficiencies of Indian revenue, but would pay interest, which would be derived from the industry which the railways themselves would develop.

SIR CHARLES WOOD said, the first question raised was that of the hon. Member for Sheffield. (Mr. Hadfield). He (Sir Charles Wood) was the last person to object to the introduction of such a provision in its proper place as the hon. Member proposed, but he did not think it would be proper that the clause suggested should be introduced into the Bill before the House. In 1859, a Bill was introduced to amend the law of property and to relieve trustees, one of the clauses of which empowered trustees to invest trust-money, not only in the Securities in this kingdom, but in certain other Securities, amongst which was included the stock of the East India Company. A question was raised in the Courts of law, whether that clause enabled trustees to invest money in the loans raised in this country by the Government of India. The decision of a Court of law was, that trust-money could not be so invested in India stock of that description; it could only be invested in the stock of the East

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India Company. Now, anxious as he was to improve the India stock, he thought that to introduce into this Bill a clause conferring that power would be very unfair; but he should be very glad to see such a power given by any Bill relating to the power of trustees to invest trust property. It was exceedingly inconvenient to mix up with this Loan Bill the general question of the finances of India. He had stated before, and he now repeated it, that he was not at present in a position to bring forward the question relating to the general finances of India. All he could say on that point was that, whether there was a surplus or a deficiency, he was alike under the necessity of asking for this loan. The hon. Baronet the Member for Evesham (Sir Henry Willoughby) said, he had given too favourable an account of Indian finance in his speech in the House in February last. To show that he had not done so, he begged to read the following statement from Mr. Laing with reference to the deficit of 1860-1. Mr. Laing in his recent speech said:—"The position, therefore, we are left in by the Budget of 1860-1 is simply this—a deficit of £6,000,000, less £500,000 increased revenue; remaining deficit, £5,500,000." What was the statement which, in February last, he (Sir Charles Wood) made to the House, and transmitted to India? On the 2nd of February he wrote to the Government of India in these words—"The annual deficit that will have to be dealt with at the close of 1860-1 may be assumed to be £5,500,000." He did not think he had taken too favourable a view of the revenue when it turned out to be identical with that which Mr. Laing stated it to be at the end of the year. At the same time he must admit that there were certain discrepancies in Mr. Laing's statement, which, without an explanation not yet received, it was impossible to reconcile with the accounts on the table of the House, and he should only refer to one of them. Mr. Laing stated that so far from there being a diminution of expenditure in 1860-1, as compared with 1859-60, there was a positive increase of upwards of £200,000 in 1860-1. But there were on the table of the House the official accounts signed by the Members of Council, and the figures showed that the nett expenditure amounted in 1859-60 to £43,997,000, and in 1860-1, to £38,362,000, showing an actual reduction in the gross expenditure amounting to £5,635,000. He begged to say that upon the whole he was inclined to place more confidence in the official document, sent with the authority of every Member of the Council of India, than in the statement of

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the hon. Gentleman made in the reported speech. It appeared that there was a balance of £1,000,000 more in the Indian Exchequer than had been anticipated, and he had a general confidence in the improved state of the Indian finances. What the hon. Member for the Tower Hamlets (Mr. Ayrton) said was perfectly true. But he (Sir Charles Wood) would again repeat that, whilst with regard to the income and expenditure of India it was easy to keep the railway expenditure distinct, with regard to ways and means it was impossible to separate it. In this country we depended on the railway receipts for payment; the railway expenditure in India depended on the public treasuries; so that it was impossible to keep this expenditure apart from the account of ways and means. Then he had been asked why he was obliged to have recourse to this fresh loan? It was not for the purpose of keeping a balance between income and expenditure, but because he (Sir Charles Wood) was not in possession of funds at home to make the payments that must be made. He had in the Home Treasury £2,000,000 more last year than he had this; and he had sent £1,000,000 to meet the possible demands on account of the famine and of the railroads—so that he had £3,000,000 less at his banker's this year than he had last. With the exception of the demands for railways, he did not expect to have to borrow a single sixpence, in order to defray the expenditure of India.

Bill considered in Committee; House resumed; Bill reported, without Amendment, to be read third time To-morrow.

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SIR C. WOOD'S SECOND FINANCIAL STATEMENT,

1861-62.

EAST INDIA LOAN.

COMMITTEE.

House in Committee.

(In the Committee.)

SIR CHARLES WOOD said, that some time ago, when he moved for power to raise a loan for the service of East India, he stated that probably before the end of the Session he should have to apply for discretionary powers to raise money to make good any deficiency in the amount required for constructing railroads in India, and he now rose to ask for such powers to raise money to be used only in the event of the railway companies not furnishing the sum required. As he stated the case pretty fully on a former occasion, it would not be necessary for him at present to refer, except very briefly, to the matter. In the course of last year it was anticipated that there would be spent about £6,000,000 in India on the construction of railways; and by the accounts last received the amount came up very nearly to that sum, the actual expenditure having been between £5,800,000 and £5,900,000. The expenditure in this country had been upwards of £2,000,000, and the whole expenditure in the course of the year ending on the 30th of April last amounted to upwards of £8,000,000. It was believed that as far as India was concerned the expenditure for the present year would be about the same—namely, £6,000,000 in round numbers; and that the expenditure in this country would be about £1,700,000 or £1,800,000. Supposing, then, that there should be a little more expenditure in India (which the Government would be glad to incur, in order to proceed with the railroads now in the course of execution as rapidly as was consistent with their due construction), a sum somewhat greater than £6,000,000 might

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be expended; but, as it was not worth while making estimates except in round numbers, the estimate for the expenditure in this country and in India was £8,000,000. Of course, therefore, from the money market in this country, in one shape or another, either by means of the railway companies or by means of the Indian Department, that sum must be raised. It was impossible for him to say what amount the railway companies would raise, and he had no means of raising a single sixpence unless he received power to obtain the sum required for this purpose, if the railway companies failed to do so. What he wanted the House and the country and the money market clearly and distinctly to understand was that there was no double demand on them. If the railroads raised the money, then he should not raise a sixpence; but, if they did not, then it was incumbent on him to raise the money, because all were agreed that for the interest of India, of England, of the shareholders, and of the Indian Government, who were losing money by paying the guaranteed interest, the railroad expenditure in India should not be checked, but that all the railroads should be completed at the earliest possible period consistent with the due execution of the works. Therefore, he proposed to take a discretionary power to raise such a portion of the sum of £8,000,000 as the railroad companies might not be able to raise for themselves. His own impression was that, assuming the worst, they might be able to raise £3,000,000, and, therefore, he proposed to take a discretionary power to raise £5,000,000 between this and the 30th of April next. Considering what had already taken place, he certainly must say that he found no indisposition on the part of the money market to furnish him even with more than he asked for. On a recent occasion he asked for £4,000,000, and he was offered about £21,000,000. However, he had no wish to borrow more than was necessary for the purpose of carrying on the works of the railroads; and with respect to other works which it might be desirable to construct in India, he believed that the state of the Indian finances was such that it would not be necessary to borrow on that account. Without going further into details, he wished the House and the country to understand that not one single sixpence would be borrowed by him under any circumstances for railroad purposes in India, unless the railroad companies failed to raise the money themselves. He proposed to make the loan in the same stock as the previous loan, and on that subject this was all he had to say. He now proposed to make a statement with respect to the finances

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of India, and he thought the statement would prove satisfactory, as it was not his intention to raise a sixpence by borrowing for the Indian Government, because there was not the slightest occasion to do so. It was usual, on occasions like the present, to refer to the estimate of the past year, and to the accounts of the year preceding that, and to the estimates for the current year. It had been stated by an hon. Member that the accounts from India were exceedingly complicated. That was true; and one reason for his not making the present statement at an earlier period was because he had waited for an explanation of some discordant statements which had come from India. He was happy, however, to be able to say that the statement which he had made on the subject on a former occasion was borne out by the actual result. The accounts of the Indian revenue and expenditure for the year 1859-60, together with the regular Estimate for 1860-1, had been laid on the Table of the House, but there was, he was bound to admit, a very considerable discrepancy between the estimated and the real amounts coming under those heads. He found, for example, that the estimated amount of the expenditure for 1859-60 was £46,890,000; the actual expenditure, £50,475,000; the estimated revenue, £37,796,000; the actual revenue, £39,705,000; the anticipated deficit being thus in round numbers £9,000,000; the actual, £10,770,000; the actual income was larger than the estimated by about £2,000,000, and the actual expenditure more than the estimated by about £3,500,000. That appeared to be incredible, but no explanation of the matter had been sent from India. An explanation had been written for, and he had anticipated that it would be found to consist in the fact that the reductions made by Mr. Wilson in the military expenditure had not been brought into the accounts for the year, and would appear in the accounts for the year 1860-1. While, however, he was waiting to receive some information in reply to his inquiries on the subject, he had been very much surprised to see a statement made by Mr. Laing to the effect that the expenditure for the year 1860-1 was, notwithstanding the reductions to which he alluded, actually £200,000 in excess of that for the year immediately preceding. Upon making inquiry of Mr. Laing himself who had returned to this country the other day, and who he was sure the House would be glad to hear was much improved in health by the voyage home, he learnt that the statement in question was attributable to the fact that Mr. Laing had been misled by the accounts published by the Financial Department of the

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Government of India in the *Calcutta Gazette*, which turned out to be altogether erroneous; the real truth of the case being, as he had anticipated, that the reductions stated by Mr. Wilson to have been brought to account in 1859-60 were not brought to account till the following year. Those reductions in the military expenditure, as estimated by Mr. Wilson, amounted for the year 1859-60 to £3,500,000; for 1860-1 to £2,500,000; making a total of £6,000,000; and he was happy to be able to say that, although the actual reduction under that head amounted in the former year to only £171,641, the estimated decrease for 1860-1, based on figures on which he could place reliance, was so large that the reduction in the two years was £5,800,000. He now came to the year 1860-1, the expenditure for which was, in round numbers, £46,000,000; the income, £39,500,000; deficit, £6,500,000; but, if from that amount were deducted the sums paid in the shape of compensation for losses incurred during the mutiny which did not constitute an annual charge, and some other items, the actual deficit would be found to be reduced to little more than £5,500,000. [Mr. H. Seymour: Does that statement include home charges?] Yes. That being so, the Committee would at once see that the expenditure for 1859-60 having been £50,475,000, and that for 1860-1, £46,000,000, a comparison of the expenditure for the two years showed a reduction in favour of the latter of, in round numbers, £4,400,000. Now, it might be asked whether the result of the statements he had just made ought not to be to shake the faith of the House of Commons in the accuracy of the Estimates of Indian revenue and expenditure which might hereafter be drawn up; but his answer to that question must be in the negative, inasmuch as greater pains had been recently and were now bestowed on the framing of these Estimates than used to be the case. That he was justified in making that statement was, he thought, proved by the fact that the amount of cash balances in the Indian Treasury at the end of the financial year was greater than had been anticipated—a circumstance which was to be attributed rather to a reduction of expenditure than to any increase in revenue. The cash balances, as estimated in the regular Estimates for 1861-2, contained in the papers which had been laid on the Table of the House in March last, amounted to £11,448,000, while it appeared by the Financial Letter from India, dated the 2nd of May—which contained, of course, the actual amount so far as the great treasuries were concerned, and the estimated only so far as related to the

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more distant treasuries; that these cash balances reached the sum of £12,850,000, thus leaving a surplus over the amount estimated so recently as March last of £1,402,000. No more satisfactory proof than that could, he thought, be afforded of the improved state of Indian finance; nor need he, he felt assured, say anything further to point out that greater confidence than hitherto might be placed on the system of accounts in India, and that that confidence ought to be extended to the Estimate for the current year. That Estimate he found given by Mr. Laing in a very clear manner in his official statement, although he could not help thinking it was somewhat too favourable. Mr. Laing, by transferring to the local budgets £500,000, omitting loss in connection with railroad money, £470,000, and making a reduction on home charges, beyond the estimate which was sent out from this country, of £300,000, arrived at a surplus of nearly a quarter of a million; but, taking a view of the case which he believed, after due consideration, to be more correct than that formed by Mr. Laing, and assuming the revenue of India to remain as it was, and no reduction of expenditure to take place, he calculated there would be a deficit of £1,000,000 at the close of the current year. That amount would be diminished to the extent of £500,000 if a transference of expenditure to that amount were made to the local Budget. Mr. Laing also hoped that a considerable reduction might be effected in connection with the army, and he hoped that in the proposed modification of the licensing tax, some additional revenue might be derived from that source. He was in hopes that in one way or another the deficiency would entirely disappear. But even if it did not, the cash balances were amply sufficient to defray any excess of expenditure which might occur in the course of the present year. At the end of the present year, at latest, the expenditure and income would be brought into a state of complete equilibrium, and he trusted that in future there would be no necessity for raising any loan, either in India or in England, to meet the Government or State expenditure in India. There were one or two things very satisfactory in the Budget statement from India. In the first place, the expenditure for this year included a sum of £600,000, which was entirely due to the recent famine in India, and that item of course would not occur again. In the next place, a large portion of the expenditure consisted of the guaranteed interest on railway capital, and of the loss arising from the transmission of money to India. This was for the present

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25th JULY 1861. a charge upon the revenues of India; but, of course, when the railways were completed and became remunerative, to however small an extent, that charge would cease. For the present year the charge for guaranteed interest, less traffic receipts, was £1,300,000, and the loss by exchange last year amounted to £473,000, the result being a charge upon the revenue of India of £1,773,000 on account of railways alone. But that charge, as he had said, would soon cease, and he hoped he might look forward to a state of things in India such as had not been seen for many years past. For some time past there had been an excess of expenditure over income, but he trusted that after this year, unless some great calamity occurred, we should have a surplus instead of a deficiency, and then we should be able to make those alterations in the taxation of the country which everybody wished to see carried into effect. The reduction of the duty on yarn from 10 to 5 per cent. had caused some loss to the revenue, but he hoped the yield would soon reach its former amount. He also trusted that we might be able before long to reduce, in like manner, the duty on manufactured goods from this country. The duty on salt had been most productive, and he was glad to say that, owing to the improved condition of the people in India, it had in no degree diminished the consumption. In Bengal, where the additional duty was highest, the consumption had increased very rapidly. The additional duty was 25 per cent., whereas the increased consumption was 30 per cent. He believed that the only duty as to which any apprehensions were entertained was, as usual, the duty on opium. Last year, owing to the very high price of opium at Calcutta, the duty was exceedingly productive; but within the last few months the price had fallen considerably, and one never could speak with confidence as to what the yield of the tax would be. Mr. Laing had taken a low figure, and he believed his estimate would not be found too large. The House already knew that the reduction which had taken place was mainly in the military expenditure. He did not mean to say that it had been carried as far as he could have wished. If it had been begun earlier it would have been more valuable; but he thought the House would be satisfied, after hearing a few facts, that a great deal had been done in a short time. The following short paragraph from the last financial despatch from India would show the amount of the reduction:—

“Seventy-seven Native regiments will have been broken up since 1859, and the Native army reduced from 234,000 to about 140,000 men. Including military police, the reduction of Native armed force since 1859 will not have been less than 200,000 men.”

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A certain proportion of the soldiers had been absorbed in the police, and a considerable number had found employment in various ways. He thought that, considering the state of the country, the Government of India had gone quite as far and as rapidly as prudence would warrant. In 1858-9 the military expenditure was £24,750,000; in 1861-2 it was estimated at £15,500,000—showing a reduction since 1858-9 of no less than £9,250,000. He had nothing further to say on points of finance; but there were certain matters connected with the administration of India upon which he wished to make a few remarks. A most interesting and instructive report on the famine had been received from Colonel Baird Smith, and he would state one or two facts from it. The extent of the area over which the drought prevailed was much more restricted than many people supposed. A considerable portion of the North-West Provinces was visited by the famine, but in the neighbouring countries—Oude, for example—there was plenty of grain to be had; the difficulty was in paying for it. In the afflicted districts the distress arose from the utter impossibility of cultivating the soil, which, from the want of rain, became almost as hard as iron. Perhaps the best proof of the severity of the pressure was to be found in the price of grain. It was very remarkable that though the famine of 1837-8 was infinitely more severe, and infinitely more destructive to human life and cattle, than that which recently raged in certain districts in India, the price of grain was never so high as it was during the last year. Taking the mean of the six districts where the famine was most severe, the average price of grain in common years was 40½ seers per rupee; during the famine the same sum purchased only nine seers. Relief had been extended very largely to the people, partly by the Government and partly by liberal subscriptions raised in India and in this country. For a considerable period no fewer than 143,000 people were daily employed on the relief works—irrigation, railways, and roads. The famine led to an extensive emigration from the afflicted districts, but he had every reason to suppose that the people would return to cultivate the soil when the rain came. Colonel Baird Smith showed in his Report the diminished quantity of rain which fell during the last year. In the six districts where the famine raged the average fall of rain was, in autumn, 24·19; in spring, 6·86; but during the famine year it was, in autumn, 9·09, and in spring, 1·33. These variations in the fall of rain were quite sufficient to account for the failure in the production of food for man and beast, the productive-

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ness of the soil in India being almost entirely dependent on the rain-fall. It was curious enough that those tribes which were the best agriculturists had resisted the famine throughout, while those who had not given their attention to agriculture were not only worst off, but actually would not receive assistance; their heart failed them, and to a great extent they emigrated to other districts where the famine was less severe. Fortunately, by the blessing of Providence, rain had fallen more early this year than usual, and he hoped, therefore, they might anticipate that the worst of the famine was over, and that next year would be one of prosperity. The next subject to which he would call the attention of the House was one on which some discussion had taken place, on the Motion of the hon. Member for Southwark, in connection with the planting of indigo in Bengal. The state of feeling between the ryot and planter was, unfortunately, one of some standing, and its more recent intensity had been productive of great suffering and loss. He held in his hand a letter from the late Lieutenant Governor of Bengal, so long ago as 1854, stating that while the planting of indigo ought to have been one of the greatest blessings to the country, the ryots themselves regarded it as their direst curse. The cultivation of indigo during the present year had ceased to a great extent. There had been attempts to enforce by criminal proceedings the performance by the ryots of the contracts into which they had entered. A measure had been passed with that view; but of course that was only a temporary Bill. No doubt the indigo planters would lose very largely, and it was natural that they should be exceedingly irritated at the present lamentable state of things. The Government, however, had done their duty in all cases by holding the scales as impartially as possible between the ryots and planters. He was sorry, however, to say the bad feeling which existed had been increased by a fact to which the hon. Member for Westminster had on a former occasion referred—namely, the circulation under an official frank of a Bengal play not calculated to raise the character of the planters in Bengal. He thought that a most improper act, which had been done not only entirely without the sanction, but without the knowledge of the Lieutenant Governor of Bengal. When brought to his knowledge in such a way that he could take notice of it, he had expressed his extreme disapprobation of such conduct. It was the duty of the Government, as he had stated, to hold the scales of justice perfectly even between the one and the other—to protect the ryot from

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oppression and the planter against violence; and all parties in this country must be anxious to contribute as far as they could to a fair and reasonable settlement of the dispute. They were the best friends both to the ryot and the planter, to the interests of this country and of India, who sought to soothe the feeling on both sides, and promote as far as possible that settlement which would restore the cultivation of indigo on a sounder and healthier foundation than before. The next point to which he would call attention was one which at all times was of the greatest importance, but at the present moment was of vital importance to this country and India—he meant the cultivation of cotton. He need not say that his attention had been directed to this subject in former years; and his attention had been constantly directed to it since he held the office he had now the honour to fill. Various opinions were entertained as to the capability of India to produce cotton in the quantity required by this country. His firm conviction was that if proper means were taken in India by the Government, and by those in this country who were interested in the production of cotton, all co-operating together—and it could not be done without that co-operation—India might be made a source of supply which, to a very large extent, would render this country independent of other countries. He trusted before long that would be the case. So far as he could make out the probable supply of cotton from India this year would be very large—considerably in excess of any previous supply. Upwards of 620,000 bales had already left India for this country; from 300,000 to 400,000 bales more were expected; so that in all there would be 1,000,000 bales, or 320,000 more than ever before were received from India. The price obtained, he hoped, would stimulate still further the cultivation of cotton in India, and lead to an improvement in the processes of picking and cleaning, which the cultivators were too apt to forget. The Indian Government had laid out considerable sums of money in endeavouring to ascertain what were the best sorts to be grown in India, and in the southern parts a considerable quantity had been grown and sent to Calcutta. He thought it well worth the while of those interested in the growth of cotton in India to take active measures in order to obtain from all accessible points the best information on the subject. With this view he was happy to state that Mr. Haywood had been sent out from this country. Dr. Forbes, in India, was, he believed, intimately acquainted with the best modes of producing cotton in that country. These two gentlemen were going

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to visit the cotton districts together, and he hoped the result would be to lay the foundation of producing cotton in India to a much larger extent and in better condition than had hitherto been the case. So much for private enterprise. The duty of the Government was to improve the communications from the coast to those portions of the interior where cotton was grown. The main sources of supply were two—Dharwar and Berar—and every effort was being made to improve the communications as rapidly as possible. With regard to Dharwar cotton, the most convenient port was Sadashevagur, and orders had been given for proceeding rapidly with the road to that place. He would read an extract from the last report which had been received on that subject—

“Orders have been given that the engineer in charge shall be supplied with funds as fast as he can employ them advantageously. The Government promise that ‘no exertion shall be spared to have the road completed throughout as early as possible; but this,’ they add, ‘cannot be this year.’”

Berar cotton.

Navigation of
the Godavery.

He now came to the second source of supply, Berar. Cotton would be brought thence in two ways—first, by the East India Peninsular Railway, for the prosecution of the works of which, as rapidly as possible, orders had been issued. Whatever money was necessary for that purpose would be forthcoming, and both branches of the line—namely, that through the centre districts to Nagpore, and also the northern branch, would be completed as expeditiously as practicable. Another route by which cotton could come from Berar would be by the Godavery. The navigation of that river was to be opened up with the least possible delay. When Captain Haigh was here, he asked for money to provide plant and machinery with which to improve the Godavery along its whole course, and whatever he had asked for had been supplied. No means would be spared and no time lost in furthering that important work. Sir W. Denison, the Governor of Madras, said that immediately on his return from Calcutta, he would proceed along the course of the Godavery himself to see what would be the most advantageous mode of conducting these works. For himself, he had always been convinced of the expediency of opening this great channel of communication into the interior; but hitherto the main difficulty had been the want of funds. That difficulty was now got over; and although when questioned on this subject the other day he was then unable to answer until he had consulted his Council, he was happy to have it in his power now to

state that it had been determined that morning in the Council to send out orders to India directing that the opening up of the Godavery should be carried out as rapidly as the supply of labor available would allow, and as was consistent with the due execution of the work. In the present precarious state of our cotton supply, the Government would not do its duty either to this country or to India, if it lost a moment in taking energetic measures to provide the means of communication between the cotton-growing districts of India and the coast. He would next make a few observations on one or two points connected with the political administration of India. He had briefly adverted on a former occasion to the policy pursued by Lord Canning towards the Native Princes and chiefs. That policy he believed to be sound in principle, and well calculated to lay a firm foundation for our power. As far as it had already been carried out it had proved exceedingly successful. In past years the tendency had been rather to depress the Native Princes. That had been entirely reversed of late. New treaties had been made with several of those Princes, and territory assigned to them which, while consolidating our dominions, increased the dignity and honor of those to whom that territory was assigned; and an assurance was held out that native rights would not be invaded by the British Government. An exemplification of the effect of that policy was seen in the recent events in Sikkim. The people of that country made inroads into our territory, and carried off our subjects. It was the duty of our Government to despatch a force to that quarter to obtain the liberation of the captives, and also reparation for the outrage committed upon them. Reparation was accordingly demanded by our agent, accompanied by an intimation that we had not the slightest intention of annexing an acre of territory. What was the result? Our troops had hardly entered Sikkim before a conciliatory message was sent by the Rajah, which led to the speedy conclusion of a treaty between that Prince and Mr. Eden in the most amicable and satisfactory manner. And not only so, but, with the Rajah's concurrence, a road was to be opened from our dominions through Sikkim into Thibet, and goods were to be allowed to pass into Thibet and Sikkim either at no duty at all or at a very low one. Thus would be attained that which had long been a great desideratum—namely, a land communication between China and India. The Governor General had written to our Minister at Peking to procure the requisite authority for the introduction into Thibet of a

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Talookdars of
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Magistrates.

small party of Indian officials, who would penetrate into that country to ascertain what openings there were for commerce. A similar policy had been pursued towards the upper classes of Natives in our own provinces. They had been associated more than they formerly were with the higher agents of our Government. The talookdars of Oude now acted as magistrates, collected the revenue, and performed the other duties of country-gentlemen, and the most friendly spirit existed between them and our officers. In a report from the Chief Commissioner of Oude as to the instructions given to our officers there was this passage:—

“The Chief Commissioner’s wish is to treat the talookdars as gentlemen of property and station, whose interests are identified with those of the Government, who are its natural-born adherents, not opponents, as they have too frequently been considered by our officials; and this view he has inculcated on his subordinates. All district officers have been desired to hold weekly receptions of the native gentry, to visit them on their estates during the cold weather, and to communicate with them as much as possible direct, and not through native subordinate officials, who designedly often adopt an uncourteous tone.”

Mr. Fansittart.

MR. FANSITTART asked the name of the author of that document.

Sir C. Wood.

SIR CHARLES WOOD believed it was Mr. Wingfield. Experience had shown, especially during the rebellion, how much the people of Oude and other provinces were attached to their native gentry and chiefs. Our Government in India had profited by that lesson, and sought henceforth to make the native gentry and chiefs our steadfast friends and supporters, instead of our enemies. The Home Government has been guided by the same spirit. Some mode of rewarding native chiefs for their fidelity had long been wanted; and lately Her Majesty had been graciously pleased to institute an Order of Knighthood, which had already been conferred on seven or eight Native Princes of India, some Hindoos and some Mahomedans, with whom were associated European officers, either of the Company or of the Crown, who had rendered distinguished service in that country. The Governor General believed that this measure had had the very best possible effect, and that such a mark of favor from the Sovereign of England and of India would be highly valued by the native chiefs. The three Indian Bills introduced into Parliament this Session were framed in one and the same spirit—namely, a desire to break down the system of exclusiveness, and admit to a participation in the management of public affairs both European settlers and Natives of rank and ability. By those measures both of those classes would or might have a voice

Order of
Knighthood
conferred on
native chiefs.

Elevation of
Natives and
Europeans to
high offices.

Mr. Fansittart—Sir C. Wood.

in the Legislature, a seat on the bench, or a part in the Administration of India. The earnest aim of the Government, both in India and at home, was to consult the interests and conciliate the affections of the inhabitants of that country, European and Native. He was aware that one of three Bills had excited considerable alarm among the Civil Servants. That alarm, however, was, he hoped, now allayed. The Civil Servants had met the proposed changes in the frankest spirit. He did not believe they would be at all injured by what had been done; but it was right to acknowledge the spirit in which they met these changes. He was happy to say that since the Bill had passed he had received a minute from the Governor General recommending a course substantially the same as that which had been adopted. As to the other two Bills, the nature of them was so well known to the Committee that he need only remind them that the first admitted Natives to the highest places in the Legislature of India, while the other would enable them to take their places upon the bench along with Europeans, and by their knowledge of the laws of their own country there was no doubt the administration of justice would be improved. Provision was also made for legislating on local subjects at Madras and Bombay and other parts of India, which was so much desired by the inhabitants of parts of India away from Calcutta, and which would, he thought, tend much not only to the contentment but to the advantage of India. Those were the measures which had been adopted within the last few months in India and in England, and which he hoped would be productive of great advantage to both countries. It had been a matter of satisfaction to him to find that there was a general concurrence in the policy which those measures indicated. That they were measures of vast importance no one could deny; and he had deeply felt the responsibility that weighed upon him in proposing measures affecting the vast and anomalous fabric of our Indian Empire. Upon such matters no man could be certain of results; but he could only say that those measures were the result of deep deliberation, and had the concurrence of the highest authorities upon Indian subjects. The event must be left in the hands of Providence; and now he could only hope and pray the measures that had been adopted would contribute to the welfare of both countries, and would cement the bond of union between England and India by promoting the prosperity and happiness of all Her Majesty's subjects. The right hon. Baronet concluded by moving a formal

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Legislation on
local subjects.

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Mr. Danby
Seymour.

Resolution that it was expedient to give power to the Secretary of State to raise money by way of loans.

Mr. DANBY SEYMOUR said, he rose to express his satisfaction at the lucid statement of the right hon. Gentleman, and the wise policy which it enunciated. Indeed, he considered it to be the most satisfactory statement he had made with regard to India since he had the honor of a seat in the House. He could not, in the first place, pass over the great debt which the country owed to the late Mr. Wilson, who had fallen a victim to his zeal in the interests of the public. Another hon. Gentleman had also nearly fallen a victim to his arduous labours in the same cause; but he was gratified to learn that Mr. Laing had just arrived in England in better health than was expected, and looked forward to being able in a short time to resume his labors in India. It was most desirable that he should be able to do so, because his last speech showed that Mr. Laing felt the absolute necessity of equalizing the revenue and the expenditure, and of admitting the Natives of India to some share in their own government. The right hon. Gentleman had omitted to notice one point urged by Mr. Laing, that the local Governments should have the power of making minor budgets for their own localities. It would be satisfactory to hear that the right hon. Baronet concurred in that view. Mr. Laing had shown that in Madras 40 per cent. of the outlay upon public works was consumed in the supervision of those works. That was an enormous waste of money, but it would always occur as long as the Government had no interest in keeping down the expenditure. The most unsatisfactory part of the right hon. Baronet's statement was that while Mr. Laing estimated a surplus of £300,000, the right hon. Gentleman expected a deficiency of a million. The right hon. Gentleman proposed to make up the deficiency in some part by a licence-tax, which Mr. Laing objected to inflict upon the Natives of India. He (Mr. Seymour) thought less objectionable means could be adopted, one of which he would point out. They had very large military charges in proportion to the reductions in the army. There had been a reduction of 200,000 native troops, and the number to be kept up in future was 140,000, but the contemplated expenditure for military purposes in future years was higher in amount than it was in 1857. They were quite right in keeping up a sufficient European force in India, but the force now in that country was 19,000 in excess of the European force which the right hon. Gentleman himself had estimated to

Minor budgets
of local
Governments.

Reduction of
European
force.

Mr. Danby Seymour.

be necessary for the security of our empire. It was proposed to absorb that excess at the rate of 2,000 men a year; but when the finances of India were so much pressed upon he thought the reduction might be carried out more speedily. But above all it was wrong under those circumstances to send out more troops from England. No less than 3,000 men of the most expensive arm, artillery, had been sent from England to India. He could not understand why the number of men could not have been obtained as volunteers from the surplus troops now in India. There was another point to which he would call attention. It appeared that an error of £4,500,000 had been made not six months before in the revenue department of Calcutta in the estimate of last year. He should be glad to know whether this department had lately been thoroughly remodelled, in accordance with a promise of the right hon. Gentleman. He knew that it was the wish of the Marquess of Dalhousie that the Indian accounts should be kept in precisely the same manner as the accounts of the Imperial Government. He saw no reason why trade and navigation returns should not be published periodically, similar to those of this country. The income tax was an apparent failure, but the right hon. Gentleman was, he thought, right in persevering with it, so as to uphold the principle of taxing personal property instead of raising all the taxes from the land. It should not, however, be carried too low. He was glad the right hon. Gentleman did not mean in future to borrow. If the House could depend on the estimates—and he trusted that Mr. Laing had given the right hon. Gentleman satisfactory assurances on this subject—the expenditure and revenue at the end of the current year would balance each other, leaving out the railways. The recent famine could not fail to draw the right hon. Gentleman's attention to the subject of emigration from India to the West Indian Islands, and other places willing to receive labor. The question was of great importance, from its bearing on the subjects of the slave trade and the supply of cotton; and he trusted that the Indian Government had now ceased to place obstacles in the way of emigration from India. Had the French Emperor been enabled to obtain labor from India for the French West Indian colonies, he would not have been compelled to obtain importations from Africa. He considered the French Government not so much to blame for the temporary extension of the slave trade arising from that cause as the Indian Government. The famine must have convinced the right hon. Gentleman of the importance of encouraging public

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Remodelling
of Account
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Emigration.

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Indigo
planting and
contracts.

Cotton
cultivation.

Policy towards
Native
Princes.

works in India, for had there been better roads and communications in the north of India no famine would have occurred. The right hon. Gentleman's statement respecting the indigo districts was not perfectly satisfactory. The right hon. Gentleman had prevented the Indian Government from carrying out a beneficial law of contract, but had not suggested any law of contract himself. The Civil Service disliked the planters, and he must say that the conduct of Mr. Eden, which had been justly praised on other grounds, deserved blame with reference to the planters. He thought that the Government had acted improperly in circulating an obnoxious pamphlet, which was a caricature of the planters. With regard to the question of the cultivation of cotton, he considered it would be better promoted by the construction of railroads than common roads. Mr. Locke, formerly a Member of that House, and Mr. Brasseley had both assured him that the expense of the maintenance of a road was exactly the same as that of a railway, when it was once made. The only difference was the first cost. He regretted that nothing had been done to advance railways in the southern parts of India, where a communication with the cotton districts was much wanted. He was delighted to hear that at last the Government had adopted a policy so rational and so excellent in every way as that which it had announced with regard to the Native Chiefs and Princes of India, for he believed it would be productive of the greatest possible benefit to the Natives, and ensure the permanent tranquillity of the country; but it had, unfortunately, required a great convulsion and revolution, and a terrible massacre in India to convince them of the wisdom of such a step. If that policy had been adopted in 1853 he firmly believed the mutiny would never have occurred, and an addition of £40,000,000 to the Indian debt might have been averted. They had already found the profit of a wise policy in the opening of China. He remembered when, immediately before the mutiny, a gentleman connected with the East India Company said how easy it would be to govern India for the future. However, since then the mutiny had taught him better, and a policy of conciliation had been introduced. He was glad that the Order of the Star of India had been established, and he was sure the Native Princes had accepted with pleasure and gratitude the conciliatory policy of the British Government, and that they would henceforth consider themselves magnates of the British Empire as much as Peers of Parliament. As a general rule, every educated Native of India was a friend to

Mr. Darby Seymour.

this country. He was told by schoolmasters in India that the difficulty was to get the boys out to play, so anxious were they to learn the English language, and so studious and painstaking was the native character. So good and great a change of policy as had now taken place could not fail to lead to beneficial results.

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SIR HENRY WILLOUGHBY said, that instead of following the hon. Gentleman over the wide field of discussion he had opened, he would confine his observations to the subject before the Committee—the state of Indian finance. He had no idea the right hon. Gentleman intended to make his financial statement on India that night. He supposed from the notice paper that the right hon. Gentleman only intended to move in Committee a Resolution upon which he might found his Bill for the Indian loan for railways. The right hon. Gentleman would not forget that on the 11th of February in the present year he had stated that in his view no loan would be wanted for the public exigencies of India, although it was possible a railway loan might be required. But only the other day the House had passed a Bill empowering the Indian Government to raise £4,000,000 for the public exigencies, and, therefore, that amount had been added to the public debt of India. The railway finance of India appeared to be so intimately dovetailed with the general finance that it required a sharp intellect to distinguish the one from the other. In 1857 the debt of India was £57,500,000, now it amounted to £103,000,000. The dead weight upon the finances of India had, indeed, increased so alarmingly that it had become a source of financial danger to that empire. The collection of Indian revenue amounted to £4,500,000; the allowance to Native Princes and other charges, to £2,250,000; and the charge on account of the debt was from £3,500,000 to £4,000,000, making a total of £10,000,000. For the last three years there had been a series of most extraordinary miscalculations, both in India and at home, with regard to Indian finance. Mr. Laing only recently made a mistake of £1,300,000 by the omission with regard to the transfer of the Indian navy. He (Sir Henry Willoughby) must say that the right hon. Gentleman had been very sparing in his observations as to the state of Indian finance. He certainly had hoped to hear something from him as to the cost of the new scheme of amalgamation. They had heard a good deal about the reduction in the military expenditure, and no doubt it had been very great; but the House had not heard a word about the Staff

Sir H. Willoughby.

State of the
finances.

Sir Henry Willoughby.

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1861.

Reduction of
military
expenditures
in England.

Corps, or how the Indian officers were to be secured those prospects which were guaranteed them by the Act of 1858. He could not help sharing and sympathizing with the disappointment Mr. Laing had expressed that the right hon. Gentleman, the Secretary in Council, had not been able to do something to curb the military expenditure on this side of the water. It appeared that the War Office had more control over the finances of India than the right hon. Gentleman and his Council. It appeared that the Secretary of State and Council had no effective control over the military expenditure. The number of men in the Indian depôts in this country was reduced, but the officers were not reduced; and why had not the Secretary of State and Council pluck enough to insist upon a reduction of the officers? If the right hon. Gentleman did not defend the Indian Exchequer, there would be no end of the charges which, on one pretext or another, would be placed upon it. He hoped the House would back the Secretary of State for India, and induce him to defend the Indian Exchequer with more spirit than he had hitherto done. When they were endeavouring to reduce expenditure in India at every risk, and were resorting to the most extraordinary modes of taxation, they should on this side of the water do what was fair and just. It would, therefore, have given him pleasure to hear the right hon. Secretary of State speak with a little more determination on that point; in fact, he believed he had not spoken on it at all. Passing to the subject of railways, he would say that he looked with great distrust upon a Government engaging in such matters, in which substantially they could have no control. This year £8,000,000 would be required, but how long was that to go on? The original estimate for railways in India was £54,000,000 or £56,000,000. Now, he would like the right hon. Gentleman to state what was the extreme amount of obligation that was contemplated on these railways. The companies had raised on paper £32,000,000, of which they had actually advanced £30,500,000. Would the remaining £24,000,000 be the whole of the possible obligation which the House would be called upon, either directly or indirectly, to furnish or guarantee? Those were questions which appeared to him to be of great importance, and he thought the Committee ought to receive information upon them.

Railways.

Mr. Kinnaird.
Military
expenditure in
England.

Mr. KINNAIRD said, he was glad that the hon. Baronet had called attention to the Indian military expenditure in this country. It was a subject that required the attention of

Mr. Kinnaird.

the right hon. Gentleman the Secretary for India, for it was clear that when the amalgamation of the armies took place the object of the Home authorities would be to throw as much expense as possible on the Indian finances, by maintaining large depôts in this country. He agreed with the hon. Member who spoke in favor of giving due importance to the Native Princes in India; but he thought that the hon. Member carried his idea too far when he said that if that policy had been adopted before, there would have been no mutiny. The mutiny, it must be remembered, was a military mutiny. The reduction of an overgrown native army had long been imperative. A large expenditure under that head was absolutely ruinous, and retrenchment was a source of strength. He could not but deprecate the course taken by the right hon. Gentleman with reference to the loans, as, instead of giving an Imperial guarantee, he was raising money at 5 per cent. which might otherwise be had at three and a quarter, thus disturbing, also, the finances of this country. The Chancellor of the Exchequer must look upon the right hon. Gentleman as his greatest enemy, for he was disturbing his money market for the sake of theories. In India, however, retrenchment was not the only remedy for a deficiency of revenue. He should have been, therefore, glad to hear that remunerative public works were to be extensively undertaken. Increased instead of diminished expenditure in that respect was the secret of wealth and power; and he hoped they would soon see the day when there would be a separate Board of Public Works composed of men like Colonel Baird and Sir Arthur Cotton, who were entirely devoted to their development. Deficiency of revenue instead of being an argument for diminishing expenditure under that head was only a reason for increasing it. In the watercourses of India lay the wealth of that empire. The old Native Princes had executed the most magnificent works for the purposes of irrigation and navigation, but these had long since fallen into ruin; and it was the duty of England, as the governing power in that country, to see that her internal resources were properly developed. Let those works be restored and they would become the source of fertility and riches. Let them be left as they were, and while occasionally the rivers fertilized the country through which they passed, at other times they desolated it by flood, or left it barren through failure of supply. He might illustrate what he had said by reference to Cuttack and Tanjore, which were districts of about the same size. During twenty-three years only £2,400 was expended

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Character of
mutiny.

Loans.

Remunerative
Public Works

Irrigation
works.

Mr. Kimbaird.

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Canals and
roads.

annually upon waterworks in Cuttack, while in Tanjore £11,600 was spent. The annual revenue from Cuttack consequently was only £85,000, while that of Tanjore was £470,000. Land in Cuttack was worth £1 10s., in Tanjore £5, an acre; and while Cuttack had the best natural supply of water, yet in twenty-three years it had three years of famine, four of drought, seven of inundation, two of severe inundation, and only seven moderate seasons. The total excess of revenue from Tanjore during that period was nearly £7,000,000. He would ask them, then, which was the true economy?—to increase our expenditure on works of irrigation and thus our revenue, or to diminish it or allow it to remain stationary? Again, as a mere question of finance, what could be more ruinous than periodical famines? It was unquestionable that they could be averted, and happily our interest and our duty equally called upon us to avert them. Closely connected with irrigation was increased facility for the conveyance of goods. The waste of goods in India caused by the want of canals was a fearful evil. He had heard it said in general terms, for instance, that as much cotton was wasted in the interior of the Madras Presidency as was produced in America. Give the Natives of India a market for their goods, and a remunerative price, and there was no limit to what they could produce. But more than that, the development of roads and of other means of communication was absolutely essential for the administration of justice. He believed that a strict inquiry into the condition of Bengal, for instance, would show that to false economy was owing some of the terrible evils under which the ryots there had for years been groaning. European magistrates were placed in charge of enormous districts, and the difficulty of doing their duty was greatly increased by the want of roads. On every ground, therefore, he felt imperatively called upon to press the question of public works on the attention of the Government, and to demand for the people of India every facility that could be granted, for the development of its natural resources and of its commerce.

Mr. Vansittart.

Loans.

MR. VANSITTART said, that having trespassed so often on the indulgence of the House during the Session in reference to Indian questions, he rose very reluctantly on that occasion. He could not, however, refrain from expressing the feeling of deep regret with which he had listened to the statement of the right hon. Baronet, as he thought the practice of coming down to the House year after year for powers to raise loans for India very objectionable. The

Mr. Vansittart.

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objection was the greater on the present occasion, because the right hon. Gentleman asked for another loan actually within a week after the acceptance of tenders for a loan, which had been already sanctioned during the year. If, however, the right hon. Baronet preferred to adopt that course, instead of submitting a bold and comprehensive financial scheme in reference to the entire debt for India, that unhappy state of affairs must continue. He was aware that that course had its attractions, inasmuch as all that the right hon. Baronet had to do was to announce his intention to make a loan, and calculate a price at which it would be sure to command a premium; and he was aware by experience that he would find no difficulty in obtaining tenders for twenty times the amount required. But he begged to warn him that however popular such an arrangement might be regarded on the Stock Exchange, it involved a serious loss to the Indian Government, because the loans were obliged to be issued at a price below that which would be given by regular contractors. The right hon. Gentleman, moreover, encouraged stock-jobbing, and he disturbed the regular and legitimate monetary and banking business of the city. He had no sort of intention to dispute the absolute necessity of completing these railways as rapidly as possible. He thought that was only due from England as the ruling Power, that they were calculated to be advantageous to her, and it must be for her interest that the trade and industrial resources of India should go on expanding like her own every year. But what he complained of was that the right hon. Baronet did not explain the precise position and the relationship existing between those railway companies and the Government. Now that the English Government had stepped forward with the necessary funds to complete them, some explanation on that point was very naturally sought to be obtained by the proprietors and shareholders. It should also be borne in mind that the Indian Government, at the instigation of the Home Government, had interfered very actively in the construction of those railways from the very commencement, and not always to the advantage and profit of the railway companies. Let him take for instance the Madras Railway, which ran from Madras to Beypore, on the Malabar coast. The Indian and Home Governments insisted that for military purposes it should be made from point to point, as straight as a needle; and so cleverly had that been done that the railway contrived to avoid every town and village of any importance. The consequence was that the receipts of the last six months,

Relation
between
Government
and railway
companies.

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after paying the working expenses, amount to only £7,000, on an outlay of several millions. For his own part, he confessed that looking to these facts and to the great stake and interest which the Home Government had acquired in these railways, he thought the time had arrived for considering whether it would not be desirable for all parties concerned that we should adopt the Ceylon system—namely, abolish the twelve or fifteen separate companies which now existed in this country, and transfer the management of them to the Secretary of State for India and to his not overworked Council. Would it be believed that to manage a capital not so large as that of the London and North-Western or Great Western Railways there were some twelve or thirteen separate companies, with chairmen, deputy-chairmen, directors, secretaries, clerks, and handsome offices? They were all amenable to one and the same authority, the Secretary of State and his Council, and they refuse to stir an inch or to turn a clod of earth until they obtained a guaranteed interest of 5 per cent. Now, the great advantages resulting from his proposition would be that the shareholders would possess increased confidence in the soundness of their investments; the necessary funds to complete them would be easily raised; very great economy would be introduced, because that part of the Indian Council which was called the Committee for Public Works would perform all the duties of those twelve or fifteen separate companies with the assistance of a few additional clerks; and, lastly, the great mercantile community would be spared the trouble of having to wander to all parts of the city in quest of the numerous companies now in existence.

Mr. Crawford.

Relation of
Government
and railway
companies.

MR. CRAWFORD said, that if the hon. Member for Windsor, before recommending that all the railways in India should be handed over to the Secretary of State and his Council, had inquired into the relations which at present existed between the railway companies and the Government, he would have found that they were of such a nature as could not be interfered with except by a direct act of the Legislature. The railways in India had been constructed and were to be managed under contracts entered into by the companies with the Government under the sanction of Parliament, and if they were to be transferred to the Secretary of State and his Council, what, he asked, was to become of the shareholders? The Government could not take possession of the railways without repaying to the proprietors their capital, which was the reason, perhaps, why the hon. Member for Windsor wished to see the railways

Mr. Crawford.

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placed under the management of the Secretary of State and his Council. The hon. Member was largely concerned in the Madras Railway, which happened to occupy a worse position in the market than any other line in India; and if that railway were to be taken by the Government at par, the hon. Member would receive £10 more for every £100 which he had invested in the undertaking than he could obtain by the sale of his shares on the Stock Exchange. Reference had been made to a statement by the Governor General as to enormous extravagance on the part of the railway companies in India; but it should be borne in mind that the whole of the expenditure on railways in India was incurred under the direct control and superintendence of the Government itself. The Government was a party to every item of expenditure, and, therefore, when the Governor General said that enormous extravagance had marked the expenditure of the railway companies, he was fostering a censure upon his own administration. The hon. Member for Poole had urged the construction of more railways; but he could not help thinking that to enter upon such works at the present moment would only increase the difficulties of the time. Money could not be obtained for new railways without the security of a Government guarantee. The existing companies were pushing forward their works with the utmost vigor, and in a very short time there would be 7,000 instead of 700 miles of railway opened in India. Of course, in some instances, the shareholders would be disappointed, but he believed that in the great majority of cases the traffic and profits would considerably exceed the guaranteed amount. He agreed with the hon. Member for Perth (Mr. Kinnaird) that beneficial results would ensue from the sale of waste lands. There was at present a large accumulation of capital in native hands. That capital would soon require an outlet; and since the confidence of the Natives in public loans had been completely shaken, he did not see how it could be more judiciously invested than in land. He rejoiced to hear that there was no necessity to ask for money for the general purposes of the Indian Government. The powers now asked were to be only discretionary. He could not help, under these circumstances, expressing his opinions that in the present state of the money market and the increasing value of Indian securities here, the railway companies would find no difficulty—or, at least, not so much as had been expected—in finding money in the course of the year, and that the Government would not have to use to any very great extent the powers which the House was asked to vest in them.

Sale of waste
lands.*Mr. Crawford.*

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Mr. Vansittart.

MR. VANSITTART said, he must altogether disclaim the motives which had been imputed to him by the hon. Member for the City of London in the recommendation he had made. He had but a small stake in Indian railways, whereas the hon. Gentleman (Mr. Crawford) was not only chairman of the East India Railway, but possessed a very large stake in Indian railways.

Mr. J. B. Smith.

MR. J. B. SMITH said, that the statement of the right hon. Baronet in relation to the condition of Indian finance was under the circumstances satisfactory; and he congratulated the Committee that no further loans would be resorted to or needed, except for reproductive public works. In one item of revenue, indeed, there was a likelihood of a further and very rapid increase—he alluded to the revenue produced by the duty on salt. Every additional mile of railway and river navigation which was opened reduced the present enormous cost of carriage, and thus enabled the Natives to obtain salt upon lower terms than before, and in that proportion would the consumption increase. There was one point in the right hon. Baronet's speech which would give great satisfaction to the manufacturers of cotton in this country. For the last twenty years they looked with alarm at their growing dependence upon one source of supply. That dependence had gone on increasing, until last year the consumption of American cotton was 85 per cent. of the entire amount. Various steps had been taken from time to time to enlarge the supply, and it was now found that India was the only source to which they could look for receiving any considerable quantity. The right hon. Baronet said that probably 1,000,000 bales would be received from India this year. That receipt was stimulated solely by high prices in England; but what was required was a regular and constant supply from India, so that India might be placed upon the same footing as the United States of America. The foundation of American prosperity in the growth of cotton arose from the cheapness with which the cotton could be brought to market. The American planters had availed themselves of the advantages afforded by their rivers of bringing their cotton to a port of shipment at a very small cost. A few millions of dollars had been spent in removing the obstructions to the navigation of the Mississippi, and the result had been to make New Orleans the largest port of shipment in the world. We had evidence that the same results may be obtained by the adoption of the same means in India. Within the last few years the navigation

Revenue
from salt.

Supply of
cotton.

Mr. Vansittart—Mr. J. B. Smith.

of the Indus had been opened and improved; steam-boats had been introduced and were plying upon it, and Kurra-
chee now promised to become another New Orleans. The
right hon. Gentleman said, the Government had decided
upon opening the Godavery in the shortest possible period.
He hoped this promise would be carried out in good faith.
If it was, the greatest advantages would result. A large
part of the richest land in the centre of India—an extent
of surface equal to four times that of Ireland—would be
opened to trade and cultivation. In the words of Sir
Charles Trevelyan, “the opening of this river would be
equivalent to the creation of a new trade, to the ex-
tension of which no limits could be assigned.” There
was at present, not unnaturally, great excitement and alarm
with respect to the supply of cotton; but if the civil war in
America should cease to-morrow, the necessity would still be
urgent to secure new sources of supply. It was neither
politic nor just that we should rely on one source of supply,
which, in a great measure, was dependent on the labor of
slaves, while we had in our own dominions an extent of terri-
tory suitable for the cultivation of cotton greater than exist-
ing in any other part of the world.

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1861.

Opening of the
Godavery.

COLONEL SYKES said, he had to observe, with reference
to the discrepancies in the statements of the Indian revenue
by Mr. Laing and the right hon. Gentleman, that if they
could only trust to estimates and budgets, they might rest
satisfied. But, unhappily, hope told a flattering tale in India
as well as elsewhere, and wishes had been substituted for
facts. The real explanation, however, was that the military
retrenchments in one of the statements had been assumed
to be made, whereas they were only prospective. They,
however, would soon be effected and to a very considerable
extent. But the savings produced by the reduction of the
native force were more than absorbed by the increase of the
European force. The reduction of the native troops had
been carried to an extent which would cause inconvenience,
and he was afraid would prove dangerous to the public
interests. They had now 19,000 Europeans in India beyond
the proposed future establishment, in addition to which 3,000
artillerymen were to be sent out immediately from this coun-
try. Surely, out of that excess of 19,000 Europeans in
India, 3,000 volunteers for the Artillery might have been
obtained, so as to save the expense of sending out those
3,000 men. The debt of India was 57½ millions sterling in
1857. Now it amounted to 103 millions, but this was only
two and a half years' revenue. In that respect India was

Col. Sykes.

Excessive
European
force.

Colonel Sykes.

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Necessity of
retrenchments

Ganges canal.

Income-tax.

better situated than England, whose debt was twelve and half years' revenue, or any European country. He had, therefore, good hopes of a satisfactory financial condition in India, provided the proper sources of economy were duly attended to. The civil and political establishments of India, including the charge for contingencies, cost in 1856-7, £2,556,000, while in 1860-61 they cost £3,684,000. The judicial and police charges had risen from £2,812,409 to £4,004,500. Those figures exhibited a vast increase, for which there was no apparent necessity. In the charge for the police establishments of India considerable retrenchments might be effected. Any outlay on works of irrigation, canals, and roads was politic and highly reproductive. The Ganges canal was as magnificent a work as any in Europe, and a commercial company had taken advantage of it to establish a system of transit by boats in its channel, and on the 31st of January last the Company advertised from Cawnpore a dividend of 34 per cent. on its capital in one year from the transit of boats on that canal. The value of that means of carriage during the late famine it was impossible to exaggerate. No doubt India would prosper if we ruled it in a manner calculated to insure the confidence and to win the affections of its people. The ill-judged income-tax had yielded 50 per cent. less than its estimated produce; and its operation reaching down to persons having only £20 a year, and living from hand to mouth, it had led to frightful oppression in numerous instances. The myrmidons employed in its collection were reported, in some cases, to have forced their way into women's apartments, and to have stripped them of their earrings and other jewellery. He trusted that, in accordance with Mr. Laing's suggestion, this obnoxious impost would be restricted to incomes of above £50 per annum. Upon the whole, however, he congratulated the right hon. Gentleman upon the statement he had made, and he confessed he looked forward to a happier future for India.

Mr. W. Ewart.

MR. W. EWART said, that he, too, wished to congratulate the right hon. Baronet (Sir Charles Wood) on the general character of the statement he had laid before the Committee. At the same time he wished to call attention to the importance of encouraging the emigration into India of British settlers, upon whose capital and intelligence the fate of that empire must to a great extent depend. It was indispensable to any sound system of internal commerce in India that there should be a more satisfactory law of contract, visiting with proper penalties any breach of faith

Mr. W. Ewart.

between the landlord and the ryot. In Bengal a great improvement was required in the police; and small debt courts, administering justice cheaply and expeditiously between debtor and creditor, ought to be established. The laws should be executed impartially towards Natives and Europeans; but the English settler who had not been fairly treated heretofore ought to be fairly treated. It was to him that they must look for the introduction of Western civilization into India. One of the great evils of the present system of conducting business was the making of advances. If the system of advances could be got rid of, and a good law of contract established, a great benefit would be conferred upon India; and if the extended cultivation of cotton was to take place, such a law would be more necessary even than it is at present. It would be wise, as suggested by the Committee on settlement in India, to sell waste lands in fee simple. Thus, cultivation by means of British capital would confer lasting advantages upon India. The extended communication through Thibet with Central Asia would open a new outlet for our manufactures, especially our woollen fabrics. He was disappointed that nothing had been said by his right hon. Friend on the cultivation of tea upon the southern slopes of the Himalayas. That cultivation was destined to become a source of immeasurable wealth to India. He was gratified to find that the right hon. Gentleman intended to recognize the legitimate position of the Native gentry of India. From long habit, from time-honored associations, the people of India recognized and respected them, and their authority was an obvious means and instrument of governing the people. After hearing the speech of the right hon. Gentleman, he ventured to believe that the financial difficulties of India were not irremediable. Far from it. Better times were opening on them, disclosing a futurity hopeful alike to India and to England.

Mr. ADAM observed that at last they had turned the corner in Indian finance, and were about to enter upon the region of surplus after being so long in the deserts of deficits. That hope, however, was damped by a recollection of how often they had been deceived by fallacious figures in relation to Indian finance. The same thing had happened now. Mr. Laing estimated a surplus, but the right hon. Gentleman the Secretary of State declared a deficiency. What was the Committee to believe? They had hitherto been working in the dark, but he trusted, under the new system about to be inaugurated, more reliable information might be obtained. He had read Mr. Laing's speech to the

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System of advances.

Sale of waste lands.

Cultivation of tea.

Position of native gentry

Mr. Adam.

Accounts.

Mr. Adam.

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Native force.

Indian navy.

Income and
licence taxes.

Decentraliza-
tion of Gov-
ernment.

Redemption
of land tax.

Council with very great pleasure, and had risen from the perusal of it with the impression that India had at length got a financier who would be able to understand her requirements. There were, however, many things in the speech with which he could not agree. In the first place, he thought that in the attempt to diminish the Native force too rapidly he had incurred some danger. The last accounts stated that there was an uneasy feeling in the Punjab arising from the number of soldiers who had been disbanded, or who were about to be disbanded. Another point upon which he differed from Mr. Laing was as to the Indian navy. It was quite right that the Indian navy should be put upon a different footing; but, although it might be a saving to India, it would be none to this country, which must keep up a naval force if the Indian navy was not employed. Mr. Laing had unconsciously borne testimony to the truth of what was urged by the late Lord Elphinstone and Sir Charles Trevelyan against the taxes proposed by Mr. Wilson. The three taxes proposed by that gentleman were now practically inoperative. The income tax only produced one-half the estimated amount. The Licence Tax Bill had not been read a third time, and the tobacco tax was never mentioned now. He did not object to a licence tax or an income tax which would reach the richer classes—those who most benefited by our rule; and he hoped that what Mr. Laing proposed would be carried out—a blending of the licence with the income tax in such a way as to satisfy native ideas. One of the most important features of the Budget was the granting to local Governments a voice in matters of legislation and taxation. The great curse of India was centralization, and he trusted that that evil would now be remedied. He agreed with the hon. Member for Perth (Mr. Kinnaird) that they were now borrowing money at an unnecessarily high rate, for although they practically gave an Imperial guarantee, they could not do so formally, and thus, for an idea, they were losing a large sum every year. Another point deserving consideration was the unfairness of charging the Indian depôts in this country to India, seeing that they constituted so much increase to the force in this country. The question of the land tax and its redemption had been treated incidentally in the course of the present discussion, and an hon. Gentleman had suggested that any person holding land in India should be allowed to redeem the land tax. He believed that if that matter were worked judiciously, the Government possessed a mine of wealth in connection with it. In conclusion, he expressed a hope that in future

Mr. Adam.

years Indian business would be brought forward a little earlier in the Session, so that the House might have more time to consider it. He thanked the right hon. Gentleman the Secretary for India for his able statement; and he had great hopes that they had at length got into calm weather as regards Indian finance.

MR. GREGSON remarked that the debt of India amounted to only about two and a half times the revenue of India, while that of England was equal to twelve years' purchase of our revenue. He could not, therefore, think it desirable to encourage India by an Imperial guarantee to raise money in this country. He admitted that the statement which had been made respecting the finances of India presented a favourable appearance; but seeing that India was in perfect tranquillity, and that all the Native Princes were in amity with the Government, he believed that the expenditure might be still further reduced. He was glad to hear it distinctly stated by the right hon. Gentleman the Secretary for India that it was intended to go on with the works for improving the navigation of the Godavery; and he should offer no objection to the proposed loan, for he concurred with Mr. Laing in thinking that money could not be more advantageously employed than in improving the roads in India. He conceived that the Bengal planters had some reason to complain that the system of contracts had not been put on a proper footing, and he trusted that the right hon. Gentleman would turn his attention to that subject, in order that harmony might be restored between the Natives and the planters. He also would express a hope that the duty on salt would be reduced as soon as the increased revenue derived from it would permit.

MR. BAZLEY said, he wished to thank the right hon. Gentleman on the part of the commercial community for the efforts that he was making on their behalf. At present a great commercial calamity was impending. There existed in this country at the present time a supply of cotton from the United States that might be sufficient for our immediate wants; but if the United States blockade were not broken, or some other source of supply were not obtained, next year would be one of calamity. His right hon. Friend had referred to a larger importation than usual that might be expected from India. Last year it was 600,000 bales; this year it was expected to be 1,000,000. But they must recollect that other nations would be competing with us for that additional supply from India. America at the present time was receiving supplies of cotton from Liverpool. The

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Mr. Gregson.

Imperial
guarantee.

Reduction of
expenditure.

Indigo
planting.

Mr. Bazley.

Supply of
cotton.

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embarrassment which existed at the present moment with regard to the supply of cotton he hoped would be beneficial in developing the great resources of India. The consumption of cotton in this country was 2,500,000 bales last year. The imports from India this year it was expected would amount to 1,000,000. It was the duty of Government to do all they could to promote the cultivation of cotton in India. There was a general impression that the great desideratum was an improvement in the cleaning and preparation of cotton in India. But that was not so. It was a better quality of cotton that was required. The cotton from America had a fibre twice as long as that from India, and he did not hesitate to say that by proper modes of cultivation, and by growing cotton of a superior quality, the ryot might get eight times the reward for his labor and produce as he now obtains. His hon. Friend had stated that more cotton was wasted in India than was used in England. Nothing could be more erroneous. The cotton consumed in England was worth £30,000,000, and the same quantity of Indian cotton would be worth £12,000,000, and it was not likely the ryots would lose such an amount. It was another mistake to suppose that as much cotton was grown in India as in all the world beside. The truth was as much might be grown there as in the United States; but while the latter crop was worth £40,000,000, the ryots never obtained more than £15,000,000 for what they grew. He would urge upon the Government the propriety of encouraging the improvement of the crop in India, and of opening up the means of transport; and if they did, they would not only promote the prosperity of India, but would relieve this country from dependence on a foreign source of supply, and take away our share of the guilt that was incurred by the encouragement we gave to slave-grown cotton.

Mr. Hadfield.

MR. HADFIELD urged the propriety of giving power to trustees to take advantage of the opportunity which was presented by the proposals of the Secretary for India to invest the funds at their disposal at a better rate of interest than was to be obtained by an investment in consols.

Sir C. Wood.

Connection of
railway and
general
expenditure.

SIR CHARLES WOOD briefly replied. The hon. Member for Evesham (Sir Henry Willoughby) had alluded to the close connection there was between the railway expenditure and the general expenditure. It was impossible to keep the two entirely separate. The hon. Gentleman wished to know what the future charge would be. The utmost amount for the construction of railways in India would be £56,000,000. The hon. Gentleman the Member for

Mr. Hadfield—Sir C. Wood.

Windsor (Mr. Vansittart) objected to a loan to make good the deficit in the payments on account of the railways. What were they to do? So long as the railways were not completed the Government were losers to the extent of the guaranteed interest.

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MR. VANSITTART said, he did not object to the railway expenditure. What he had said was, that the Government ought to have submitted a more comprehensive plan with regard to the railways.

Mr. Vansittart.

SIR CHARLES WOOD said, the cost of the railways would be £56,000,000. If the railway companies could not raise the money for the completion of the lines, the Government must. They must complete the railways that they had undertaken should be constructed. The Government had considered the question of taking possession of the railways; but they had come to the conclusion that, on the whole, it would not be advantageous to do so. They thought it better to advance money, thus putting themselves in the position of shareholders.

Sir C. Wood.

Resolution agreed to.

Resolved,

Resolution.

"That it is expedient to enable the Secretary of State in Council of India to raise money in the United Kingdom for the service of the Government of India."

House resumed.

Resolution to be reported To-morrow.

Mr. Vansittart—Sir C. Wood.

SIR C. WOOD'S FINANCIAL STATEMENT,
1862-63.

EAST INDIA REVENUE ACCOUNTS.

FINANCIAL STATEMENT.

East India Revenue Accounts—*considered* in Com- 17TH JULY
mittee:— 1862.

(In the Committee.)

SIR CHARLES WOOD rose and said: Before I proceed to Sir C. Wood.
the substance of what I have to address to the Committee,
it may be as well that I should explain the nature of the
proceeding which I propose for their adoption. On recent
occasions, when the financial statements with respect to
India have been made, either by the noble Lord opposite
or by myself, it has been when powers have been asked
from this House to raise money for the service of India.
On the last occasion—in July last—fearing that the rail-
road companies might not be able to raise as much money
as would be required for the expenditure on account of
railroads for the year, I took the precaution of asking power
from the House to raise money for the purpose. I am
happy to say that the railroad companies have succeeded
in raising more than the sum required, and I have not
availed myself of the power intrusted to me by the House.
This year the finances of India are in such a state, though
not quite so flourishing as at one time was represented, that
it is not necessary for me to ask the House to intrust me
with any power for raising money. In order, therefore, to
lay ground for the statement I am about to make, I have
reverted to what was the practice of the House before the
last year or two, and, referring the Indian accounts to a
Committee of the Whole House, I shall move in the Com-
mittee certain formal Resolutions. It may be desirable
also that I should caution hon. Gentlemen that some

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confusion may arise from our having to deal with the finances of three separate consecutive years. The Chancellor of the Exchequer of this country deals with the last year and the coming year; but, owing to accelerated communication with India, we have now the financial state of India for three years before us at the same time. This year I shall have to refer to the accounts of 1860-61, to what is called the regular estimate of the year 1861-2 made up towards the close of that year, and to the budget estimate made before the beginning of the year as regards 1862-3. The Resolutions, however, which I shall move will have reference simply to the year 1860-61, though it will be my duty to state what probably will be of more pressing interest—the prospect of the Indian finances for 1861-2 and 1862-3. Before doing that, I must place the House in possession of what I believe to be an accurate statement of the accounts for 1860-61, and of the estimates for those two latter years; and I cannot, therefore, avoid referring to the differences between the Home Government and the Government of India on this subject, which appear in the correspondence on the table of the House. It is painful to me to do so, as I see that they have been represented by some persons as personal differences between Mr. Laing and myself. I can only say, on that point, that no personal feeling of difference exists on my part towards Mr. Laing. I can appeal to many common friends to say whether I have not acted in a most friendly way with Mr. Laing. We have been in constant communication, and during the last year, when he was in this country, the most unrestricted communication took place between him, the members of the Indian Council, and myself; and I was not aware that there was any difference between us on any Indian questions, or, until this matter arose, as to the principle on which the Indian accounts and estimates should be taken. I postponed the present discussion to this evening in order that Mr. Laing might be able to send to me a memorandum in explanation of the points commented upon in the despatch of the 9th of June, expressing my readiness to lay on the table any explanatory statement on his part. I thought that was due to him, though he was only an individual member of the Government of India. Obviously, however, any answer to a despatch addressed to the Government of India ought to proceed from them; and it must be observed that, for the opinions expressed in that memorandum, he alone is responsible, and not the Government of India. He refers to the general financial policy of the Indian Government, and

Differences
with Mr.
Laing.

Sir C. Wood.

to Lord Canning's general policy. I have approved of the former, and to the latter I have given the most unqualified support. There is, however, one point on which I must be permitted to say a word; because, if anything personal is introduced into this discussion, it arises, I think, in the tone of Mr. Laing's memorandum rather than in anything that has proceeded from the India Office. There are statements made in that memorandum which, if true, would place me in the strange position of having said one thing to one man and a different thing to another. Mr. Laing states that, if he had acted on the suggestion or in accordance with the opinion of the Home Government, the 10 per cent. duties on manufactured goods would now be in existence. That is a statement which he is not justified in making, and for this reason that, so long ago as April, 1861, I wrote a despatch, stating that in my opinion the duties were too high, "and that it would be consistent with sound policy to reduce them as soon as our financial condition admitted of the reduction." That view was enunciated in a public despatch of a year ago; but I also early in the present year wrote to Lord Elgin and also to Mr. Laing, stating it to be my opinion and wish that the 10 per cent. duties should be reduced. I gave them no instructions to reduce them, because I was not aware of the financial position of India at the moment, while I thought it but fair that they should have the credit of making any proposal for reduction which they might think proper. Mr. Laing, therefore, is quite incorrect in saying that, if he had acted in accordance with the views of the Home Government, the 10 per cent. duties would still be in existence. I have approved of the reductions, even though they may lead to a deficit, but all these matters have really nothing to do with that which I have deemed it to be my duty to endeavour to correct—namely, the inaccuracy of the estimates and accounts which have been sent home from India, not in small matters only, but in matters of very considerable importance; the most important of them involving a principle which I think has been erroneously adopted by the Government of India, and involving an error approaching to nearly a million in each of three consecutive years. Now, this question of Indian accounts is not one which has arisen this year for the first time. It has been to me, ever since I have been at the head of the Indian Department, a source of the greatest annoyance that I have not been able to depend on the accuracy of the accounts sent home from India. There are two or three members of my Council who are well versed in subjects of this descrip-

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accounts and
estimates from
India.

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tion, and I myself have been unremitting in my endeavour, in conjunction with them, to bring those accounts into a correct shape. The errors in the statements of account now lying before the House exceed, however, any with which it has hitherto been my lot to deal. These accounts are wrong in principle, whereas those previously sent home involved error merely in the mode in which they were stated. I am responsible for the accounts which I lay on the table of this House, and I must therefore see that the accounts produced to Parliament are in such a shape as I can answer for. The hon. Member for Evesham, whom I see opposite, as well as many other hon'ble Members, takes great interest both in India and in the accuracy of all public accounts, and I have no doubt both he and they would find great fault with me if I were to submit to Parliament statements of a nature which I could not defend. Confidence in the security of Indian Stock, which is held by so many persons in this country, and confidence in the general welfare of India, which is so important to every body in this country, depends, to a great extent, on the accuracy of the information given with respect to Indian finance. The public generally, both in India and in this country, would have a just cause of complaint if other than correct information were furnished by the Department over which I have the honour to preside. If, for example, as is undoubtedly the case in the statements for the last year or two, items are omitted from the charge which were invariably included before, and items set down as revenue which were never previously so placed; and if these two proceedings are contemporaneous, it is obvious that a statement so framed is productive of a result utterly dissimilar from that shown in former years, without any real change of circumstances, and gives a flourishing view of finance as compared with previous accounts which is not founded on the real facts of the case. That such is the state of things, so far as relates to the Indian accounts with which I have to deal, I can, I think, without any great difficulty, demonstrate; but in order that I may be able to do so, it will, of course, be necessary that those Gentlemen who do me the honour to listen to me, and who take an interest in this subject, should pay close attention to each statement as it is made, because, although the explanation which I have to give is simple enough in principle, yet it may not be quite so easy to render its details perfectly clear. The accounts, then, on the table of the House, and on which my Resolutions depend, are those for 1860-61. The accounts for that year seem to

¹ Accounts for
1860-61.

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have a sort of fatality attending them. Last year there was a statement made which took us all by surprise, to the effect that the expenditure for 1860-61 had been larger than that for 1859-60. We were assured by the Indian Government in June 1860, that there was a large reduction, not in prospect, but actually realised, on a comparison of those two years; yet, much to our astonishment, we afterwards learnt, from the statement of Mr. Laing, in the Council of the Governor General, that the expenditure for 1860-61 was higher than that for the previous year. Nor was that surprise diminished when, on referring to the actual accounts, we found, instead of an increase in expenditure to the extent of £213,000, an actual diminution to the extent of £4,400,000. Now, as I told the House last year, Mr. Laing informed me that he had been misled by the estimates published by the Financial Department in India, with reference to the expenditure for 1859-60. I not unnaturally commented upon this in a despatch addressed to the Government of India; but I have since heard from Mr. Lushington, the Financial Secretary to the Government of India, that he did not mislead Mr. Laing in any way, and that Mr. Laing must have been perfectly cognizant of the accounts for 1859-60 having been made up at the time he made use of the estimates in his statement. I refer to this point simply in justice to Mr. Lushington, on whom I may have indirectly cast some imputation in the course of the observations which I made last year. Mr. Laing's further explanation, on which I will make no further comment, is in the papers on the table. We have now received the accounts for 1860-61, and I did not anticipate that I should have any more trouble with them. Strange to say, however, we found, when they arrived, that they contained two most singular mistakes, one involving an error to the extent of about £1,000,000, by adding a sum of that amount twice over. But on the other side of the account there was a more serious error, of about the same amount—we found the home charge reduced by about £1,000,000. We were surprised to find this to be the case, as the home charges for 1860-61 had more than once been stated with sufficient accuracy both here and by Mr. Wilson and Mr. Laing himself in India at about £5,300,000. We were, therefore, much astonished at finding the sum reduced to £4,300,000, without a word of explanation, except a reference to what was done in another year. It was by following the track thus suggested to us, and not from explanation afforded to us by the Government of India, that we discovered how the reduction

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had been made. The way in which the reduction was made was by treating all the items included in the £1,000,000 of entries on the receipt side of the home account as items of revenue, and deducting them from the charges which appeared on the other side. I admit that a small proportion of them ought properly to be so treated; as, for instance, interest on the investment of cash balances. In the year 1862-3 I have allowed not only that deduction, but several other items of a more questionable character. But the main point at issue as to the accounts of 1860-61, which I wish to raise and to discuss separately, when I have dealt with the accounts of 1862-3, in which the same error has been made, is the question whether repayments, which constitute nine-tenths, or even more, of the whole sum deducted can be considered to be part of the revenue of the year. In the mean time I come to the estimate of 1861-2. That estimate was sent home last year; and omitting, as we were told in the despatch of the Government of India, the loss by exchange, £473,000, and arbitrarily reducing the home charge by £317,000, making together £790,000, the charge for the year was stated at £41,554,000. From that amount the Government of India deducted £500,000, which they intended to transfer to the local budgets, and the result was a total charge of £41,054,000. Deducting that charge from the income, £41,294,000, there was an estimated surplus of £240,000. On considering that estimate at home, we did not consider that they were justified either in deducting the loss by exchange or in making a reduction upon the home charge; and we pointed out to them that if those two sums, making together £790,000, were added, the result would show, instead of a surplus, a deficit of £550,000. Inasmuch as the loss by exchange occurs again in 1862-3, I shall defer the argument upon that question until I have gone through the estimate of 1862-3. I only wish the Committee to observe that the same reasoning applies to both years. With respect to the reduction of the home charges, there is no pretence for saying that it was in consequence of any receipt of any sort or kind. Mr. Laing states his reason for making it. It so happened that the estimate of the military charge at home in 1861-2 was, in round numbers, £1,400,000, nearly the same as in the preceding year. The estimate was made up in the Accountant's Department of the India Office. The official gentlemen in that Department knew what the charge was, having every means of ascertaining it, which the Government in India had not. Mr. Laing says he naturally concluded that

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the sum of £1,400,000 must have been assumed at the same amount as that in the previous year. He could not give us credit for knowing what the charge was likely to be, but chose to assume that we had neglected our duty, and taken the charge merely from the amount in the preceding year. Therefore he went to the President of the Military Finance Committee and asked him what reduction ought to have been made, and then he took off one-half. This is his own statement. I say he was not justified in making, on such grounds, a reduction upon the estimate sent to India from this country—an estimate, be it remembered, made up by the Department which alone possessed the means of knowing what the charge was likely to be. In what is called the regular estimate—made up long after they had received our despatch on the subject, explaining the reason for what we had done—the same omission is made, with a full knowledge of what we had explained—namely, that the reason why the military charge in 1861-2, was nearly the same as in 1860-61, was that there was an arrear of the War Office charge, not belonging to the year, but having to be paid within it. The addition of that sum to the reduced charge for the year accidentally made the actual amount to be paid about the same as that of the preceding year. Nevertheless, after that intimation, with a full knowledge of the reason why the sum happened to be the same, the sum of £317,000 was still deducted in the regular estimate. It is curious enough that in the budget estimate, in which Mr. Laing had professed to omit the loss by exchange, it had, nevertheless, by mistake been included; but when we come to the regular estimate, in which the Government of India had been instructed by the Secretary of State to insert it, we find that they have omitted it. They were obliged, being disappointed in the transfer of £500,000 to the local budgets, to add that sum to the budget estimate; but they omitted, contrary to the directions of the Secretary of State, who is supreme in that matter, the loss by exchange; and they persisted, also contrary to the instructions of the Secretary of State, accompanied by reasons, in the reduction of the home charge to which I have already alluded. The result was that the charge for 1861-2, as stated in the regular estimate sent from India, is less than it ought to have been by two sums of £473,000 and £317,000, or a total of £790,000.

COLONEL SYKES: Is the right hon. Baronet alluding to the corrected estimate of April last?

SIR CHARLES WOOD: Yes; the estimate sent in the despatch of which the date is the 19th of April. Acting upon

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1862-63.

Deficits of
1860-61, 1861-
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these grounds, the Government of India abandoned the license tax. I wish now for a moment to refer to a debate which took place in this House in February, 1861, when I was supposed to have taken rather too sanguine a view of the finances of India. At that time, no doubt, there was a very desponding view of Indian finance taken in this country, and, more than that, there was likewise a desponding view taken in India. I stated then that if the reductions were made which I anticipated, and if the estimated produce of the license tax were realized—namely, about £600,000—, I did not despair of the finances of India being brought round in the course of the year. According to the estimates now received, there will, after the abandonment of the license tax, be a deficit of £595,000. I hope, therefore, that those hon. Gentlemen who doubted my statements will now acknowledge that I did not speak without warrant, because, if the license tax had not been given up, the finances of India would have been as near as may be in a state of equilibrium at the end of 1861-2. I now come to the estimate for 1862-3. Mr. Laing states that, without any alteration either in income or in charge, the former would be £43,796,000, and the latter £42,364,000, giving a surplus of £1,432,000. In this year also the loss by exchange is omitted, and the home charge is erroneously reduced to the extent of £529,000. Altogether the apparent charge for the year is reduced by £987,000, in consequence of departing from the practice of former years, and from what we believe to be sound principles of account. Deduct from the supposed surplus the amount of these two items, and it will leave a surplus of £440,000. Taxes have been repealed to the extent of £725,000, and therefore a deficit is created, according to my view of finance, to the extent of £285,000. Whether these deductions are justifiable I am now about to discuss. I have gone through the accounts and estimates of the three years. I have shown that in the first year the errors on the two sides balance each other, and therefore the real deficit is about the sum which appears, namely, £4,000,000. In 1861-2, there will, according to the last estimates, be a deficit of £595,000; and in 1862-63 there will be a deficit of £285,000. The question turns, in both cases, substantially on two points, and two points only—namely, whether it is right to omit the loss by exchange from the charges; and, secondly, whether repayments of advances are properly to be treated as income. If they are, and if the loss by exchange be properly omitted, the deficit is not what I suppose it to be. I wish, before I approach

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these two points, to make clear one other point, which seems to me to be an error, and which occurs more than once in Mr. Laing's memorandum—namely, the assumption that the fact of the cash balances in India having increased is a clear demonstration that there is a surplus revenue. In the first place, I must observe that as our expenditure in this country on Indian account can only be provided out of Indian revenue, so long as we do not draw money from India there must be an increase of the cash balances in India; but that is no proof of a surplus revenue when you include the whole charge in India and here. More than that, cash balances may be increased from a variety of sources besides revenue. Cash balances may be increased by prize money, by subscriptions to the service funds; loans are paid into cash balances; and the increase of cash balances, under these circumstances, proves nothing as to the surplus of revenue. In point of fact, the truth is, that we have been led to borrow more than we wanted. In the early part of the year 1861 the Government of India represented officially, and Mr. Laing himself backed the statement very strongly, that they were in a state of great distress; that their balances would be "reduced to the *minimum* point at which it is possible to conduct the Government of India;" that they anticipated that the state of the North-Western Provinces would most seriously affect the revenue; that unless they had some assistance they should be obliged to stop the public works. The state of things they represented was so bad that I sold securities, here, bought a million of silver, and sent it to India. Then some of the railroad companies, upon whose payments into the Home Treasury we depended for our home expenditure, seemed little likely to be able to raise as much as would provide for that expenditure. Influenced by these various considerations, I borrowed money in this country in June 1861, stating at the time that it was to make myself sure as to the means of meeting the home expenditure. But it turned out that the representations made to us from India, in February, were erroneous. The cash balances at the end of April were high; the Treasury in India was not pressed upon to remit for our home expenses, as we had borrowed money to defray them; and in these circumstances it was inevitable that the cash balances in India should be increased. The fact is, that the cash balances have not increased now up to the amount of the excess of the money borrowed beyond the deficits which have had to be met by loans since the year 1858. Therefore, the assertion that

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the increase of the cash balances is a clear demonstration of a surplus revenue is a total mistake. It is no proof under any circumstances; but when I show that the excess of loans actually exceeds the increase of cash balances, the presumption that there was a surplus revenue is entirely rebutted.

Loss by
exchange.

I come now to the first question, that of the loss by exchange. It is rather a complicated matter, and I must beg the attention of hon. Members to what I am about to state. When the contracts with the railroads were made, the rate of exchange for the rupee was about 1s. 10 $\frac{1}{2}$.; and in the contracts with the railroads it was provided that the rupee should in all accounts between the railroad companies and Government be taken at that rate. As hon. Gentlemen are aware, the railroad money is paid into the home treasury, and is available for home expenditure. The revenues of India are paid into the Indian treasury, and to the extent necessary are applied to the expenditure on the railways in India. The consequence of this arrangement is that for every 1s. 10 $\frac{1}{2}$ d. we receive into the home treasury we are bound to expend a rupee in India. So long as the exchange remained at 1s. 10 $\frac{1}{2}$ d. for the rupee, there was no loss or gain on either side; but when the value of the rupee rose to 2s., then we became bound, for every 1s. 10 $\frac{1}{2}$ d. we receive here, to spend the equivalent of a rupee, or 2s., in India; and the difference between the two amounts constitutes what is technically known by the phrase "loss on exchange." When the tables are turned, when the receipts of the railways in India are remitted to this country, in payment of dividends, we shall account to the companies for 1s. 10 $\frac{1}{2}$ d. only for every rupee received in India—that is, assuming a capital of a million, when we receive 545,000 rupees, in round numbers, we shall have to pay 500,000 rupees, or £50,000, for guaranteed interest, and retain the remainder (45,000 rupees) as representing 2 $\frac{1}{2}$ d. in each rupee. Therefore, it is quite possible that we may recover what we are now paying; it is also perfectly possible that we may never recover a farthing. If the rate of exchange comes down to 1s. 10 $\frac{1}{2}$ d., we never can recover one penny of the loss. If the receipts are not sufficient to pay the interest, we never can recover a penny of it. The recovery of this money depends on the double contingency of the maintenance of the rate of exchange at 2s., and the sufficiency of the receipts of the railroads to pay the guaranteed interest. The guaranteed interest is, to a certain extent, in the same condition. We pay it now out of the revenues of India. We may recover great part of it when the rail-

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roads make a sufficient return; but in the mean time the interest has been charged on the Indian revenue of the year. When we come to receive our half of the surplus profits—and I hope the day is not far distant when we shall do so—then there will be an extraordinary receipt, as there is now an extraordinary charge, on this account. In like manner the loss by exchange has always been dealt with as an extraordinary charge, and by-and-by we may from a similar source have an extraordinary receipt. Every Government in India, up to last year 1861-62, and the Government at home, has always treated this loss by exchange as a charge on the revenue of India. I wish now to call the attention of the House to the reasons recently given by the Government of India for treating it otherwise. The first reason is given at page 13 of the papers on the table of the House. The Government say—

“We have omitted this charge, as the interest on advances to railway companies for this year must be an equivalent for any loss by exchange on remittances under existing contracts, and we take it for granted that you will not renew or modify any contracts without expunging this objectionable clause.”

Now, it will be observed that in that statement the loss by exchange is admitted as a charge on the revenue, but a set-off is pleaded—namely, that we should receive from the railway companies interest on the advances made to them equivalent to the charge of the loss by exchange. If there had been such a receipt, it might have been treated as a set-off; but unfortunately, the Government of India should have known that no such money could be received, as the only source for the payment of railway interest is the revenue of India. The proposal of the Indian Government is simply this,—that they will set off one payment against another; and the loss by the exchange, which we pay, is to be compensated for to us by the interest which we also pay upon the money borrowed in order to make advances to some of the railroad companies. When the railway companies were not able to raise money for themselves, we advanced it to them to prevent their works from standing still. That money we borrowed, and pay 5 per cent. interest for it, and this 5 per cent. interest that we pay on the money so borrowed is, forsooth, to be set against our loss by the exchange! In his memorandum Mr. Laing has given two reasons for this proceeding, which are to be found at page 3 of that paper. He says he will subject it to two tests. The first is—

“Suppose the rate of exchange on account had been fixed at 2s. 2d. instead of 1s. 10d. for the rupee, should we have treated the excess as a receipt?”

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Certainly, we should. And the statement I have already made shows that we propose to proceed on this principle, because if the rate of exchange remains at 2s., we shall account for 1s. 10d. only on each rupee that is remitted for the payment of interest, and the difference between the 2s. and the 1s. 10d. will be treated as an extraordinary receipt. The second test is this—

“How can that be a charge on the revenue of the year which has certainly not been paid in the course of the year; and which, as certainly, is owing to no one at its conclusion?”

And Mr. Laing adds—

“I appeal to this latter test with the more confidence, because in no estimate or account from England has this sum ever been entered as a charge to be paid there, or included in any demand for remittances; and it is quite certain that no one claims it in India.”

No doubt it has never been included in any account transmitted from England, for the simple reason that it is paid in India. Then comes Mr. Laing's statement that “it is not paid in India.” Why, it has been paid every year in India, and appears in all the Indian accounts from the beginning. The Government in India has always included it in the Indian accounts. And what is really rather staggering is, that here we have the accounts of 1860-61, transmitted by the Government of India when Mr. Laing was at Calcutta, in which there appears among the charges in India “loss by exchange on railway transactions, £469,759.” How, with a document before him in which this is stated as a charge on the Indian revenue, Mr. Laing should now say that it is not paid in India, certainly passes my comprehension. Not only that, but the Government of India, or at any rate one member of it—I mean Sir Bartle Frere—speaking as the organ of the Government of India, in the Governor General's Council in July, 1861, when Mr. Laing was in England, and when they had received our despatch stating that this charge ought to be included—Sir Bartle Frere, in moving the Income Tax Bill, used these words—

“After mature consideration, however, the Secretary of State did not think it desirable to propose any alteration in the terms of the existing contracts with the old guaranteed railway companies, and it would therefore have been necessary to have added a sum of £495,000 to the estimate of expenditure of the current year. But this will not affect the total of the estimate, for each Government had charged itself with the loss by exchange on railway capital, and the whole sum was included in the £3,096,916 there set down for ‘civil and political charges, including contingencies.’”

For some years it was not stated separately; it was included in the miscellaneous charges. I myself directed that it

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should be shown separately; and in two, if not three, consecutive years since then, it has been shown separately as a charge on the Indian revenue paid in India—even the very last account for 1860-61, as I have said, so showing it. Then, I take the two tests which Mr. Laing himself takes, and the second—the one to which he appeals with the greatest confidence. He says it never has been paid in India. That it has been so paid I have proved from the very last accounts. Every Government has so treated it. Thinking it right that the same course should be continued, we determined that it should be included, and gave directions in the clearest terms accordingly. In spite of the positive directions of the Secretary of State to the Government of India, they have chosen to exclude that which every Government had included, and which we, the supreme authority in this matter, directed to be included, in order to give a just view of the finances of India. Hon. Gentlemen will at once see that, if that which has invariably been included in the expenditure is to be excluded in a subsequent year, you have a very fallacious account of the expenditure in India. I think, Sir, I need say no more on the subject of the loss by exchange.

The next question is the repayment of advances, and on that I will again refer to Mr. Laing's own memorandum, and quote his own words, that there may be no misapprehension about the matter. He says—

“The Secretary of State says, ‘it is contrary to the first principles of account to treat sums so repaid as part of the income of the year.’ I must confess my surprise at such a statement from one who has filled the office of Chancellor of the Exchequer in England.”

Well, I certainly have filled that office, and I repeat again, with the most perfect confidence, and with the conviction that no person in this House who has ever been Chancellor of the Exchequer will contradict my opinion, that the repayment of an advance cannot be regarded as an item of revenue. There are certain advances made from the treasury in India on account of the Imperial Government. I will enter into detail about them presently. They are repaid to the treasury of the Indian Government at home. What they are really is a transfer from the treasury in Calcutta to the treasury in London. They are not treated as items of expenditure when advanced, and of course they cannot be treated as items of revenue when repaid. Mr. Laing quotes against me great authorities—he quotes my right hon. Friend the Chancellor of the Exchequer on my right, another right hon. Friend of mine whom I do not see in the House, and also Mr. Wilson. But the cases are not in

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the slightest degree similar or parallel. Certain muskets were supplied to the Spanish Government, and the expense of the muskets charged upon the revenue of this country when they were made. The repayment was treated properly as an extraordinary receipt. So, in the Crimean war, stores were provided and charged upon the revenue; and when they were afterwards sold, the produce of them was properly carried to the miscellaneous receipts, according to the ordinary course and practice. The cases of what was done by Mr. Gladstone and Sir George Lewis do not, therefore, bear in the least on the question; but Mr. Laing asks—

“Or, again, was Mr. Wilson, after five years' experience as Secretary to the Treasury, ignorant of the A B C of accounts when he made a precisely similar deduction in 1860?”

My answer to that is, that I do not believe Mr. Wilson ever made “a precisely similar deduction.” I cannot exactly make out to what Mr. Laing here alludes. I suppose it must be to the same thing as he mentioned at the beginning of his memorandum, where he states that Mr. Wilson with his own hand made an arbitrary reduction in the home charges. All I can say is, that there is not the slightest trace of any thing of the kind in the accounts. If done at all, it must have been done in 1859-60, or the next year. Well, we have got the amount of the home charge which Mr. Wilson stated for 1859-60; we have got the amount of the home charge which we sent out to Mr. Wilson. Our charge was stated to include stores, and Mr. Wilson from it very properly deducted the charge for stores, as it was intended it should be done. We could not tell here exactly what the amount was; but the stores are always charged to the Indian account, although paid for here. We sent out, in November 1859, a certain estimate of £5,700,000, including stores. Mr. Wilson sent home in the appendix to his speech made in February what the amount of the stores was. He deducted that from the total which we sent out, and the remainder is the sum which was properly stated by him as the whole charge, exclusive of stores. But that was not an arbitrary deduction from the home estimate, nor is it treating a repayment as revenue. In the next year he stated as home charge the precise sum which we had sent out. I will now state what these repayments and advances are. Payments were made for troops going to China, or on account of the troops there; advances are made on account of the emigration of coolies; upon account of pensions paid in India to out-pensioners of Chelsea Hospital; and on account of charges for the late China expedition; and bills of exchange have

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been cashed in India on account of the Imperial Government. These are all advances made to the Imperial Government. It was settled that all the charges for the late China expedition should be borne by the Imperial Government, and therefore all expenses incurred in India for that expedition were treated as advances to the Imperial Government, and never appeared in any account of Indian expenditure. We authorized the paymasters of the forces in China to draw upon the Calcutta Treasury to a certain stipulated amount, which was to be repaid here. That was done, but they were simply advances made out of the Indian Treasury in Calcutta, and repaid by the Imperial Treasury in London. I have in my hand half a dozen navy bills drawn, some by the storekeeper at Trincomalee, and some by the paymasters of ships, for cash upon the Treasury in Calcutta, and then made payable to the Secretary of State for India. They are cashed in India, and sent to us. We send them to the Accountant General of the Navy, and they are paid into our Home Treasury. It seems to be the simplest matter possible, and I cannot understand how anybody, even the most ignorant of financial matters, could call those repayments items of revenue. In illustration of my views I will mention a case which may be familiar to all. Most of us have a London banker and a country banker. Last year I had a visit from a friend at my house in Yorkshire. When he was coming to London, he told me he was short of money, and asked me to give him my check upon my Doncaster bankers for £20, which he would repay in London. That was about Christmas. He received the £20 in Doncaster, and early in the following year he repaid the sum to my bankers in London. Would any one say that I ought to treat that £20 received for me by my London bankers as part of my income for the year? I really am ashamed, as an ex-Chancellor of the Exchequer, to have to discuss such a point. It is still more strange that there should have been such a proposition put forward, because I hold in my hand a Report of the Finance Committee which sat in Calcutta, whilst Mr. Laing was there, and which was sent to us in a despatch signed by him. It is a report in reference to the statement of expenditure sent from this country to India, and it says—

“ The financial transactions with the home authorities connected with railways in India, payments on account of the civil service in India, and remittance transactions with Her Majesty's Government, not being charges against India, but merely remittances or advances, are omitted from the statement. They are all duly adjusted in the accounts prepared in this country, the sums received and paid in England being met by equivalent debits or credits in the general accounts.”

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That is a perfectly accurate statement of the mode of dealing with such transactions, and I confess that it does pass my comprehension how, with such full knowledge of what was the right mode of dealing with them, it can be alleged for a moment, as it is urged with great perseverance in the memorandum, that repayment of advances can or ought to be treated as revenue. Then the argument goes on in the oddest way to say—

“I cannot understand what is meant by stating that these China advances formed no part of the annual charges for the year in which they were made. They were actually paid, I imagine, in hard rupees out of the cash balances of the Indian Treasury.”

No doubt, they were paid in hard rupees; but all the disbursements, whether for annual expenditure or for advances, were made in hard rupees. I will venture to say that the navy paymaster's bills were paid in hard rupees, but no one can say that this constitutes them an item of charge against the revenue of India. The memorandum then goes on in a way that is not a little remarkable. Mr. Laing refers to a document which appears in these despatches as Statement (A) as conclusive proof of his view—

“The Statement (A) of home charges in 1862-63 is essentially a revenue statement sent for the purpose of enabling me to make a budget for the year, and not a cash balance statement, showing other receipts and payments that are not revenue, which, in fact, was not sent until a subsequent mail, and did not reach India until after the budget had been necessarily produced in anticipation of the new financial year.”

I must attribute that statement to forgetfulness, although it is remarkable that Mr. Laing should have forgotten that the Statement (A) was never sent from this country, but was made up in India. There was only one statement sent from this country, and that appears in the printed papers in the hands of Members. It is quite true that Statement (A) is purely a revenue statement; but it was made in India and contains the mistakes which I have commented upon. The statement sent from England, which appears at page 43 of the papers, is not a mere revenue statement, but is exactly that which Mr. Laing describes it not to be—a statement comprehending revenue and other receipts and disbursements. It speaks for itself, and the despatch enclosing it is upon the table; it is the document from which Statement (A) was made up by omitting a good deal of what we sent out. As I did not send out that Statement (A), and as what I did send out is the direct reverse of what it is alleged to have been, the argument derived from that paper is altogether

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without the slightest foundation. Mr. Laing goes on to say that I did not admit in the statement of revenue in the accounts for 1861-62 the receipts from the students at Addiscombe College. I must say that, in this memorandum and in the correspondence, there does appear a lamentable confusion of ideas as to estimates and accounts. There are no accounts for 1861-2; but if I refer to the last account upon the table for 1860-61 at page 48, I find that those receipts are deducted from the military expenditure—"Military College at Addiscombe, £16,000." Therefore the statement in the memorandum is quite erroneous; for it is the practice to show in the accounts the receipts from the students. The memorandum goes on to say—

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"One of the gravest charges against me is, that I did not, in the budget of 1861-2, provide by taxes for an estimate of £215,000, made at home, to be spent upon the new India Office."

I should be glad to know who made that charge. I have never made it, and I defy any one to find it in the despatches. I agree in the principle laid down in the memorandum, that extraordinary receipts are revenue, and extraordinary charges are expenditure; but, I repeat, without fear of contradiction, that advances are not items to be charged upon expenditure, and that repayments are not to be treated as revenue. I hope that I have now satisfied the Committee upon both points—the loss by exchange and the item of repayments, upon which the question turns of a surplus or a deficit: and that the Council of India and I—for we are all agreed—are right in maintaining that which every preceding Government has maintained.

Having then, as I trust, established the correctness of our view of what the two sides of the account ought to contain, I now proceed to state to the House the condition of the Indian finances for the last three years. I am afraid I have already wearied the House by my long explanation; but it was of paramount importance to establish a true basis on which to frame our Indian accounts, so that everybody may know that we deal with them in India just as we should in this country, and that they are perfectly correct and straightforward. The accounts for 1860-61 show a very satisfactory state of improvement. The estimate showed a deficit of £6,500,000; the real deficit was £4,000,000. The increase of revenue over estimate was £3,400,000, and the increase of expenditure over estimate was about £800,000. The income of the year 1860-61 was £42,903,000; the estimated income for 1861-2, without the license tax, was £42,911,000, and for 1862-3, after the remissions, £42,971,000. The charge for 1860-61 was

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£46,924,000; the estimated charge for 1861-2 was £43,506,000, and for 1862-3 £43,255,000. These are the corrected figures, and represent what I believe to be the real state of the charges and income in these years. The result of these corrected figures gives for 1860-61 a deficit of £4,021,000; for 1861-2, of £595,000; for 1862-3, of £284,000. Looking to the progress of the revenue, and to the reductions which have been going on, I entertain a hopeful belief that by the end of the year we may find that deficit even less; but that is the calculation at which we arrive at present from the corrected figures. I think it would be satisfactory to the House if I next compare the present state of Indian finance, as we may say that we have now got to something like a permanent state, with the condition of the finances in the year before the mutiny, and we shall then see the progress we have made. In 1856-7—the year ending April 30, 1857—excluding railways, we may say that our income and expenditure were about equal. I hope that will be the case at the end of this year, at any rate in the next. In 1856-7 the income was £33,375,000, and the charge, excluding the railways, £33,000,000, showing a surplus of £75,000. The income has risen since that period, according to the estimates of 1862-3, after remissions; to £43,000,000 in round numbers—an increase of about £9,600,000. Of this, the income tax has produced £1,500,000, and the other taxes which have been increased have produced about £4,000,000—that is to say, £5,500,000 is due either to increased taxes or new taxes. The remainder is due partly to opium, partly to land tax and other taxes, making altogether £9,600,000. The charge in 1856-7 was £33,300,000, and in 1862-3 it will be in round numbers about £41,300,000, showing an increase of £8,000,000. The interest on the debt has increased £2,436,000; the military charges, £1,674,000; and the judicial and police charges, £1,338,000. But for the expenditure on railroads there would be a surplus of about £1,670,000. When we remember that the railroad expenditure will be reproductive, and will contribute to the development of the resources of India, we shall not, I think, look upon this as an unsatisfactory state of things. The charge for railroads, of course, makes a considerable difference. The annual charge of 1856-7, guaranteed interest and loss on exchange, was £673,000; in 1862-3 it was £2,688,000. From this we must of course deduct traffic receipts which, in 1856-7, were £121,000, and in 1862-3, £730,000. The net charge therefore in respect of railroads, in 1856-7, was £551,000, and in 1862-3, £1,958,000. The interest on the

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debt in 1856-7 was £2,420,000, and in 1862-3, exactly double, or £4,857,000. I now come to what is a most important item—the military charges—which, of course, increased very heavily during the mutiny. In 1856-7 they were £12,781,000; in 1858-9 they were more than double that amount, or £25,449,000. Since that year they have gradually decreased, naturally enough, from a cessation of war charges. They have now got as low as £14,456,000, and I must frankly say that I do not think we shall get them much lower. Some time ago, when we were calculating our future expenditure, we thought if we could get these charges down to £15,000,000, we should do very well; and I think now, if we manage to get them down to £14,000,000, it will be as much as we can do. Here, however, I must again refer for a moment to a passage in Mr. Laing's memorandum in which he refers to a fear that the Home Government would send out too many recruits to India. I refer to that because it is a repetition of a charge which has been made in India in the public press there; and which has been sanctioned by a letter of Mr. Laing's, and by a speech which he made. The charge was that, in order to relieve the finances of my right hon. Friend here, we had unduly charged the finances of India. That is not the case. The Home Government preceded the Government of India in suggestions for the reduction of expenditure, and there are despatches on the table which show that such was the case. The Government of India, in 1860, asked for forty-five regiments of infantry for the Bengal presidency. After consulting Lord Clyde and other military authorities, we thought thirty-eight sufficient. They asked for thirteen regiments of cavalry; we reduced the number to eight. Of course we did this with great hesitation, because, after all, the Government of India is responsible for the safety and security of India, and it was only after consulting eminent military authorities that we took that responsibility on ourselves. They have since changed their minds, and proposed to send home more regiments. We have acceded to every request they have made, interposing, however, in two cases some delay. They sent home artillery when the number of European artillery were 2,000 below the number which they had reported to be necessary; and they proposed to send home a regiment from Madras, when we thought they had mistaken the opinion of the Madras Government. We desired them to send home batteries of the old artillery only as the new batteries were formed; but we ultimately allowed them to send the old batteries home, if they were confident that no risk was run.

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by leaving the artillery in India for a time below the proper number. As regards the regiment for Madras, they had mistaken the views of the Madras Government; but, nevertheless, they sent a regiment home from Bengal, and we have since agreed to take one more regiment from Madras next year. Then comes the sending out of the troops, and this is a point of great importance, because it has been stated that we sent out too many recruits last year, and that the number of men in India would be 9,000 above what was fixed. That representation was written from India last October. Well, what are the facts? In June the Indian Government had stated that what they wanted for India was 73,000 men. We have since brought the number down to 71,000; but when we sent out the recruits, we did not know that the requirements of the Government of India had come down so low as 73,000. I think I explained once before that, in order to keep up an average number of men in India throughout the year, they must be above the required number when the recruits arrive, because as the recruits arrive only once a year, in the beginning of winter, the men would otherwise in the course of the year fall below the average, owing to deaths, sickness, and invaliding. The casualties, including time-expired men, are reckoned at 10 per cent. per annum. In order to keep up 70,000 effective men or thereabouts, we ought, therefore, to have sent out 3,500, but the number we actually did send was 2,800. I take the following statement from a paper sent home by Mr. Laing. On the 1st of September the effective force in India was 74,255; on the 1st of December, when all the recruits but 100 had arrived, it was 74,419; so that the sending out of 2,700 men added only about 200 to the strength of the army. Last autumn happened to be a very fatal time to the European army in India, owing to the prevalence of very severe cholera. I must beg hon. Members to bear in mind that to hold India safely you must hold it with an adequate European force. An inadequate force is likely to lead to disorder and bloodshed. Therefore, to send out an inadequate number of recruits is not only the worst policy, but it is also the worst economy. My hon. and gallant Friend behind me (Colonel Sykes) is constantly quoting the small expense of the army before the mutiny. In order to show how this was attained, I beg to refer him to a paragraph in one of the despatches on the table, dated May 2, 1861—

“The cost of the army is £11,500,000 a year in India, and in England £1,250,000; and this was below the proper cost, as it was only attained by allowing the ‘effective’ European force to remain dangerously below its established strength.”

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I am not prepared to revert to so dangerous a course. I will now state the deficits (including expenditure on railways) of each year from 1856-7 to the present time. In 1856-7 the deficit was £474,000; in 1857-8 it was £8,390,000; in 1858-9 it was £14,187,000; in 1859-60 it was £10,769,000; in 1860-61 it was £4,021,000; in 1861-2, I estimate it at £595,000; and in 1862-3 at £284,000. These figures show that we are coming to a healthy state; and I hope and trust that, if the revenue thrives as it has done, we may at the end of the year be better off even than I now anticipate. The system of open loan has been put an end to, and I trust we shall close that dangerous system of having only to put one's hand into the treasury for money without caring how it came there. I hope by a sound system of finance we shall soon have a permanent surplus, instead of a deficit year by year. With respect to a topic of the greatest possible importance—namely, the public works, and the prospect of the cotton cultivation in India—I stated very fully two or three weeks ago what has been done. I will now merely say the Madras and Sind lines of railroad are now open; the East Indian line will be open at the close of this year or the beginning of next year; and the Great Indian Peninsular, with its cotton branches and its very difficult works through the Ghauts, is making most satisfactory progress. The late Governor of Bombay, Sir George Clerk, who lately returned to England, gives the most promising account of the progress of the works. I mentioned before that the works on the Godavery were delayed principally in consequence of fever and the want of labour. Roads are being constructed for the purpose of bringing down cotton and acting as feeders to the railways, and they too have made satisfactory progress. I asked Sir George Clerk about the supply of cotton that was to be expected from India; and he says, so far as Bombay is concerned, the growth was considerably increased this year. The export from Bombay last year was about double that of the year before. Of course, whether the additional growth will make up for the exhaustion of the stocks on hand, which must have been the result of the large quantity which came last year, is what nobody can tell; but Sir George says he believes the price which is now paid will divert a large portion of the cotton from the native spinners to this country. And now a word as to Government interference. After the fullest consideration, and taking the opinions of the most experienced and competent men, I have come to the conclusion that Government interference ought not to be given. I

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have always felt in the strongest way, and I do not, even in this case, see any reason for departing from that opinion, that in all matters of trade Government interference is pretty sure to be prejudicial. I believe in the present case what is wanted is the reasonable expectation on the part of the grower of a fair and permanent remuneration for his labour. That is the result of my inquiries, and I believe there is no difference in this respect between India and other parts of the world. That which takes place elsewhere, and in regard to other produce, will take place in India; in regard to cotton an adequate demand will produce an adequate supply. India produces a great number of other things—sugar, indigo, silk, jute; but an adequate inducement has been given to the ryots for producing them, and cotton also will be produced when a similar inducement is given. I saw the other day Mr. Saunders, who has been employed by Lord Canning to report on the growth of cotton in the North of India, and he said that the universal answer which he received to his inquiries was—"We require nothing from the Government; we only want buyers, and we will supply as much cotton as they require." I have been asked to send persons to obtain information as to the production of cotton. A Commissioner was appointed in each Presidency for the purpose of obtaining the fullest possible information. The Cotton Supply Association sent their Secretary, Mr. Haywood, to India, who went into the western districts in company with a Government officer, in order that he might have every facility afforded to him. The Reports of the Commissioners are printed. Mr. Haywood is on his way home. I believe that as much information exists on the subject as is needed, and what we want is not inquiry, but action. The mode of procuring cotton is well known. Transactions are carried on by means of advances made at Bombay, for instance, to agents in the country, and by them again to a series of native agents, each of whom makes a profit; but without some such system as this, I believe you could not reach the requisite number of ryots, who are only to be got at, not by the means of large capitalists, but by a great number of small dealers. Each ryot produces only a small quantity of cotton. If gentlemen in this country are desirous of sending agents to India for the purpose of getting into a more direct communication with the producers, that would be a legitimate mode of proceeding, and to any extent that the Government could fairly aid them in that purpose aid shall be afforded to them. I have been asked to send commissioners and interpreters with them to

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facilitate communication with the ryots. My belief is that more can be done by the influence of the local officers, with whom the ryots are acquainted, than by sending persons round with the agents; but still the latter course shall be adopted, if desired. What I wish to be understood is, that the Government is not disposed to turn cotton merchant, but that any aid that can be reasonably given by the Government shall be readily given to those merchants or manufacturers who are disposed to put any agency of their own in motion for procuring a larger quantity or a better quality of cotton.

There are other matters to which I now wish to refer. It is not in finance alone that great progress has been made in India. Great reforms and improvements in the administration of India have been made, and I believe that I am warranted in saying that seldom, if ever, has so much been done in the same period in any country in the world. Last year an Act of Parliament was passed for the improvement of the administration of India. The whole Government of India was recast; powers of legislation were restored to the Presidencies of Madras and Bombay, which they have not exercised since 1833. A council has been created in Bengal to which also legislative powers have been given. All these Councils may deal with most matters within their respective jurisdictions, but there are certain more important questions which are reserved for the Council of the Governor General. To his Council as well as to those in the different Presidencies, Europeans not in office, and native gentlemen, have been admitted. Three distinguished natives took their seats in the Governor General's Council. Five out of the six additional members at Bombay were natives. I am happy to say that, as far as we can judge of the experiment, it has succeeded. Natives of high rank, at much sacrifice to themselves, and casting away prejudices, have taken their place by the side of the Governor General in the Council; and having read reports of their speeches, I must say that they take a statesmanlike, sensible view of the different questions brought under discussion. I was rather amused by the remark made with respect to them by an English member of Council, to the effect that "we must look after ourselves in order not to be surpassed by the natives." I have heard from an Englishman, than whom no one is better acquainted with India, that in Bengal it is impossible to describe the effect produced on the native mind by the presence in the Council there of three native gentlemen of rank. High Courts of Judicature have also been constituted in the three Presi-

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dencies, and I have not been able to place any native in these courts, only because no native is at present technically qualified for office in them; but I believe that natives will, when technically qualified, occupy places as satisfactorily in those courts as in the Councils. I will only shortly refer to the Civil Service, as I have already answered a question on this subject from the right hon. Gentleman opposite this evening. I do not anticipate that there will be room for the admission of any great number of persons in consequence of the recent Act; but the Lieutenant Governor of Bengal complains that, even with extended field of selection, he cannot find fit persons enough for the administration of the provinces. I am sorry to say that the arrangements as regards the army are not yet completed; and I am aware of the not unnatural dissatisfaction which this circumstance has occasioned. The delay has been mainly occasioned by anxiety to give every consideration to the claims of officers in India. The old Indian regiments of artillery and engineers have already been gazetted as portions of the royal army. With respect to the regiments of infantry and cavalry which were to be formed as an addition to the Queen's army, the officers have not yet been posted. I cannot account for the delay; but we must wait until we receive from the Government and the Commander-in-Chief in India the list of officers selected. I hope, from what I hear, that the cause of delay has been removed, and that before long the additional regiments of the line will be gazetted. The native army has been considerably reduced. The reduction was necessary on political as well as financial considerations. A large native army is a source of danger, and I believe that a much smaller one will be equally effective. It is impossible, however, to deny that the reduction has involved some hardships on the officers and men. I can only say that the greatest consideration has been shown to them. The men have been discharged with gratuities or pensions according to their period of service. Additional retirements have been provided for the officers; many of them have joined the Staff Corps; and though we cannot at present say positively, I am inclined to believe that there are few, if any, for whom there is not present employment; and for all of them their full pay, and promotion to the higher ranks, are continued as if their regiments were still in existence. I have been asked once or twice about the Indian navy, but I have not yet had an opportunity of consulting Sir George Clerk, who has recently returned to this country, on the subject. The Govern-

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ment are, however, most anxious to consider fairly and liberally the claims of the officers of the navy, whatever may be ultimately decided on. So far as regards the changes which have been made from this country; but in matters more exclusively Indian the progress has been no less. With regard to the treatment of the native princes, a most important change has been made, for which Lord Canning deserves the highest praise. Formerly the native princes were subject to great anxiety, believing it to be the fixed intention of the British Government to get rid of them, and take possession of their territories. Considerable alarm was thereby caused among them; but Lord Canning reversed that policy, and avowed that it was not the intention of the Government to annex their territories. He consequently set the minds of the native princes at ease, and nothing can be more satisfactory than the result of that policy. I have the testimony of Sir George Clerk, than whom no one knows India better, to the effect that this policy of Lord Canning has been the source of the greatest strength to us in India, and that we might now reckon on the support of ten or twelve in lieu of three or four chiefs who were with us before. The next change which Lord Canning introduced has reference to the creation of an intermediate class between the peasantry and the great chiefs. The general effect of our rule has been to destroy such a body of persons, and the peasantry have enjoyed the greatest advantages under our rule; if it were otherwise, they would have taken part against us. It is, however, quite clear that, whatever advantages we may have conferred on the peasantry, it was not a natural state of things that there should be no independent intermediate class connected with land. Lord Canning endeavoured to provide a remedy for that state of things, and the experiment which he made in our new territory of Oude has, I am happy to say, so far been most satisfactory. There is a remark made by Lord Canning in connection with this subject which, perhaps, I may be allowed to quote. In addressing the talookdars of Oude, he said—

“While you, who are now the independent magistracy of your province, have already become, although you are the newest of the Queen's subjects, the foremost of them in the practice of self-government, and in enforcing by your example and authority an intelligent reverence for law and order.”

It is, indeed, remarkable that the persons intrusted with so much power have displayed not only great skill, but also the utmost impartiality. They, moreover, have shown their

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loyalty in various ways. They offered Lord Canning to put down the practice of infanticide; and feeling the great sorrow which oppressed their Sovereign and our own, they determined to forego all demonstrations of joy on one of their great festivals, which is usually celebrated with great rejoicing. Measures, with the objects that I have stated, were passed by Lord Canning. But there was another which he had not time to carry into operation, but about which he was equally anxious. He felt that it was most advisable to take some steps to benefit the general owners of land. Lord Stanley, some time ago, wrote a despatch, calling the attention of the Indian Government to the sale of waste lands and the redemption of land revenue. That subject Lord Canning proceeded to take into consideration, and certain Resolutions of the Government of India on these subjects have been published. About the same time Lord Canning sent Colonel Baird Smith to the North-Western Provinces, to make inquiries with respect to the best mode of preventing a recurrence of the famine which unfortunately prevailed in that quarter. Colonel Smith, in the performance of that duty, became very much struck with the improved condition of the people since the last famine, which was, in his opinion, to be attributed to the longer leases which had been granted, and the more provident habits which had been produced by the circumstance of a more permanent tenure of land being enjoyed by the occupiers. The consequence was a recommendation by him of a permanent settlement of the land. Lord Canning was much struck with the proposal, and sought for further information on the subject; but he had not time, I regret to say, to mature any measure dealing with it. In conjunction, however, with my Council, I have had it under consideration for some time, and Her Majesty's Government have determined to carry out a measure for the permanent settlement of the land revenue throughout India as soon as the various districts are pronounced to be in a condition fit for it. Hon. Members must not, however, suppose that we propose, as was done by Lord Cornwallis in Bengal, to sacrifice, to a great extent, the rights of the actual owners of land. The settlements made throughout India for the purposes of the revenue, the holdings of the several occupiers being duly registered, will furnish us with the information necessary to enable us to avoid the evils of his proceeding. What we propose is, that a settlement should be made with each of the present occupiers, and that each should be secured in the possession of the land which he now holds, paying a fixed rent for it for ever. Great

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political advantage will, I think, be the result of the adoption of such a measure, inasmuch as it will tend to make the people of India attached to our rule, from which alone they can hope for the permanency of such an arrangement—, and I need not point out the security afforded by permanent tenure for improvement in the condition of the country, such, I hope, as we have not yet witnessed. I may, perhaps, be allowed, while dealing with this part of the subject, to quote part of a report from Mr. Paterson Saunders on the state of Oude, in which he gives the answer of a most intelligent native on that subject, and the views which he expresses, and which completely corroborate those on which we propose to act—

“Nearly six months have elapsed since the publication of his Excellency the Viceroy and Governor General in Council’s Resolution, and to this date not a single landholder in Oude or the North-West Provinces has applied for the redemption of the tax upon his land. What the native landholders do want is a fixity of the public demand; that when the settlements now being made are completed, they should be fixed in permanence. I will here give the evidence of a most intelligent native in Oude, and from the unanimity of evidence I have gathered, I select him as the representative of the whole.

“What, then, do you think is the real want of the country?—A permanent settlement on the half asset principle, and no other tax upon land. If I got a permanent settlement of my Jaghire, I would retire from the service of the Government, after having served for twenty-six years, without pension, give up my 600 rupees a month, and go and improve my estate.”

“The want, then, of the landholders is a permanent settlement; and on this subject I will not waste further argument, for even his Honor the Lieutenant Governor of the North-West Provinces has surrendered the whole question, when, in the 23rd paragraph of his Minute, dated Camp, Ghatumpore, 27th January, 1862, on my first report, he says that his comments upon it are not made ‘with any intention of disputing the expediency of converting the settlements of these Provinces (subject to certain conditions) into a permanent settlement—for it is to that issue that the extension from time to time of the period of settlement has been gradually advancing.

“If the Supreme Government of India proclaims the principle of permanency of settlement, and directs that all districts where the areas of measurement have been completed, and they are considered to be in a fit state for such permanent settlement, be at once settled, it may well be left to Governors of Provinces and Chief Commissioners to exempt such districts as are manifestly unprepared for such settlement.”

These last words express most correctly the order we have given. Of course, our plan will come gradually into operation, which will, I think, be all the better, as various modes of improving our proceeding may be developed in

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By these measures for the benefit of the princes, the chiefs, and the people of India, I sincerely trust that we shall have done much to deserve and ensure their attachment to our rule. We have learnt a stern lesson from the recent mutiny in India. It will be necessary to keep up there a considerable military force; but our greatest strength will, I believe, lie in the attachment of the Indian people. I believe, in the words which Lord Canning addressed some time ago to the talookdars of Oude, that, "in spite of bygone animosities, and of the broadest differences of race, religion, and social usages, a generous and trustful rule is the surest way to make a loyal and dutiful people." I cannot conclude, having mentioned the name of Lord Canning, without giving expression to the feeling which we all entertain of deep regret at the loss which the country has sustained in the death of that distinguished statesman. Never was a man more severely tried. He had every prospect of a peaceful rule when he went to India. The outbreak of the mutiny rudely dispelled his pleasant anticipations; but, through the severest storm which India has ever encountered, he with a calm and firm hand held the helm. He was not induced to take any rash step by fear or alarm; but, at the same time, he omitted nothing that was necessary for the maintenance of our power. All his actions were tempered with mercy, and he succeeded in suppressing the rebellion, and in acquiring the affections of the people. Nor, when that success was achieved, was his policy less worthy of applause. He brought the finances of India into their present state by reductions carried out with a firm and unsparing hand. He conciliated the affections of all the princes, chiefs, and great landowners in India. His name has been a tower of strength, and his policy will be a tower of strength, continued, as I have no doubt it will be, by the noble Lord who has succeeded him, supported by the Government at home. One of the most remarkable events which have recently taken place in India was an address presented to Lord Canning not long ago by the inhabitants of Benares. Everybody knows that Benares is one of the most bigoted cities in India. Never since the days of Warren Hastings have the inhabitants of Benares approached a Governor General. Lord Canning passed through Benares shortly before he left India, and the inhabitants presented to him an address in which they expressed their estimation of the course he

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had pursued during the mutiny. It was the best testimony which he could have received of the success of his measures. The inhabitants of Benares said to him—

“Your Excellency remembered, in the time of victory and in the plenitude of restored power, that you were the representative of a Christian Government, and extended a merciful and unhopèd-for clemency to those who might have looked for extermination; while, at the same time, you fully vindicated the majesty of outraged law, and upheld the honor and dignity of the Government confided to your care.”

A more honourable testimony, or one more clearly expressed, could not have been given to his merits, and it was offered by a society as little likely to regard favorably a Christian rule as any to be found within the borders of our Indian empire. A difference of opinion may exist as to some of the measures which have been adopted in India, but it has been a source of the greatest satisfaction to me that every one of them, when mentioned in this House, has met with general approbation. We certainly have not been idle. The government of the country, the course of law, the civil and military services, have all been placed on a satisfactory footing, while the condition of the princes, the chiefs, the great landowners, and the peasantry of India has been improved. We know by past experience that danger may lurk beneath the most tranquil appearances; but a new era seems to have dawned upon India, and an amount of improvement is going on of which there has been no example in former times. It is our duty to guard against the recurrence of danger; but, as far as we can see at present, no such danger is apparent, and we have every reason to believe as well as hope that peace will be preserved, and that under the blessing of Divine Providence the connection between this country and India will be strengthened, and that the improvement of India will not only tend to the increased happiness of her people, but will be a source of wealth and benefit to the people of these Islands.

The right hon. Baronet concluded by moving the following Resolutions.

1. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India for the year ended the 30th day of April 1861 amounted to £3,758,421 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £3,412,724 sterling.
2. That the total net Revenues of the Bengal Presidency for the year ended the 30th day of April 1861 amounted to £12,009,752 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £2,441,829 sterling.
3. That the total net Revenues of the North-Western Provinces for the year ended the 30th day of April 1861 amounted to £5,056,801

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sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £2,540,310 sterling.

4. That the total net Revenues for the Punjab for the year ended the 30th day of April 1861 amounted to £2,943,385 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £1,330,682 sterling.

5. That the net Revenues of the Territories and Departments under the immediate control of the Government of India, of the Bengal Presidency, of the North-Western Provinces, and of the Punjab together, for the year ended the 30th day of April 1861, amounted to £23,768,359 sterling, and the Charges thereupon, including the Military Charges, amounted to £13,427,377 sterling, leaving a surplus available for the general Charges of India of £5,340,982 sterling.

6. That the total net Revenues of the Madras Presidency (Fort St. George) for the year ended the 30th day of April 1861 amounted to £5,271,915 sterling, and the net Charges thereof, for the same period, amounted to £5,685,818 sterling, showing an excess of Charges over Revenue in the above Presidency of £413,903 sterling.

7. That the total net Revenues of the Bombay Presidency for the year ended the 30th day of April 1861 amounted to £6,435,411 sterling, and the net Charges thereof, for the same period, amounted to £5,635,391 sterling, leaving a surplus available in the above Presidency for the general Charges of India of £800,020 sterling.

8. That the total net Revenues of the several Presidencies for the year ended the 30th day of April 1861 amounted to £35,475,635 sterling, and the Charges thereof amounted to £29,748,536 sterling, leaving a surplus Revenue of £5,727,099 sterling.

9. That the interest on the Registered Debt of India paid in the year ended the 30th day of April 1861 amounted to £3,232,104 sterling, and the Charges defrayed in England on account of the Indian Territory, in the same period, including guaranteed interest on the capital of Railway and other Companies, after deducting net traffic receipts of Railways, amounted to £6,516,380 sterling, leaving a deficiency of Indian Income for the year ended as aforesaid to defray the above Interest and Charges of £4,021,385 sterling.

Mr.
H. Seymour.

MR. HENRY SEYMOUR said, he cordially concurred in the eulogium which the right hon. Baronet had passed upon the late Earl Canning. He could not avoid remarking upon the singular and melancholy duty which appeared to fall upon this country, that we should yearly mourn the loss of some great statesman and benefactor of India. Mr. Wilson had died before the benefit of his valuable services had been felt. Mr. Ritchie had died—now Earl Canning was dead; and Mr. Laing had been compelled to return from India by an attack of illness which had nearly proved fatal, and from which he was still suffering. Fortunately he still survived; and, whatever might have been his shortcomings, there remained enough of good done by him during his short residence in India to entitle him to the gratitude of his country. Seven years ago the finances of India were

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stated by Lord Dalhousie to be in a deplorable condition, and he asked that a financier acquainted with the system of keeping the public accounts in India should be sent out. He was told in reply that there were plenty of able financiers and accountants in India, and it was five years before a gentleman well versed in the subject was sent. This was very unfortunate, for the consequence was, that the delay had produced great confusion, and had delayed all attempts at improvement. Mr. Wilson had fallen a victim to his exertions, but before he died he laid the foundation of all the improvements which had since been made. At last this department was getting into something like order, although it was far from being complete. The first fault found with Mr. Laing by the right hon. Gentleman had regard to deficits being added instead of subtracted in the year 1861; but it should be remembered that Mr. Laing only arrived in India on the 1st of January of that year; and considering the amount of business he had to transact, some excuse ought to be made for him in having committed that mistake, which led to no result, one error having balanced another. Both Mr. Laing and Mr. Wilson joined in the opinion that there should not be so many estimates. They had an anticipation estimate, a sketch estimate, and a regular estimate; then they came to the accounts of the year, and when they discussed them they were fifteen months behind. There should be only one estimate and one statement of accounts. With reference to the loss by the exchange, the Government of India had sent a memorandum by Mr. Laing in December last. The right hon. Gentleman answered it on the 15th of February; but although he went into all the other items in that memorandum, he never alluded to the loss by exchange; it was not, therefore, unnatural that Mr. Laing should suppose that the right hon. Gentleman was satisfied with the explanation that had been offered. This was not a matter between the right hon. Gentleman and Mr. Laing, but between the right hon. Gentleman and the whole Government of India, who were all of the same opinion with Mr. Laing. Mr. Laing was not, then, open to any severe animadversion with respect to this point either in 1861-62 or in 1862-63, for he had not received any remonstrance on the subject till his financial statement was made in June last. Whether the China advances were right or wrong, he thought the answer of the Indian Government on that head perfectly satisfactory. With respect to the cash balances, he admitted to the right hon. Gentleman that they were not all profit; but when the Indian Government stated that cash balances to the

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amount of £8,000,000 were sufficient to carry on the Indian Government, and they had cash balances to the amount of £18,000,000, surely the additional £10,000,000 might be considered as available surplus. When Lord Dalhousie had a balance of only £14,000,000, he was authorised by the India Board to apply a certain portion of it to public works in India. Then, how had the Indian Government dealt with the surplus they calculated they possessed? The protective duties had been taken off. The removal of the 5 per cent. from piece goods was a very judicious measure; and it was better to trust to the £500,000 being met from the surplus of the cash balances rather than to raise that sum by obnoxious taxes. The remission of £250,000 of the income tax had entirely relieved two-thirds of the persons who were liable to this odious impost. That was a most salutary change. He was gratified to hear the right hon. Gentleman's opinion about the income tax. Almost the first words which the late lamented Lord Canning spoke to Mr. Laing on his arrival was, that he would rather govern India with 40,000 British troops without an income tax than govern it with 100,000 British troops with such a tax. It was, therefore, satisfactory to find that the right hon. Gentleman had reduced that obnoxious impost. He regretted that the Home Government should have placed the restriction they had done on the expenditure upon education, and also upon roads in India. The chief Superintendent of Works in India had forcibly pointed out the disadvantages of voting mere dribbles for the roads. It was almost incredible, after all the experience of the mutiny, that the roads between Calcutta and the North-West Provinces should be still so much neglected. Even within a few miles of Calcutta there was a want of bridges and the most ordinary accommodation for traffic. Considering the wonderful fertility of the Delta of Bengal and its enormous population, there was no wonder that the chief Superintendent of Works should have urged the Government to make a much larger expenditure upon improved means of communication than the niggardly sum which the home Government sanctioned. He hoped the Secretary of State would reconsider the prohibition he had placed upon the Government of India, and allow them to carry out their budget. If ever there was a Government which deserved to have a large latitude in this respect, it was the present Government of India, which had reduced the annual expenditure by many millions. Some effort ought to be made to diminish the Indian home expenditure. The manner in which

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large sums were laid out in building palaces—for such they were—for the Indian Department in England created a feeling of jealousy in India, where severe retrenchment was insisted upon even in regard to the most urgent public works. While the Indian Council at home was but an experiment, they ought not to spend £100,000 or £200,000 in providing a new palace for it, where everybody would be made so exceedingly comfortable that, when once they had got into it, they would not at all like to be turned out again. There were very great complaints as to the mode in which business was transacted in the new India Office—more, indeed, than under the old Court of Directors, and it was not yet certain that the Department would be permanent. He could not see why the India Board should cost the vast sum that was set down for it in the Estimates. He trusted the right hon. Gentleman would turn his attention to the subject before next Session. With respect to Mr. Laing and the Indian Government, they had not had a proper opportunity of seeing the receipt side of Indian home account. Information as to the home charges had been furnished to them, but not as to the home receipts. He did not think it was quite fair for the home Government to withhold all statements of the home expenditure, and therefore there was some palliation for the conduct of the Indian Government. He was glad to find that the statement of that evening was more satisfactory than former statements had been, and that there was no mention of a loan, as was the case last year. The only matter to interfere with complete satisfaction was the little difference that had arisen between the Secretary of State and the Government of India, which had been occasioned by the anxiety of the Indian Government, which was responsible for the well-being of that country, to reduce the expenditure to the lowest point. The new Governor General had agreed with his predecessor upon that point, and there was every ground to hope that next year there would be a sufficient surplus to enable the right hon. Gentleman to sanction a greater expenditure. At present, besides the cash balances, there was a reserve of £5,000,000 expended in the year on public works, only £500,000 of which was military expenditure, and the remainder was reproductive expenditure. He had no doubt that those public works would be eventually profitable, and even now they had benefited the community of India, and had increased the revenue of India by the money which they had caused to be circulated among the population. The only point upon which he differed from the right hon. Gentleman was that he

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appeared to be rather too diffident in encouraging the investment of British capital in India. There were few parts of the world where railways had been carried out without the assistance of the State, and he should be glad to see the right hon. Gentleman the Secretary of State for India give greater encouragement than he had hitherto done to British enterprise in India in connection with Government aid. For example, he thought that irrigation companies should have received greater encouragement, as no works were more likely to produce permanent benefit in India than works of irrigation. He was also of opinion that greater encouragement should be given to the sale of waste land in India. He trusted the right hon. Gentleman would reconsider his determination upon these matters.

Mr. Smollett.

MR. SMOLLETT said, that he agreed in many things that had been said by the right hon. Gentleman the Secretary for India; but having been many years in that country, he was desirous of offering a few remarks upon the management of the finances of India in this country. In the first place, he wished to make two admissions. He admitted that great progress had been made towards effecting an equilibrium between income and expenditure in India. The great reduction in the army, to which that state of things was mainly traceable, was due chiefly to the efforts of a Commission that had been appointed in India to carry out reductions. He also admitted that there had been a great advance in the material prosperity of India and its inhabitants, which had begun in 1850, and had continued until the present time. The price of cereals had more than doubled; and as India yielded a vast amount of raw produce; and as almost every class in the country were more or less dependent upon agriculture, the increase of prices had greatly increased the general prosperity. Hence the great advance in the revenue generally, and in the land revenue particularly, on which one-half of the Indian revenue depended. But he must say he thought the management of Indian finance was most faulty, as was proved by the simple fact, that while many of the taxes were temporary, the expenditure for the present year was greater by £10,000,000 than it was five years ago. Indian finance ought to be and might be clear and intelligible, but it was never dealt with in that House in a manner calculated to make the subject popular. When Mr. Wilson went to Calcutta, the income was between £38,000,000 and £39,000,000, while the expenditure was £48,000,000, leaving a deficit of about £10,000,000. That deficit arose from the extravagant expenditure on the army, the Commissariat, the

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Staff Corps, and the civil servants in the Public Works Department. The Governor General ought to have put an end to that extravagance, and to have produced an equilibrium between expenditure and revenue; which might easily have been achieved without taxing the manufactures of Lancashire and Yorkshire, and without even the aid of a "great arithmetician" from the Treasury Bench, like Mr. Laing, whose only qualification seemed to be that he knew nothing about Indian affairs. No part of the reductions recently made, he contended, belonged to Mr. Laing—they would all have been carried out if neither Mr. Wilson nor Mr. Laing had gone out to India at all. They had been made entirely in the expenses of the public departments, and nobody could make those reductions except the Governor General, aided by public servants of long Indian experience. Clear as Indian finance really was, every attempt was made to mystify it whenever the subject was discussed in that House. Last year a loan was announced for India, and the right hon. Gentleman, in answer to a question from the hon. Member for London which appeared to have been pre-arranged, made what was called a "prosperity speech," saying that the finances of India were quite buoyant, and that the money was only wanted for the railways. It turned out afterwards that the expenditure exceeded the income by about £4,000,000, which was made up by money wholly raised in this country—for not a shilling of it, he believed, was raised in India. This same system of mystification was followed in the months of July and August, when the right hon. Gentleman came forward to ask to borrow £3,000,000 at the very time when Mr. Laing was telling the people of Calcutta that there would be a balance of from £200,000 to £300,000 surplus revenue. The loan was asked for on the ground that the railway companies in India wanted the money to carry on their works there. He did not believe that to be a true representation of the matter, and he must enter his protest strongly against the public money being mixed up with the money of private adventurers, and it was quite time that that system of juggling should be put an end to. There was no reason why the accounts of the railway companies should not be kept separate from the public accounts; and if in 1861 it was found that the railway companies were unable to carry out their arrangements, the fact ought to have been made known to the House, and the arrangements previously made with the companies should have been cancelled. But instead of taking such a course, the Secretary for India borrowed

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Mixing up
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£4,000,000 for the railway companies in question, and never communicated to the House who the particular company was, the terms of their agreement, or what security they had given for those advances. He protested against the system of mixing up the private affairs of individuals with the money of the Government. That system had been carried on too long, and it was from these collusions and mystifications that all the difficulties had arisen with respect to Indian finance. The Government had been patronizing companies of every kind for India—flotilla companies, irrigation companies, navigation companies, many of which would never have been floated on the London Stock Exchange but for the mischievous system of guarantees. The hon. Gentleman then described the origin and progress of a company which he said was started in 1858, having emanated from the brain of Colonel Cotton; it had received encouragement from the noble Lord the Member for King's Lynn (Lord Stanley); had raised £50,000 in payments of £1 per share, and *The Times* newspaper showed that the shares upon the pound which had been paid were between £2 and £3 premium, all owing to the mischievous patronage of the India Office. The hon. Member also commented on the conduct of Sir Charles Trevelyan in 1859 in attempting to write up the Godavery navigation scheme. Such a system ought to be immediately discontinued. The House ought, for the future, to exercise a proper control over Indian finance. There was scarcely any person in the House capable of properly dealing with the subject. One of the first things that ought to be done was to repeal that portion of the Act of Parliament which prevented the Members of the Indian Council from sitting in the House, so that these men might be able in future to bring their information to bear on Indian subjects. He would also suggest the propriety of passing a Resolution that hereafter no loans whatever should be raised for Indian purposes on the London Stock Exchange either directly or indirectly through guaranteed companies. He also proposed that, considering we had taken Indian affairs out of the hands of the East India Company and transferred them to the management of a Secretary of State, instead of bringing forward a budget at a late period of the Session, a sketch should be given at the commencement of each Session stating the amount of the Estimates for the year, and that votes should be taken on the principal items of expenditure. He could not see any reason why the number of European troops should not be voted in that manner. His

Mr. Smollett.

next proposal was that a stop should be put to any further guarantees to private companies by the Secretary of State for India on his own authority. He made this proposal to save the virtue of Chancellors of the Exchequer from liberties from Manchester and the Stock Exchange. Next Session he should move that no further guarantee or extension of existing guarantees be made by the Secretary of State without a preliminary vote of the House, on the responsibility of the Secretary. Unless these amendments were introduced into the existing system, the sooner the annual farce of an Indian budget was put an end to the better, and the responsibility of governing India thrown on the Secretary of State.

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to private
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MR. GREGSON said, he did not agree with the hon. Member for Poole (Mr. H. Seymour) that the home expenditure of the Indian Government was exorbitant. As to the hon. Gentleman's charge that a palace was being built for the India Office, he replied that it was essential that ample accommodation should be afforded for all the officers of the Department. With regard to telegraphic communication with India, he believed that the sooner it was completed the better, and in respect to the absence of the Members of the Indian Council from that House, he expressed his regret that that arrangement, against which he divided the House at the time, had been come to. He was of opinion that the Indian accounts should be brought down to a later period than April. The charge for exchange was a matter in dispute, but as it had been allowed on former occasions, he did not see why it should be excluded from the Estimates now. As to the repayments of advances, if the money originally formed part of the revenue account, the repayments should go back to revenue, and in like manner they should go back to the cash balances, if the advances were taken, as it appeared that they were, from them. He was gratified the income had so much increased, though the expenditure seemed to have increased in the same proportion. He was very glad that the system of open loans in India had been put an end to; and he trusted that the public works would continue to progress as satisfactorily as they were now stated to be progressing.

Mr. Gregson.

MR. VANSITTART said, it was unnecessary that he should say a single word in defence of the Financial Secretary of the Indian Government (Mr. Lushington) after the manner in which he had been exonerated from all blame by the Secretary for India. He should, therefore, pass at once to the points more immediately involved in the question under

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discussion. Without presuming to offer any opinion as to the necessity of the right hon. Baronet (Sir C. Wood) addressing Mr. Laing in the very extraordinary language contained in that painful correspondence embodied in a Return dated the 23rd of June last, or whether Mr. Laing was justified in retorting upon the right hon. Gentleman in an equally extraordinary tone, he would merely observe that there was no doubt Mr. Laing had experienced considerable difficulty in unravelling the tangled skein of Indian finance. Feeling this, and learning on his arrival in this country that the right hon. Baronet's despatch of the 9th of June, in which very serious charges were brought against him, had been made public, it could hardly form a matter of surprise that Mr. Laing penned the following rather warm rejoinder:—

“ When I look at the marvellous results of that last year, in which all the fruits of Lord Canning's policy seemed to blossom forth at once, I confess that a despatch which, before his remains are cold in the grave, holds him up to the public of England as a weak ruler, led by an ignorant and unscrupulous Chancellor of the Exchequer into financial blunders which have created a deficit; takes me greatly by surprise.”

He must confess, however, that on reading Mr. Laing's financial statement, as reported in the *Hurkaru* newspaper by authority, he was not disposed to join in that enthusiastic chorus of applause with which it was received by the excited Indian press, nor to be deceived into the belief that he had succeeded in obtaining a *bond fide* surplus of £903,814, as stated by him in his speech of the 16th of April last, and which he had disposed of in such a hurried and summary manner. He was also surprised that Mr. Laing thought it necessary to make that statement before the expiration of the financial year; for it necessarily became a mere sketch estimate, made up of returns, &c., consisting of ten months of reality and two months of conjecture; and, strange to say, the mail which succeeded that which brought it home announced a failure in the opium trade, regarding which Mr. Laing admitted in his speech that unless China was able to spend £8,000,000 on Indian opium this year, the revenue must diminish. If, therefore, Mr. Laing had been less precipitate in making his financial statement, or had paid a little attention to the actual figures of the account giving the real expenditure, we should not probably have heard a single word about a surplus this year. The real fact was, Mr. Laing rushed out to Calcutta during the pleasant months of the year, and in his anxiety to return home, instead of waiting for the returns of disbursements from the different departments, was intent only upon making

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a prosperity speech, trusting to the Indian press to carry him safely through against any criticism which might be passed upon it by the Home Secretary and his Council, whose duty it was to revise it, and acquaint the public with the real state of the case. Assuming for the moment that Mr. Laing had a *bonâ fide* surplus of £903,814, he was at a loss to reconcile the manner in which he had disposed of it with the spirited reply he gave to a deputation from the Chamber of Commerce and the British Land Association a few months ago—namely—

“ He (Mr. Laing) thought the first duty of a Chancellor of the Exchequer was to resist the desire to gain popularity by remitting taxes unless he was assured of a solid surplus.”

In the face of this declaration he was surprised to find among the taxes he selected to remit stood the paper duty, which most providentially was not of the same importance to the Indian revenue as it was to the English. He next flung away a large sum of money for the purposes of education, and partially reduced the income tax and the customs duties on manufactured goods. The consequence was, as was generally the case with all half-and-half measures, neither of these two latter interests were satisfied. This especially applied to the income tax; for although Mr. Laing had promised it should cease altogether in three years, yet the Indian community could not so easily forget that our present Chancellor of the Exchequer, during those seven long years he sat on the Opposition benches of that House, vehemently denounced the iniquity of this odious and oppressive war tax, and took his present Colleague, the right hon. Baronet the Member for Radnor (Sir George Lewis), sharply to task for not reducing it; whereas, the moment he had succeeded in displacing him, he not only forgot his promise and professions, but doubled and trebled it, though two millions a year fell in most opportunely at the time by the expiration of certain Long Annuities. Mr. Laing complained with justice of the heavy home charges, which amounted to no less than £9,000,000, or one-fourth of the whole Indian expenditure. He thought the cause might be partly traced to the extravagant manner in which the loans were raised after the mutiny, against which he had repeatedly protested. These loans, which had increased the Indian debt from £50,000,000 to £100,000,000, were offered to the public under an Act of Parliament below par, bearing interest at 5 per cent. for ten years, payable at the Bank of England, without any provision having been made to pay them off at the expiration of the ten

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years, as was the practice with railway and other commercial companies. That being the case, there was no doubt that these loans had the advantage of the security of an Imperial guarantee, which made the arrangement not only needlessly extravagant, but very injurious to the interests of the British fundholder. From a Return dated the 14th of May last, from the India Office, he found that the interest of this stock had increased from £341,975 for 1860-61 to £671,890 for 1861-2. When he reflected upon the conciliatory measures which had been passed during the administration of the much-lamented Earl Canning—namely, the restoration of the Oude talookdars, the recognition of the law of adoption, the redemption of the land tax, the sale of waste lands, the extension of the permanent settlement, and the total abolition of the license and trade taxes—he must say he thought, if further taxation was necessary, that the time had arrived to call upon the opulent Mahajun, the Calcutta Baboo, and other money extortioners, into whose hands the landed property was so rapidly falling, to contribute something towards the public revenue, in order to be appropriated towards paying off the £50,000,000 of additional debt to which he had just referred. For his own part, he could think of no fairer tax than a succession duty, somewhat similar to what prevailed in England, and better known in India as “Nuzeranna.” To this day no tax was more popular and resorted to by the native princes who are independent of our rule than this “Nuzeranna” or “Salamee,” for they argued it did not hit them but posterity. By cheerfully submitting to the imposition of this tax, our “Upper Ten Thousand” in India would not only have a graceful opportunity afforded them of showing their sense of gratitude to the British Government for stepping forward so promptly at the most critical period of their country’s history to restore order and peace, but of expressing their conviction that few Governments, even under far more favourable circumstances, had attempted so much for their good, and carried so many of their attempts to a successful and beneficial issue.

Succession
duty.

Mr. Crawford.

MR. CRAWFORD said, that the charge of the hon. Member for Dumbartonshire (Mr. Smollett) against the Secretary of State for India that he had been juggling the House, was a mere *ad captandum* argument, quite unworthy of any answer. In reply to the charge that the Secretary for India had been spending the balances belonging to the Indian railway companies, he observed that so long as the greater portion of the money provided for the construction of railways

Mr. Crawford.

in India proceeded from this country, so long would it be necessary to spend here a certain portion of the receipts. The railway companies were constituted on the basis of a guarantee from the Indian Government. Without such guarantee it would have been impossible to obtain money in this country for the construction of Indian railways. He was in a position to state that the hon. Gentleman's observations regarding the Indian railways were entirely unfounded. None of the companies had failed in carrying out the arrangements which they had made with the Indian Government. Leaving that subject, he wished to say a few words on the loss by exchange. Some years ago, when the railway companies were first formed, the rate of exchange was fixed at 1s. 10d. for the rupee. He objected to that at that time, because he did not think it was based upon a sound principle, and because he was apprehensive that it would lead to inconvenience. About 98 per cent. of the capital required for railways in India was raised in this country, but the expenditure here did not amount to one-half of the whole; the remainder had to be sent to India for disbursement in that country. For every 1s. 10d., which the railway companies paid in to the credit of the Secretary of State at the Bank of England, the Government had to disburse one rupee in India. The amount that was annually disbursed in India by the railway companies might be taken as equivalent to £6,000,000, which, at the rate of 1s. 10d. per rupee, was represented by 65,000,000 rupees. In the accounts at Calcutta, however, the payments were entered at the conventional rate of 2s. per rupee, the whole thus amounting to 60,000,000 rupees. He maintained, then, that the sum to be included in the budget should be 65,000,000, and not 60,000,000. The additional 5,000,000 rupees, representing the loss by exchange, should be debited as a sum to be received at some future time—a sort of deferred receipt. He agreed with the Secretary of State that in course of time the deficiency arising from the loss by exchange might be recovered. He had listened with great attention to the statement of his right hon. Friend, and he was bound to observe that, so far as he was able to pronounce an opinion on the facts stated, he did look on the account given of the affairs of India as satisfactory in the extreme. With regard to the question of cotton, he entirely concurred with his right hon. Friend that it would have been the greatest invasion of all the principles of sound political economy for the Government to have interfered and guaranteed a fixed price for cotton at the port of shipment. As a general rule,

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Mr. Croesford.

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the people of India would be found the best agents for developing the resources of that country. Upon the whole, it was impossible for any one connected with the trade of India not to feel that the present extent of that trade was but a drop in the ocean compared with what it would be when the railroads in India were completed. The increase in the cotton, coffee, and tea trade would astonish the world. There was only one further remark he had to make. He wished that justice had been done to the merits of two gentlemen to whom, he must say, we were particularly indebted in connection with the reductions in military expenditure—he meant Colonel Jamieson and Colonel Balfour. They had rendered most important services, and he thought they were entitled to public acknowledgment.

Mr. Kinnaird.

MR. KINNAIRD said, he had listened with great interest to the statement of the right hon. Gentleman the Secretary for India, and, without entering into the controversy about Mr. Laing, he must say that the right hon. Gentleman had borne out the statement he had made, and had satisfactorily answered the questions which had been put into their hands that morning. He did not know that he should have risen but for the speech of the hon. Member for Dumbartonshire (Mr. Smollett). That hon. Gentleman had made an attack upon Sir Charles Trevelyan which was scarcely worthy of him. He had ridiculed the visit which Sir Charles had paid to the Godavery, and said that he had come out with one of his claptrap statements. That was not language to be held respecting a public servant who had performed such eminent services as Sir Charles Trevelyan had done. He had himself seen a letter from an eyewitness, dated March last, with respect to the works now going on upon the Godavery, so that he could give the hon. Gentleman some information on the point. The letter stated that the whole delta was watered, the people paying to Government two and a half rupees an acre for irrigation, and the water-tax alone yielding a revenue of from five to six lacs of rupees; that every Native seemed well to do, the villages appearing to be full of comfort; that in most of them a patch of ground was set apart for the growth of cotton, the people cultivating just enough for their own consumption. [*A laugh.*] An hon'ble Gentleman opposite seemed to be much amused. Perhaps he regarded the dearth of cotton in Lancashire as a fit subject for laughter. ["No."] The improvement of the Godavery, instead of being a work to be sneered at, would tend not only to the future benefit of India, but of this country also, especially in regard to the

Sir Charles
Trevelyan and
the Godavery
scheme.

Mr. Kinnaird.

supply of the raw material of our staple manufacture. He had listened with extreme regret to the attack that had been made upon the Madras Irrigation Company. The noble Lord the Member for King's Lynn (Lord Stanley) had minutely examined the project of that Company, and they were encouraged by his sanction to undertake these great works. He trusted that his right hon. Friend the Secretary of State would not be deterred by the observations of the hon. Member for Dumbartonshire from aiding the development of the resources of India, where necessary, by a Government guarantee, and that he would use his best endeavours to encourage British capital to flow into that country.

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COLONEL DICKSON said, he did not know whether the hon. Gentleman who had just sat down was a member of an irrigation company himself; but he must protest against being supposed to regard the cotton famine in Lancashire with levity because he had smiled at hearing that certain persons in India grew enough cotton for their own consumption. He must say that he thought the hon. Member for Dumbartonshire had not been treated fairly in that debate, his remarks having been greatly misinterpreted. A debt of gratitude was due to that hon. Gentleman, who, speaking from his own knowledge of the subject, had exposed a scheme for introducing capital into India which could not prove remunerative.

Col. Dickson.

MR. BUXTON said, that this was not the first occasion on which the hon. Member for Dumbartonshire (Mr. Smollett) had gone out of his way to express his contempt for a man who was not there to defend himself, and whose administration, during the year and a half that he was at Madras, had been spoken of on all sides in terms of the warmest admiration. It had been universally allowed that Sir Charles Trevelyan—whatever mistakes he might have made in respect to the publication of a certain despatch—had done a marvellous amount of work for the benefit of India, and that his recall, whether necessary or not, had been a misfortune, not to himself alone, but to the Natives of that country. With regard to the loss by the exchanges, he regarded what had been so termed as an investment by the Government in railways. It ought to appear under the head of Public Works; for it represented, in fact, a portion of the public works undertaken by the Government in India.

Mr. Buxton.

COLONEL SYKES said, that the right hon. Gentleman the Secretary of State had found fault with the Governor General, with his Council, and with his Chancellor of the

Col. Sykes.

Col. Dickson—Mr. Buxton—Col. Sykes.

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Income Tax.

Exchequer; but at the same time had been obliged to admit that Lord Canning and his Council had—by their recent legislative measures giving permanency to rights to land, by the admission of the just claims of the native nobility and gentry, and by the modification of the income tax,—consolidated for many years to come British influence in India. With respect to the two points especially in dispute, the loss by exchange and taking credit for monies forthcoming from China, he thought Mr. Laing's own published statements were the best argument in favour of his view. The hon. Member then read the passage. With regard to the loss by exchange it was, according to Mr. Laing, a mere question of account, and was a theoretical and not a practical loss. With regard to the advances made on China account, the Secretary of State stated that the advances were never charged in the accounts of India; but such a sum as £1,700,000 must have been taken into account, or the cash balances represented £1,700,000 more than their real amount, a blunder not likely to be made. Mr. Laing did not mean that the amount brought in this year in repayment from China was revenue, but miscellaneous receipts. But the whole question was a mere matter of account, and did not deserve the discussion it had undergone; and even if the Government had been wrong in anything, after Mr. Laing's acknowledged public services there might have been more forbearance. He wished to say one word as to increased taxation from the income tax in India. The people of that country looked with horror upon new taxes, and especially upon an income tax, which brought an inspector into their houses and among their women, and unnecessarily gave rise to hostile feelings against us. He could not see the necessity for the enormous European force now maintained in India, exceeding 74,000 men, nor for the distrust of Native troops, when he remembered that it was the loyalty and discipline of the Native armies of Bombay and Madras which mainly prevented our being driven to the coast. The neck of the rebellion was broken by 45,000 European troops in 1857, and Delhi was taken before any reinforcements had arrived from Europe; but now we have no enemy, nor the prospect of an enemy to contend with. Lord Canning had said that he would rather maintain India with 40,000 Europeans and no new taxes, than with new taxes and 100,000 Europeans. The maintenance of this large force in India prevented the repeal of the 5 per cent. import duty and of the income tax. He agreed with the right hon. Gentleman the Secretary of State

Colonel Sykes.

that we must maintain our power by an adequate military force; but if we desired its permanency, it must be more through the good will of the people than by the aid of the bayonet; but he doubted whether that good will could be conciliated if we maintained an income tax. Moreover, the fathers and mothers of England, and England itself, had a right to complain of the unnecessary waste of the youthful blood and sinew of the country by exposure to the great mortality in India.

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MR. MARSH said, he thought the worst possible tax in India was a tax upon cotton goods, which made the consumer in that country pay not only the tax upon imported goods which the Government received, but also a corresponding increased price upon native manufactures, from which the Government derived no benefit. He suggested, that a small tax should be raised on the gold and silver ornaments worn by the men in India, which would, in fact, amount to a sort of poll-tax.

Mr. Marsh.

MR. PULLER said, he could not but regret that a gentleman who had so highly distinguished himself in India as Mr. Laing should, on returning to this country in broken health, be met by a despatch like that of the Secretary of State; great allowance must be made for his feelings under such circumstances. But, at the same time, as the home Government had taken such a view of the Indian budget, it could not but insist upon its views if it desired to retain its authority over the Government of India. One point had been altogether lost sight of in the discussion, and that was that the Indian budget presented to the House was but a partial budget. It was merely an estimate of the revenue and expenditure out of that revenue. It did not in any way show the cash balances. In such a state of things it might naturally become a matter of doubt as to which account certain items could be carried to. It would be unjust to Mr. Laing to say that there had been anything like deception on his part, for the Indian Government was perfectly aware of the difference between him and the Secretary of State; but having received such clear instructions from home, it was the duty of the Indian Government to have made their accounts in the way prescribed to them. The right hon. Gentleman had pointed out that the £500,000 of repayments for the China war and advances to the Imperial Government did not in any way belong to revenue, but he had omitted to say what he intended to do with it. He suggested it should be applied to the improvement of the local communications, in the same manner as the £380,000 of

Mr. Puller.

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which the right hon. Gentleman had spoken had been devoted to the making of roads. Such an expenditure would not only be of permanent advantage to India, but would facilitate our obtaining those supplies of cotton which were so much needed by this country at the present time.

Sir C. Wood.

SIR CHARLES WOOD said, he must express his gratitude for the kind manner in which the Committee had received his statement, and the credit which they seemed disposed to give to the Government for the course which they had taken in endeavouring to improve the condition of India. With regard to the interest on the Indian railways, it was treated as extraordinary expenditure now; and if it ever was repaid, the receipts would be treated as extraordinary receipts. In the same way the loss of exchange was an annual charge; and when the receipts came in, it would be treated as a portion of the annual receipts. As to the charges for China, they appeared under the head of supplies to London. They were, in point of fact, sums disbursed by the Indian Treasury in Calcutta, which were paid to the Indian Treasury in London. It was just as if a million of money was sent from Calcutta to London. The Indian Government advanced it for the service of the Imperial Government in India, and the Imperial Government repaid it here. It was nothing but a transfer of a million from the Treasury at Calcutta to the Treasury in London. With regard to the cash balances, they might be high, but this circumstance did not prove the existence of a surplus of income over charge, as they might be swelled from other sources. He hoped that there might be a surplus; but that would not prove, more than the amount of the cash balances proved, that any item was properly inserted or omitted in the accounts. It would only prove that the estimates of income and expenditure formed in India were wrong. But he wanted to establish a system of accounts which would show what the income and expenditure were, and how the finances of India really stood. He had already explained the matter fully, and no one had contravened the position which he had laid down in his statement to the Committee. He had a most painful duty imposed upon him. He had no intention to say anything which could personally annoy Mr. Laing; but as one of the minutes he had mentioned in the correspondence was signed by Mr. Laing, he could not avoid referring to that gentleman's name. Mr. Laing had exerted himself in the service of this country and of India, and he was most ready to bear witness to the importance of those services. Upon a point

Sir C. Wood.

of principle he was obliged to challenge a doctrine laid down by Mr. Laing, and he was very sorry if he had unintentionally said anything to give offence to him or his friends. With regard to the health of the troops, what he said was that at the time the recruits arrived in India last year there was an excessive mortality, owing to the prevalence of cholera at that period.

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Resolutions *agreed to*.

House *resumed*.

Resolutions to be reported *To-morrow*.

Sir C. Wood.

SIR C. WOOD'S FINANCIAL STATEMENT,

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EAST INDIA REVENUE ACCOUNTS.

(In the Committee.)

SIR CHARLES WOOD: I am happy to say that upon the present occasion I have a very easy and, I trust, a satisfactory task to perform in stating the progress of Indian revenue and expenditure in the present and two preceding years. The accounts are rendered in the old accustomed form, and therefore it is not necessary for me to occupy any time in explaining them. The accounts with which we have first to deal are those of 1861-2, up to the 30th of April 1862, and the regular estimate for 1862-3. As to the year 1861-2, I am glad to say there has been a great increase in the revenue of India. When the regular estimate was submitted to the House last year, it was estimated that there would be a deficiency of some £600,000. I am happy to say that, although the expenditure has exceeded the estimate to the extent of £370,000, yet the revenue has increased to a larger extent—namely, £920,000, in round pumbers. So the deficiency, instead of £600,000, will be only £50,000. The actual revenue was £43,829,000, the estimated amount being only £42,911,000. The actual expenditure was £43,880,000, the estimate having been £43,506,000, or an increase of £374,000; but the excess of revenue over the estimate, as I have said, reduced the actual deficiency to only £50,000. There are variations in the items which led to that result. There was a considerable increase in the land revenue of £862,000, a portion of which was, however, of a temporary character. There was a decrease in the revenue from salt—£547,000, not arising from a diminution in the quantity used by the natives, but because English salt has been substituted, to a large extent, for the salt manufactured by the natives, and the English salt having paid duty in the previous year, the receipt did not appear in the

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Regular Esti-
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accounts of the year 1861-2. There was a considerable increase in the expenditure for the army—£880,000, to discharge some arrears for the old mutiny, that had not been brought to account. Upon the other hand, there was a diminution in the cost of opium—£600,000. On the whole, the result is as I have stated. I think I may fairly congratulate the House upon the circumstance that, so soon after the mutiny, we have arrived at a practical equality between Indian expenditure and Indian revenue. I have been sometimes accused of taking too sanguine a view of Indian revenue, and sometimes I have been accused of taking too desponding a view; but my only object has ever been to lay before the House what I believed to be a fair view of the prospects of the revenue, and it is satisfactory to find that the anticipations which I ventured to make as long ago as 1859, when I first assumed my present office, and again in 1860, when I had obtained some experience in it—that those anticipations have been fully borne out by the results. I said in 1859 I hoped, by judicious economy, we might, in two or three years, bring about an equilibrium of revenue and expenditure. In 1860 I ventured to state that by reduction of expenditure and increase of taxation, the equilibrium would probably be obtained in 1861-2. The view I then took has been verified by the event, for we are so near an equilibrium that the deficiency in that year is only £50,000 upon a revenue and expenditure exceeding 40 millions. That is all which it is necessary for me to say upon the accounts of 1861-2. I now come to what is called the regular estimate for the year 1862-3, which is an estimate of the public income and expenditure for the year made up shortly before the close of the year, and very nearly approaches correctness. The budget estimate of 1862-3, as transmitted from India, showed a probable surplus of £179,000, but it was my duty to state last year that I thought some items should be omitted and some inserted, and that after these corrections, the result would be a probable deficiency of £800,000. But in this case, still more than in that of 1861-2, the estimate of revenue and also, to a lesser extent, of expenditure, were under the mark. It appeared clear, soon after the year had begun, that revenue was increasing more rapidly than had been estimated in April. As long ago as December last we received a despatch from India which showed that in all probability the revenue would be £1,018,000 higher than the estimate laid before the Council of the Governor General in the April preceding, and that the expenditure would be about £702,000 higher than had

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been estimated, thus reducing the anticipated deficiency by £316,000. But I am glad to say that by the figures of the regular estimate it appears that the increase of revenue has been more extraordinary, and the increase of expenditure has been less than was then expected. The regular estimate of 1862-3 gave a probable income of £45,105,000. The budget estimate of April 1862 assumed a probable income of £42,971,000. In March 1863 the increase of revenue, compared with the estimate, was no less than £2,134,000. Of that sum £1,550,000 is due to the increased revenue from opium, the whole amount which it is expected will be received from that source during the year being £7,850,000. In the salt revenue there is an increase above the budget estimate of £280,000, which is most satisfactory, because it furnishes a strong proof of the prosperity of India. The land, sayer, and abkaree revenue shows an increase of £300,000. These are the main sources of increase which make up the £2,134,000. The expenditure in India is higher by about £440,000 than was anticipated in the budget estimate; but, on the other hand, the expenditure in England has been considerably less. I wish I could say that the reduction of the expenditure in England was a real and actual reduction. I am afraid that is mainly due to the postponement of certain expenses, partly of some Admiralty claims, partly for the construction of the India Office, and partly for the construction of the electric telegraph cable through the Persian Gulf; but, so far as the year goes, there is a reduction of about £395,000. The result, therefore, is that the regular estimate of expenditure is £43,825,000, and the budget estimate £43,779,000; the increase of expenditure, taking India and England together, is only £46,000; and, subtracting the expenditure from the revenue, a surplus of £1,280,000 is left upon the year. I am still more happy to say that I have not the least doubt that the revenue will exceed the regular estimate. Even in this country it is not easy to be correct in estimating revenue, and in India it is even less easy, the estimate of revenue made by Mr. Laing before he left India being more than £2,000,000 under the amount which it seems now probable will be received. But what is more material, as indicating the progress of the country, is a comparison of the estimate for 1862-3 with the actual accounts of 1861-2. The revenue of 1862-3 may be taken at £45,105,000; that of 1861-2 was £43,829,000; so that the revenue of 1862-3, if the anticipations of the regular estimate are verified, will show an increase of £1,276,000, compared with the revenue of the

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mate of
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preceding year. An increase of about £1,500,000 is due to the opium revenue; and the increased revenue from salt in 1862-3, as compared with 1861-2, is £770,000. The expenditure in India in 1861-2 was £37,245,000; in 1862-3 it amounted to £37,228,000, the reduction of expenditure in the latter year being only £16,000. The army has been reduced by about £1,215,000; but the opium charge is more by £544,000, and a larger amount of interest has to be paid, to the extent of £275,000. The decrease in expenditure is £55,000, taking England and India together; the increase of revenue is £1,276,000. This is the more satisfactory, because the reduction of the 10 per cent. duty to 5 per cent. had taken place, so that the revenue has kept up in spite of that reduction. I now come to the year 1863-4, which is the current year. This is what is called the budget estimate, which is laid by the Government of India before the Council of the Governor General before the commencement of each year. The revenue of 1863-4, before any reduction of taxation, is estimated at £45,306,000, and the expenditure at £44,490,000, leaving a probable surplus of £816,000. That being the state of the prospective revenue and expenditure, the Government of India thought it advisable to reduce taxation to a certain extent. Everybody knows that a sort of pledge was given that the income tax should cease at the end of the appointed period, and in order to show that they were honest in this intention, and to relieve the people of India from the pressure of a tax which is felt very severely, the Indian Government reduced the income tax by 1 per cent. At the same time they reduced the duty of 10 per cent. upon the raw material of iron,—a duty which I think ought never to have been imposed,—and also the duty upon beer, one of the most wholesome beverages in India, and consumed there by Europeans. It is most desirable to extend the consumption of this beverage, so as to diminish that of spirits, which are much more deleterious. The reduction of the income tax and the Customs duties together amount to £335,000, leaving a probable surplus of £480,000 for the current year. In the estimate of revenue opium figures to a very large amount, the anticipated receipt from this source in the course of the year being no less than £8,000,000. The increased expenditure is upon public works, to the amount of from £400,000 to £500,000, but there is also a very considerable increase in the charge for the police force and for law courts—establishments intimately connected with the peace and tranquillity of the country. These items represent the principal increases in

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the expenditure of the year. The satisfactory condition of the revenue is, of course, owing to the general improvement and growing prosperity of the country. The reduction of expenditure is due, in a great measure, to the exertions made by the Government of India; and the Committee would probably like to see what these reductions have been during the last three or four years. The year of highest expenditure was 1859-60, when the gross expenditure was £50,475,000. Between that and the next year a reduction took place of £3,551,000; in the year following there was a reduction of £3,044,000; in the year which ended last April the whole reduction will be about £55,000; but, in the present year, owing mainly to the causes I have mentioned—namely, the larger grant for public works, police, and courts of justice, there will be an increase of expenditure amounting to £665,000, still leaving, after the reduction of the duties, a surplus of £480,000. Now, the great reduction, of course, has been in the military force. The highest charge for the military force was in 1858-9, and, comparing that with the last year, there will be found a reduction of from £25,600,000 to £14,500,000, or about £11,000,000. The charge is still considerably higher than it was before the mutiny, but that increase mainly results from the substitution of a much larger European force and the reduction of the native force. During the last year we have discontinued the Indian navy. That has been not from the slightest disregard of the merits and claims of this branch of the service, but because the state of things has very much changed from what it was in former years. In the early period of Indian history, there was, in point of fact, no Indian navy at all, and the defence of India depended entirely upon the Royal Navy. Subsequently, the Bombay marine and the Indian navy were created, mainly for local purposes—the conveyance of troops, the suppression of the slave trade, and the prevention of piracy—and they performed these services admirably. But a considerable change has now taken place. Large French frigates now constantly visit those seas, and, with a view to the adequate protection of English interests there, it is indispensable that such a naval force should be there as could not be maintained by the Indian Government. The Indian navy was not calculated to meet or to cope with the vessels of first-rate European Powers. It was therefore thought desirable to reduce that force within smaller limits; but on learning that this was our intention, the officers, and the commander who was at the head of that navy, expressed the

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Public Works.

opinion that if we were to reduce it to so small a force as was proposed, it would be hardly possible to keep up the spirit and the character of that force. We therefore determined that it would be far more advantageous to put an end to the service altogether; but it must not be supposed on that account that the officers, wherever they were employed, whether the Bengal marine in China, or the Indian navy at Mohammera, did not perform the most distinguished services. The measure adopted did not originate in any doubt as to the admirable manner in which they discharged their duties, but it was thought desirable, simply for public reasons, not to continue the service. It may be interesting to the Committee to see a comparison of the year of highest charge and that of highest revenue. The charges were highest in 1859-60, when they amounted to £50,475,000, and lowest in 1862-3, when they were £43,825,000, being a reduction of £6,650,000 in the expenses of the Government. This reduction is certainly due to the exertions made by the Government in India; and I must say, in justice to the Financial Commission, at the head of which was first Colonel Jameson and then Colonel Balfour, that they deserve the greatest credit for their efforts to reduce any expenditure not absolutely required by public necessity. On the other hand, there has been an increase in the revenue from 1859-60 to 1862-3, in spite of some reductions, of £5,400,000. That is a satisfactory change, and shows the manner in which the resources of India have developed themselves. I do not suppose that we can effect much reduction in the civil establishments in that country. There will be some reduction, no doubt, in the interest of the debt, in the guaranteed interest on account of railways, and in what is called the loss by exchange. This is going on from year to year. On the other hand, there are some items of expense with respect to which we must expect an increase to take place. The great item in which an increase will take place is, of course, that of public works in India, which are necessary for so many purposes, and which can only be carried on by the Government. The first great cause of increased expense under this head will be for military works in an improved construction of barracks. In consequence of the report of the Commission appointed to inquire into the sanitary condition of the Indian army, a question was put the other night for the purpose of ascertaining whether we were prepared to take any steps in reference to the mortality in the Indian army. I am sorry that that question was worded as it was, because I think that a

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careful examination of the documents contained in the report would have shown that the general conclusion as to the mortality, though perfectly correct for a long period, was based on facts going so far back that they do not afford a very good index of the sanitary state of the Indian army at the present moment. There is not the least doubt that the habits of the soldiers were more intemperate in former years than now, and the rate of mortality which prevailed some forty years ago is no good criterion of the rate of mortality at present. If we look to Sir A. Tulloch's evidence, on which this statement is founded, we find that the conclusion arrived at is founded on accounts embracing four or five years of extraordinary mortality, which serve to swell up the average. For instance, during the Burmese war in 1824 and the two following years, the mortality was 129 per 1,000, 157 per 1,000, and 158 per 1,000. In the year of the Cabul massacre the mortality was 107, and in the first year of the Sikh war 124 per 1,000. These few years swell the average in a wonderful way. Those were periods of war; but if we take periods of peace, the decrease of mortality is remarkable as we approach the present time. In the period of peace before the Burmese war the mortality was 75 per 1,000; and in the next successive periods of peace the mortality was respectively 53 per 1,000, 50 per 1,000, 42 per 1,000, and $32\frac{1}{2}$ per 1,000. During the mutiny in India, the mortality in twenty regiments which were sent from this country, but which were not in action, was only 34 per 1,000; and in eight regiments which were in India at the time, but not engaged, the mortality was only 30 per 1,000. But coming to the last year for which we have complete returns, the year 1861, I find that in that year in Bengal the mortality was 47 per 1,000, of which nearly one-half was owing to an outbreak of cholera; in Madras the mortality was only 12·8 per 1,000, and in Bombay only 20 per 1,000. That is by no means a higher mortality than prevails in more temperate climates. According to the report of the Sanitary Commission in 1857 the mortality of the foot guards at home was 20·4, and of the infantry of the line 18·7, per 1,000. Referring to the rate of mortality in the West Indies, I find it stated at 60 per 1,000; in Ceylon at 38 per 1,000, in the Bermudas at 35 per 1,000, and in the Mauritius at 24 per 1,000. The rate of mortality, therefore, as stated in the report of the Commission on the sanitary state of the Indian army, is not a fair representation of the ordinary mortality at present, sufficient allowance not being made for the casualties of the service, and for the deaths of persons

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suffering from wounds and diseases contracted in service. The ordinary mortality in India in times of peace is nothing like that which has been stated in the report, and I think it right to make this statement, because some alarm might otherwise exist in the public mind. It is not, however, to be supposed that we will relax in the least in our sanitary precautions, for it is incumbent on us to take every means for the preservation of the lives of our troops in India.

Reproductive
works.

Another source of increased expenditure is the carrying on of works of a re-productive character. The total sum to be applied to public works in the year 1863-4 amounts to £5,237,200, and including the guaranteed interest on railways to £9,237,200. On this point, Sir C. Trevelyan, in his financial statement for 1863-4, made this further statement—

“The Government desires that it may clearly be understood that any funds that can be expended with advantage on cotton roads, on works of irrigation or navigation, or on any other useful works, will be granted during the ensuing year. There will be no difficulty as far as money is concerned. The only limit will be the impossibility, in particular cases, of getting value for the outlay.”

Progress of
Railways.

I can assure the House that for some time past there has been no check whatsoever as far as money goes. As regards railroads, if hon. gentlemen will look at the report laid on the table by Mr. Danvers, they will see that some railroads are completed, others are approaching completion, and that others are progressing rapidly. The whole amount now opened is 2,500 miles: 747 were opened last year, and 759 in 1861. The East India Railway is very nearly completed, with some small breaks, and I am glad to say that under the direction of Mr. Turnbull the works have been admirably executed. The Great Indian Peninsula—one of the greatest works ever accomplished—is rapidly progressing. The Bhoze Ghaut incline, which surmounts an elevation of 1,800 feet in fifteen miles, was opened in April last. The scenery there is most beautiful; it really is almost worth while going so far to see the magnificent works which have been erected there. If any one is disposed to go by this time next year, he would have an opportunity of seeing works equally great on the sister incline—the Thull Ghaut. The amount of the estimated expenditure on these great lines is £60,000,000. Of this, £56,000,000 has been sanctioned, £48,000,000 has been raised, and £46,000,000 has been spent. The opening of these different means of communication from one part of India to another will be of the greatest possible advantage to that country. As I have

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mentioned Mr. Turnbull, I ought also to mention Mr. Berkely, the engineer of the Great Indian Peninsula line, who unfortunately was not spared to see the result of his skill and labour. I have been charged with having overrated the value of railroads, and neglected other means of communication; but it does so happen that, though I sanctioned the opening of the Godavery, the project for irrigation on the Irawaddy, and that in Berar, a light branch railway company supported by many gentlemen from Manchester, and other works, it never fell to my lot to sanction the construction of any of these great lines of railway. When the railways are once commenced, the more rapidly they are pushed on the better. We guarantee the interest, and until the receipts begin to come in, of course that is so much out of pocket. I have therefore been most anxious for the completion of those which had been sanctioned by my predecessors. The House will be glad to hear that, whereas in 1861-2 the traffic returns were only £390,000, in 1863-4 they are estimated at £868,000. That, of course, is deducted from the guaranteed interest which we are liable to pay. I need not go into topics which have already been made the subject of discussion here this Session—such, for instance, as the sale of waste lands. On that question I will only refer to one assertion made—that there had been no applications to purchase waste lands during my tenure of office, whereas there were many applications for the purchase of waste lands before I came into office. I have made inquiries, and I find the statement is totally inaccurate. Applications were made to the East India Company to know whether there were lands for sale, by persons who required first to inspect maps of the district, so that they might select their lots. Of course, there were no maps which would enable them to do that; and hon. gentlemen will see that these complaints of the want of a survey are quite inconsistent with the violent attacks made against me for requiring a previous survey. I see in some papers we have recently received from Madras that they have carried out my instructions, and insist upon nothing more than marking out the boundaries, and special care being taken that there is no encroachment on lands belonging to private persons. So far from there being no demands for the purchase of land, I find that there has been a great demand in almost every part of Madras, and in four districts alone for no less than 80,000 acres. But these lands are not available for the growth of cotton; they are better suited to the production of tea, coffee, and similar plants. I should

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mention also that we have lately introduced into India the culture of the cinchona, or bark plant. An enterprising gentleman, who is at present a clerk in the India Office, was sent to South America for some plants, carried them out to India, and plantations of them have been established in various parts of Madras, with every prospect of their flourishing and becoming a very important feature. With regard to cotton cultivation, on a recent occasion I stated what had been done and what might be done, and to what extent the natural demand would induce the ryots to cultivate cotton to a larger extent. The only matter in which I have had reason to think that Government interference might be useful is, that we have since learnt that a considerable drawback has been the want of gins—for those sent out from Manchester did not answer the purpose. We have sent instructions to the Bombay Government to extend the sphere of Dr. Forbes' operations, who is the superintendent of the gin factory, and to employ other officers for a similar purpose in other parts of the country. When the question of measures for increasing the production of cotton was discussed here, no practical suggestion of any sort or kind was made differing from what has been actually done, nor have I received any from the gentlemen from Manchester whom I have seen. I should be glad of any suggestion, though I myself do not believe it is possible to offer any. I believe the Government have done all that can be done, but I can assure my Manchester friends that the Government will spare no possible exertions to stimulate the production of cotton. It may be remembered that a matter which used to excite frequent discussion here was the question of the salt duty. The Government of India were asked to do first one thing and then another; they left the matter alone, and the result is this:—In 1842-3 the native salt was 4,700,000 maunds, and the English salt 892,000 maunds—altogether 5,592,000 maunds. In 1862-3 the native salt had fallen to 1,800,000 maunds, while British salt had risen to 6,054,000 maunds—in all 7,854,000, a total increase of 40 per cent. The importation of English salt in the twenty years had increased sevenfold. The natives at first had great prejudices to overcome, but at last they had come to prefer clean salt to dirty salt. To give an illustration of the advantage of railways, I may mention that of 1,220,000 maunds of salt sold at the Madras depôt, as much as 1,000,000 went by rail into the interior. I may refer shortly to the Indian debt, which has been reduced by about a million in India and by one million and three-quarters in England, and we

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propose to make some changes in regard to debentures. About £5,000,000 of debentures become payable in October, and £3,000,000 in April next. We deem it, however, very desirable to create stock at a lower rate of interest than is now paid, and we have therefore resolved to issue some new stock at four per cent. redeemable at the end of twenty-five years. It will be offered in the first instance to the holders of debentures which are about to expire; and if they will not accept it, they will of course be paid off. Thus I shall either establish a considerable amount of four per cent. stock, or reduce the debt by paying off existing debentures. The great object we have in view is to place the credit of the Indian Government on a sound footing. The best way to do that is to prove that we are acting in good faith, by never borrowing except when it is really necessary, and by paying off our debts whenever we have the means to do so. We have shrunk from nothing that appeared to be desirable for the improvement of the country, and finding ourselves in the possession of a surplus, we have thought it best to apply it to the reduction of the public debt. I trust that the statement I have made will be regarded as satisfactory by the Committee. Throughout the length and breadth of India we hear of a progress and prosperity which must be deeply gratifying to all who have the interests of that country at heart, and from all quarters I receive assurances of the contentment and loyalty of the people. Although the material improvement has been owing to the development of the natural resources of India, still I believe that the measures which have been proposed by the Government and passed by Parliament have contributed not a little to this very satisfactory state of things. The natives have been admitted to the highest positions. They have been placed in the Council of the Governor General, on the Bench, and in other situations of high trust and dignity. The people are now, I hope and believe, convinced that India is governed by us for the benefit of the great mass of the population. In referring to these results, I should not be doing justice to my own feelings if I did not express my obligations for the assistance I have derived from my Council and the support which the House has uniformly afforded to me. In conclusion, I now beg to move the following formal Resolutions, both as regards the legislative measures which I have submitted for its sanction, and for its general approval of the administrative measures in India, which have been at various times brought under discussion within these walls:—

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Resolutions.

"1. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India for the year ended the 30th day of April 1862, amounted to £3,217,369 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £2,991,607 sterling.

"2. That the total net Revenues of the Bengal Presidency, for the year ended the 30th day of April 1862, amounted to £11,066,945 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £2,134,301 sterling.

"3. That the total net Revenues of the North-Western Provinces for the year ended the 30th day of April 1862, amounted to £5,993,549 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £1,806,575 sterling.

"4. That the total net Revenues of the Punjab, for the year ended the 30th day of April 1862, amounted to £2,673,785 sterling, and the Charges thereof, for the same period, other than Military Charges, amounted to £1,257,805 sterling.

"5. That the net Revenues of the Territories and Departments under the immediate control of the Government of India, of the Bengal Presidency, of the North-Western Provinces, and of the Punjab, together, for the year ended the 30th day of April 1862, amounted to £22,951,648 sterling, and the Charges thereupon, including the Military Charges, amounted to £15,558,194 sterling, leaving a surplus available for the general Charges of India, of £7,393,454 sterling.

"6. That the total net Revenues of the Madras Presidency (Fort St. George), for the year ended the 30th day of April 1862, amounted to £5,925,140 sterling, and the net Charges thereof, for the same period, amounted to £5,905,809 sterling, leaving a surplus available in the above Presidency, for the general Charges of India, of £19,331 sterling.

"7. That the total net Revenues of the Bombay Presidency, for the year ended the 30th day of April 1862, amounted to £6,544,274 sterling, and the net Charges thereof, for the same period, amounted to £4,538,446 sterling, leaving a surplus available in the above Presidency, for the general Charges of India, of £2,305,828 sterling.

"8. That the total net Revenues of the several Presidencies, for the year ended the 30th day of April 1862, amounted to £35,721,062 sterling, and the Charges thereof amounted to £26,003,449 sterling, leaving a surplus Revenue of £9,718,613 sterling.

"9. That the Interest on the registered Debt of India, paid in the year ended the 30th day of April 1862, amounted to £3,134,897 sterling, and the Charges defrayed in England, on account of the Indian Territory, in the same period, including Guaranteed Interest on the Capital of Railway and other Companies, after deducting net Traffic Receipts of Railways, amounted to £6,634,344 sterling, leaving a deficiency of Indian Income for the year ended as aforesaid, to defray the above Interests and Charges, of £50,623 sterling.

COLONEL SYKES congratulated his right hon. Friend (Sir Charles Wood) on the satisfactory Report which he had been able to make as to the state of India, and particularly in respect to its financial condition. The right hon. Gentleman deserved much credit for his policy in admitting the Natives to positions of honour and trust, in

Colonel Sykes.

confirming the princes, nobles, and gentry of India in their hereditary rights, and enabling them to hand their principalities and estates down by adoption. That single act had done more to inspire confidence in the people of India in the British Government than any other thing that had been done by the Government within his memory. He also gave the right hon. Gentleman credit for his policy in disposing of the waste lands for the public benefit; but the power of the Government was limited in this respect—as these lands belonged to the village communities, and it was only lands lying beyond village boundaries, with few exceptions, to which the Government could fairly lay claim. The financial prospects of India must cause great satisfaction to his right hon. Friend, for during the mutiny, and subsequently, they were a cause of uneasiness; for though India never had cost England hitherto one shilling, there seemed a probability of England being necessitated to come to her relief. But his right hon. Friend might recollect that in 1859, he (Colonel Sykes) put a pamphlet into his hands on the *Past, Present, and Prospective Financial Condition of British India*, in which a strong opinion was expressed that the annual deficits must be made to disappear by vigorous but prudent retrenchments in the military expenditure; and happily these views had been realized by the indefatigable and judicious labours of Colonels Jamieson, Balfour, and Burn, respectively, of the Bombay, Madras, and Bengal armies, constituting a Military Finance Commission, who by their reductions had converted a deficiency into a surplus in a shorter time than he (Colonel Sykes) had ventured to hope for. Not only his hon. Friend owed a debt of gratitude to these able officers, but the tax-payers of India were equally indebted to them, and the country would expect that the great services of these officers, now that the Military Finance Commission was abolished, would be suitably recompensed. He (Colonel Sykes) could have wished that his observations had here terminated with expressions of approval; but the Report of the Royal Sanitary Commission, at the head of which was Lord Stanley, upon the health of the European troops in India, called for some observations in a tone unfortunately not commendatory. The Report of the Commission reviewed the vital statistics for a period exceeding eighty years, and he greatly feared that the soundness of its conclusions was not to be disturbed by the happy accident of a recent diminished mortality. Such favourable anomalies as had been relied on by his right hon. Friend had often occurred in the death-rate since the year 1800. The Commissioners

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Report of
Sanitary
Commission
on health
of Army.

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reported that every 100 men sent to India required eleven recruits annually to keep up the number: An army of Europeans in India, numbering 85,856 men, required 10,000 recruits annually; one-half the recruits died in five years, and the recruits of the year lost 10·75 per cent. within the year. No less than sixty-nine per 1,000 of our troops had perished in India every year; and a company out of every regiment was sacrificed every twenty months. Those companies faded away in the prime of life, leaving few or no children, and they had to be replaced at a great cost by successive shiploads of recruits. It was shown, in a table prepared by Dr. Farr, that of 100,000 men sent to India, only 43,344 remained in the ninth year, and that in the twentieth year there were only 9,604 out of the 100,000, which 9,604 died in that year at the rate of 12 and 1-10th per cent. This was a lamentable destruction of men between the ages of twenty-one and forty-five years of age, and these results were the average of the experience of nearly a century; but notwithstanding these circumstances, we had been increasing the drain of men from this country. In 1856 the number of commissioned officers of European regiments in India was 5,996, and the number of non-commissioned officers and men 39,108. In 1861 the number of commissioned officers was 8,324, and the number of non-commissioned officers and men 75,759; the increased number of Europeans therefore was 40,979. The consequence of the increase in the number of European troops in India was an increased sacrifice of human life amounting to 4,023 annually; that was to say, whereas before the mutiny 45,104 men and officers, at the rate of eleven per 1,000 to supply vacancies, including invaliding, required 4,310 men annually, in 1861, with 86,083 men and officers, 8,333 men were required to fill vacancies, including invaliding,—4,023 more than were required in 1856. This lamentably increased waste of youthful British blood and sinew was occasioned by our distrust of the loyalty of the remaining native troops in India,—a distrust for which there was no just grounds if we weigh carefully the conduct of the great majority of the native troops during the period of the mutiny of the Bengal army. Fourteen regiments of the Bengal army were not led astray by their comrades, and remain embodied to this day in the Bengal army. The Madras army remained loyal to a man, and in the Bombay army there were only two regiments in which a disposition was manifested to mutiny, and the majority of the men in these two regiments were of the same high caste—Brahmins and Rajpoots—and drawn from the

Distrust of
Native Army.

Colonel Sykes.

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same locality as the Bengal sepoy, They had the testimony of the right hon. Gentleman himself, that the native princes and gentlemen generally remained loyal, and the people at large showed little sympathy for the mutineers. By what troops had we won India? The British had never been one to seven as compared with the native troops in action. The European troops had been, in fact, auxiliaries, and for a century our sepoy had loyally fought for us. Was it fair, then, to withdraw our confidence from men who had heretofore done us such good service? He was greatly afraid also that the conversion of the old native veteran soldier of India into a military policeman, which was the prospect before him as an irregular, would plant in the hearts of those soldiers a feeling of deep dissatisfaction. They would look upon their new position, as irregulars, as a degradation, and it would needlessly estrange them from the Government. In a recently published pamphlet, Major-General George Malcolm, a distinguished Indian officer, said that the service was becoming less popular with the natives, and was rapidly losing its respectability. The financial result of the great increase of the European army in India was also a very important one. In 1856 the military charges in India, including the Indian navy, amounted to £11,463,775, whereas in 1862 they were £14,368,093, showing an increase of £2,904,318. That was in spite of the reduction in the native army, which in 1856 consisted of 235,221 men, and in 1861 of 137,804 only. The saving by the reduction of the native army was £1,948,340, but the increased charge for European soldiers was £4,023,000, so that the substitution of Europeans had occasioned an annual increased charge of £2,040,660. Again, in 1856 the home charges amounted to £3,374,179, while in 1862 they were £5,209,264. Each European soldier in India cost £81 12s. 8d. per annum, exclusive of £13 3s. for barrack accommodation, but including all extra charges. The cost of a European soldier in India was about £104 per man. The native soldier did not cost more than two rupees, or 4s., for barrack accommodation; that was to say, he was allowed two rupees per annum hutting money, and he huted himself or built his own hut in the lines. Complaints had been made of the defective barrack accommodation for the European soldier; but in truth in some parts of India a barrack was a palatial edifice, and the utmost attention was paid to the comfort of the soldier. Ventilation was effected by large fans being suspended and kept in constant motion by natives employed for the purpose. In the hot winds, fragrant grass mats were

Financial
result of
increase of
European
Army.

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placed at every opening and kept watered, and the wind passing through got cooled. The amusement of the men was also attended to by supplying them with racket courts and tool-shops, and they were at some stations supplied with plots of garden ground to cultivate, but unhappily the precautions to preserve their health were rendered ineffectual by an uncontrollable amount of intemperance and venereal disease. He thought he had now shown that on the ground of humanity as well as of finance, it was desirable that a great diminution should take place in the number of European troops in India; and he trusted that the facts he had stated would not be lost sight of, but would save hundreds of the families of the labouring classes from the constantly-recurring pang of the death of a young relative amongst the European troops in India.

Mr. Vansittart.

MR. VANSITTART said, there was no great inducement for any one to take part in the discussion, for he had observed that while the hon. and gallant Officer was making his speech, there were not more than sixteen Members present. It was not his intention, therefore, to occupy the House for more than a few moments. One of the most satisfactory features connected with the financial statement of the Secretary of State was that it was unaccompanied by a narrative of one of those painful controversies between himself and the Commissioner of a minor Presidency, or between himself and the Indian Minister of Finance, which in so much detail had, on former occasions, formed part of his annual expositions. The Indian Government might also be congratulated on the condition of its finances, and on its transition from chronic insolvency to restored public credit. That result, he believed, was mainly due to that indefatigable public servant, Mr. Laing, who lost no time, on succeeding to the late Mr. Wilson, in remedying some of the mischief which that gentleman inadvertently occasioned by his endeavour to assimilate the taxation of India to that which prevailed in this country. Foremost among the objectionable taxes imposed by Mr. Wilson was that most odious of all imposts, the income tax. Looking to the flourishing state of the Indian revenue, and considering the fact that those people residing in this country who had money remitted to them from India—of whom he was not one—were subjected to a double income tax, it was to be regretted that Sir Charles Trevelyan did not sweep the tax away altogether, instead of dealing with it in a peddling way by making a reduction of one penny.

Income Tax.

Mr. Vansittart.

SIR CHARLES WOOD: I find that I made a mistake; the reduction is one per cent.

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MR. VANSITTART said, that a reduction of one per cent. did not make much difference in such a tax. He was persuaded that the income tax might have been dispensed with altogether if Sir C. Trevelyan had retained the salt monopoly for a short time longer. During his stay in India he had never heard a single word of complaint from the natives against the salt tax, and he was afraid that the imposition of a heavy excise duty upon the manufacture of salt would make the natives believe that we had been actuated solely by a desire to promote British interests, for it was quite impossible that the native salt could compete with Cheshire salt. It was satisfactory to know, however, that the Indian Government had been able, not only to remit taxation, but to reduce expenditure by many millions. The Home Government should also take care to co-operate with the authorities in India, and endeavour to effect a corresponding reduction in the expenditure in this country which had frequently been denounced as excessive. He had no further observations to make, except that although, no doubt, the utmost tranquillity prevailed in India, and railways were being rapidly constructed there, he yet hoped that Her Majesty's Ministers would not fall into the same fatal error as they committed in 1856. It would be well for them to pause before, in order to carry on certain military operations in New Zealand and Japan, they reduced the European force in India to a point which would again imperil the safety of our countrymen and countrywomen who were scattered over the numerous and remote stations of which India was composed.

Mr. Vansittart.

MR. GREGSON said, he could not see how the native manufacturers of salt in India were placed in an unfavourable position as compared with the Cheshire salt manufacturers, who had to transport their commodity over 15,000 miles of sea. The duty on salt was $3\frac{1}{2}$ rupees, or equal to 6s. 6d. per maund. The invoice cost of that article was 4d. per maund, and the import duty on it amounted to about 1,700 per cent. He hoped that the Government would take an early opportunity of reducing the duty on salt, for the benefit both of the people of India and the manufacturers. It was essential that that great population should be supplied with such a necessary of life at a very small price. He rejoiced to have the admission of the hon. and gallant Member for Aberdeen that 97,000 natives had been relieved from service in the army, and had found employment in

Mr. Gregson.

Duty on salt,

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Mr. Kinnaird.

Increase of
European
force.

other and more peaceful pursuits. [Colonel Sykes: "No!"] At all events, the hon. and gallant Member sought to show that the natives of India were more disposed to engage in agriculture than to enter the army. The right hon. Gentleman's budget was substantially a prosperity one. The accounts, however, were only brought down to April 1862. Surely, with the rapid communication existing with India, it might have been possible to bring them down to a date at least six months later. With regard to the income tax, he could not help thinking that it would have been better if the Indian Government had not yielded to clamour in reducing that tax before the expiration of the period for which it had been imposed. He would also warn the right hon. Gentleman against relying upon the continuance of so large a revenue from opium as seven millions. A few years ago the tax on opium produced only three or four millions, and it must always be a precarious source of income. The surplus was very satisfactory, but he found that the increase of expenditure had kept up a very even pace with the increase of revenue. He quite approved what had fallen from the right hon. Gentleman in respect to surveys. It might not be expedient that the surveys made in India should be conducted on the high scale adopted for England, but accurate maps ought to be prepared, which would give the requisite information to persons desirous of purchasing land there. With regard to encouraging the cultivation of cotton or any other article in India, what was wanted was that the growers should have a reasonable prospect of fair and steady remuneration for their produce. He was glad the import duties had been reduced, and he hoped he should be supported when next Session he called attention to the fact that sugar—one of the most important products of India—was taxed, not 5 or 6, but 50 or 60 per cent.

MR. KINNAIRD said, he would not have addressed the House but for the speech of his hon. and gallant Friend the Member for Aberdeen (Colonel Sykes), who seemed to have forgotten the whole lesson of the Indian mutiny when he complained of the increase of the European force in that country. No doubt the mortality in the Indian army had been great; the mortality in our army at home had also been great; but he trusted, by the adoption of proper sanitary measures, it would be greatly reduced. Increased security was given to India by keeping up there a powerful European force. The results which had been anticipated on that account were already beginning to appear. The natives of India, instead of looking to employment in the native army,

Mr. Kinnaird.

were betaking themselves to agriculture, and that in itself was a most hopeful symptom. He congratulated his right hon. Friend on the growing prosperity of India. That was mainly owing to the encouragement of public works, which gave increased employment to the people. He trusted, therefore, that the Government would not only continue that system, but do what they could to encourage private enterprise in works of irrigation and other permanent improvements. Such a course would promote the employment of native capital, and be an additional security for peace. When Government undertook any work, the natives merely looked on, but in private enterprise they would be induced to join, and thus a new interest in the welfare of the country was created. Companies and individuals, by leading them to invest their money in public works, also did a great deal to promote the permanent peace of the country. He was glad to learn that there was to be an increased grant for education. The natives had expressed a great desire for such a grant, and he believed the measure which his right hon. Friend had introduced for an improved system of education in India was one of the greatest social benefits to that country that had ever been adopted. He hailed with great satisfaction the results of Parliamentary Government for India; and he trusted his right hon. Friend by continuing the same wise policy which he had hitherto adopted, would not only save the revenues of India, but secure the confidence and affection of the natives, which would be a great source of strength to the country.

MR. BUXTON said, he hoped the Government of India would continue to give their attention to the question, whether the European force maintained in that country might not be still further reduced. His hon. and gallant Friend (Colonel Sykes) had given the weight of his great experience in favour of that reduction; but the European force in India had mounted up from 45,000 to 83,000 or 84,000 men. The native army, which it was conceded was the only source of danger, had been greatly reduced. The railways had doubled our military power; we had now also the telegraph; the arsenals and depôts were in the hands of European troops, and we had far better artillery than before. The enfield rifle was generally introduced among our troops, and we had therefore in every way far better means of quelling an insurrection, and far less reason to apprehend one. A further reduction in the number of European troops might, then, with safety be effected. He was glad to hear that the statistics did not bear out the distressing reports

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Public Works.

Mr. Buxton.

Reduction of
European
troops.

Mr. Buxton.

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that had reached this country. But still the mortality had been most serious, and it was deplorable to think how many of those who did return from India suffered for the rest of their lives from disease contracted in that climate. Again, as each soldier was said to cost £100, the reduction of the European force would save the revenue of India, and thus enable the Government to apply themselves still more vigorously to public works.

Mr. Bazley.

MR. BAZLEY said, he believed the statement of the right hon. Gentleman, showing the financial success of his measures, and the enlightened policy he had enunciated, would be received by the country at large with feelings of great satisfaction. He was glad that some hope was held out to Lancashire, which had been suffering great distress. They had been deprived of the raw material, which had supported in comfort the great mass of the manufacturing classes in the north; but, without the aid of the Government in affording facilities for the supply of cotton from the East Indies, he feared the calamity and distress felt in that district would be greatly prolonged and increased in intensity. He therefore entreated the right hon. Gentleman to do everything in his power to develop the resources of India, and thus relieve the industry of Lancashire. He thought the Indian accounts might fairly be presented to the House sooner than almost the last week of the Session. He would suggest to the right hon. Gentleman that he should introduce a new item into the accounts, to enable the country to judge of the magnitude of the investments in reproductive works. He believed that such a statement would produce greater confidence to the public, and induce them to place their capital in Indian investments. With the railways in progress, about sixty millions had been invested in the means of communication, but, instead of 4,500 miles of railway, he believed that ten times that amount was really required in that country, besides works of irrigation and the improvement of river navigation. If the policy so ably enunciated by the right hon. Gentleman were practically adopted, it would, no doubt, greatly advance the prosperity as well of India as of this country. He therefore hoped the right hon. Gentleman would take every step in his power to emancipate the cotton trade from the necessity of relying upon slave labour for their supplies of raw material. Allusion had been made to the force employed in the suppression of the slave trade, but he did not think a wiser economy could be practised than that of suppressing slavery by superseding the work of the slave by free labour. India, he had no doubt,

Mr. Bazley.

Cotton.

Accounts.

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tions.

was capable of producing the supply of cotton that the English manufacturer required; and by allowing land to be taken at reasonable prices, and by affording the irrigation to which the Secretary of State had referred—for irrigated land yielded four or five times the crops of lands which had not that advantage—he believed that such result would be promoted.

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MR. AYRTON said, he was surprised, after the debates that had taken place during the Session, to hear the hon. Member for Manchester suggest that it was in the power of the Government of India, through any measures they could adopt, to provide for the wants of Lancashire by increasing the growth of cotton. Past debates had proved the utter futility of such a notion. It was true that great allowances must be made for persons who were suffering under such dire distress, and perhaps it was too much to expect from them a rigid adherence to the principles of free trade when a departure from those principles might seem to afford a chance of relief from such a calamity. But such suggestions were really calculated to mislead the people of Lancashire. The growers of cotton in India were receiving four times the price they had been able usually to realize, and no inducement or premium which the Government could offer to the agriculturists would be so likely to stimulate the growth of cotton as a quadrupled price. What would be the use of the Secretary of State offering premiums if such increased price had no effect; and why should he send agents through the country when there were purchasers in plenty at those advanced prices? Such suggestions had a tendency to mislead the people of Lancashire into a belief that there was a feeling on the part of some person connected with the Government of India to deprive them of the raw material which they so anxiously desired. He saw it stated about a year since that there were 50,000 bales of cotton in Central India, if anybody would buy them. That appeared to him an unjust reflection upon the gentlemen connected with the cotton trade. The hon. Member for Manchester said that that cotton did not exist, but in the course of six months a public meeting was held in Lancashire, and then the 50,000 bales had magnified to five millions of bales, which were to be obtained if it were not for some extraordinary operations on the part of the Government of India to prevent its reaching this country. It had been put forth to the people of Lancashire that the Secretary of State was in a conspiracy to deprive them of the raw material, and such heavy charges were made against him that a Motion for his

Mr. Ayrton.

Cotton supply

Mr. Ayrton.

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impeachment might have been looked for at the beginning of the Session. But nothing of the kind took place, and it all resolved itself into a complaint that the right hon. Gentleman had not arrived at a standard of manners which was recognised in Lancashire as the proper standard. He would, however, remind the Committee that in India the cotton agriculturist at his best was only about where the cotton grower in the United States would abandon the cultivation. In India 100lbs. of clean cotton per acre was looked upon with great satisfaction; but if the production in the United States was only to reach that amount, the growers would abandon the land, and remove to fresh and unexhausted soil. In India the soil was much of it indifferent in quality, and the best of it had been exhausted by a thousand years' cultivation, while there was no virgin soil of the richest character ever known in agriculture to remove to as was the case in the United States. For that reason India was not capable of producing the almost unlimited quantity which America could, in the event of circumstances creating a demand. Comparisons were made of the charge of conveying cotton to the ship in India and in America, and it was said, by way of contrast to the assumed cheapness of transit in America, that the cost of getting the cotton on board in India was a penny per pound. But some cotton was grown near the coast in India, and there that charge was almost nothing; and the case was exactly the same in America according as the cotton grew on the banks of the Mississippi, or at a long distance from any water conveyance. On that point charges were made against the Indian Government, though there was really nothing in those charges. Another suggestion offered to the Government, that the resources of India should be applied in improving the water communication by the great rivers of India, was still more unfortunate. The great rivers of India could not be dealt with like the perennial rivers of this country. They were subject to enormous floods from rain, when they would sweep everything before them. It was childish to talk of improving the Ganges for example, which in its course would take away a man's estate at night, and land it somewhere else in the morning. These rivers came scouring down their beds with immense force for hundreds of miles after the rains; and then for six months not a drop of rain would fall, and, instead of being perhaps forty or fifty feet deep and a mile broad, nothing was to be seen but a stagnant piece of water. Of course, as engineers said, money might do anything; but millions of money would be needed to make one of these rivers

Water communication.

Mr. Ayrton.

navigable. The hon. Member for Stockport pinned his faith to the Godavery, and wished the Government to authorize the outlay of large sums in improving the navigation of that river. Now, the Godavery had a large delta, and its course lay through a hilly region above. No doubt at the delta the navigation of the river was capable of improvement, because the country was flat; but the great problem put before the Government was to make the river navigable in its course through the hills. The more the scheme was investigated, the more impracticable did it appear. Men of great judgment in India—except the engineer who had charge of the works—were now persuaded that there could be no greater waste of the public resources than the attempt to make that great mountain torrent, running through a large extent of wild jungly country without population, a navigable stream; and they were seeking how, with a decent amount of self-respect, they could retire from the agitation promoted by the hon. Member. The Government had done enough to satisfy such demands, and must come to the conclusion that their works could not be carried with advantage beyond the delta of the Godavery. Eighteen years ago he formed an association in Bombay for the purpose of inducing the Government to guarantee the funds requisite for making a railway from that port to the great cotton-producing districts of India. At that time gentlemen in Lancashire did not interest themselves much in these proceedings, and were satisfied to continue their dependence upon the United States for cotton. Nevertheless the association pursued their inquiries, and were ultimately able to take by the hand a company, and propose to it those lines of railway which in the course of a few years would be completed. Gentlemen in Lancashire made it a reproach that they were steeped in Indian railways. Now, railways were the greatest boon that had been or possibly could be conferred upon India. It was sometimes said in this country that our free-trade policy was the sole source of the increased enterprise and wealth and industry of England. But he should be prepared to maintain, in the face of all the representatives of Lancashire put together, that railways had done four or five times as much in developing the wealth and industry of this country during the last twenty-five years as could be done by any number of fiscal or financial measures. He believed that they would produce the same great results in India. Talk of fiscal remission of 1*d.* or 2*d.*, as bringing about a great development of trade; why, for every 1*d.* or 2*d.* thus reduced, a railway

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lessened the cost of goods by 1*s.* or 2*s.*, by reducing the cost of conveyance. When, therefore, it was said that nothing had been done for the improvement of India and the development of her resources, his answer was that the Government had done immense things by aiding the construction of thousands of miles of railway there through districts which otherwise, for all commercial purposes, would have been practically inaccessible. And they were beginning to feel the effect of what had been done in the improved revenue which was now being produced in India. It had been suggested that the production of cotton was kept back by the terrible state in which the Government kept the owners of land. Now, India had received for her cotton and agricultural produce in recent times some £10,000,000 more than she formerly did, and yet the land revenue of 1862 was estimated at £250,000 less than in 1861. That went to show that the production of cotton was not checked, as had been alleged, by the state in which the occupiers of land were kept by the Government, but that the agricultural interest of India had derived the sole advantage from the increased demand for their produce. He would say therefore, as a broad proposition, that there was nothing now in the land tenure of India which interfered in any way with the productive industry of the people. He was not there to defend the past, for no one was more anxious to see the changes which had taken place; and he was glad that the Government of India had in their own public documents emphatically stated that they had no right whatever to the soil of India; their claim was to a revenue as well settled as the income tax in this country; and as long as that was paid, the occupiers of the land were the owners in fee-simple, and had a right to do with it as they pleased. That principle was to his certain knowledge upheld in the courts in India, and when forgotten, on appeal, by the Privy Council in this country. It might be thought that the Secretary of State had said the contrary; but though the form of expression might be different, he had no doubt the right hon. Gentleman would admit that in substance his statement was correct.

Land tenure.

Abkarree
revenue.

Turning to the revenue, he regretted very much that while there was an improvement in the revenue of India, there was not a corresponding improvement in the condition of the people. Some people seem to think that the consumption of ardent spirits, or substitutes for spirits, was beneficial to the people; but it was remarkable that the two great religious communities into which the inhabitants of

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India were divided—the Hindoos and Mohammedans—were so satisfied of the injury to health and morals from alcoholic drinks, that it was a fundamental principle with them not to drink any, though there were low-caste Hindoos and Mohammedans who did not hold themselves bound by that obligation. He was sorry to see that the revenue from abkaree had considerably increased. Unfortunately the Government saw in it a great source of revenue, and he feared they were disposed to encourage its consumption. Coming next to the assessed taxes, he could not help feeling how difficult it was for England to govern India and do justice to the great body of the people. The income tax was obnoxious to the Europeans in India and other classes who were best able to pay it, and the consequence was that that tax, which was a most just one when not carried too low, was made a subject of agitation by those who could unfortunately best make themselves heard; and he feared the Indian Government had not the moral courage to resist the pressure which would be brought to bear, and to maintain the tax as it ought to be maintained. He should regret if the tax were taken off the rich, but should rejoice if persons of small incomes were exempted. What was to be thought of our administration when we were increasing the tax upon salt in order to reduce the tax upon the incomes of the rich? The tax on salt in this country was a most obnoxious one, and was, he believed, the first of the indirect taxes that was repealed. In times past the people of Cheshire used to feel a great anxiety about the sufferings of the people of India from the tax upon salt, but somehow or other since arrangements had been made by which salt from Cheshire was imported into India, though at a considerable duty, that great anxiety had subsided, and was not likely, after the speech of the right hon. Gentleman, to be ever revived. There never had been a salt monopoly in Bombay as it existed in Calcutta, and therefore his hon. Friend (Mr. Vansittart) was hardly justified in the remarks which he had made on this subject. Salt might be produced in Bombay cheaper than it could be imported from Cheshire; and as soon as the railways by which salt could be taken from the coast were completed, the people of India would be supplied by their own production, and it would not be necessary to import it. He could not but regret that the salt duty was to be kept up to so large an amount, as it pressed very severely upon the poorest people of India. When he saw the efforts which were made to induce the Government to remit the taxation of the rich, and when that could not be done except

Income Tax.

Tax on salt.

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Opium.

by increasing the duty upon salt, he felt considerable misgivings. In connection with the question of opium, the House was in great danger of running into an extreme the opposite of that into which they had fallen on former occasions. It was the first time they had a very considerable surplus; and when that went forth, there would, he feared, be a disposition on the one hand to increase the expenditure of India, and on the other to yield to the demands of powerful parties for a remission of taxation. The right hon. Gentleman would do well to remember that the revenue from opium was derived from an agricultural product which was sold only to a foreign consumer, and was therefore exposed to the double contingency of the seasons in India, and the political condition of China. They had witnessed the failure of the potato crop in Ireland and the vine crop in France; and it was therefore the duty of the Government to regard the revenue from opium as precarious, and not to indulge too much in a feeling of security, seeing that so large a portion of the general revenue depended on that single item. He was glad to see that the military expenditure had come back to its normal condition. Having read very carefully the Report upon the sanitary state of the European troops, he thought there was great truth in the observations of the right hon. Baronet that its conclusions were derived too much from mixed causes, which ought to have been carefully sifted and separated. Within the last two or three years—indeed, ever since the mutiny—the circumstances of the army had been undergoing such rapid and successive changes that general conclusions must necessarily be fallacious. He was glad that the anomalous and expensive Indian navy had been put an end to. It was a force much petted by the East India Company, but it was absurd to prevent officers of the regular navy from taking their turn of service there, and acquiring information as to coasts and harbours which would prove valuable in case of war. He rejoiced in the gradual but thorough amalgamation of India with this country, and at finding that the Indian statement, once a subject of standing contention, was now a subject of universal peace and congratulation, and that those who were disposed to indulge in gloomy anticipations had thought it imprudent to attend and justify them.

Sanitary state
of the Army.

Indian Navy.

Mr. Bazley.

MR. BAZLEY said, he wished to assure the hon. Member that much of the information with which he had favoured the Committee was incorrect. He also felt bound to protest against the calumnies regarding Lancashire which the hon. Gentleman had uttered.

Mr. Bazley.

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Sir C. Wood.

SIR CHARLES WOOD said, he was glad to perceive that, on the whole, satisfaction was generally expressed with the statement it had been his duty to submit to the Committee. In reply to the observations which fell from different hon. Members, he desired to say that those who knew India best were of opinion that no great reduction of military strength below the existing amount could safely be made at present. The sanitary condition of the troops had very greatly improved; but, of course, every pains would be taken still further to diminish the rate of mortality. It could not be said that the salt monopoly had been put down; it had put itself down, the Government finding that it was no longer of pecuniary advantage. There had also been concessions as to the land revenue, and a large expenditure upon public works. These combined advantages, it was hoped, would largely improve the condition of the people of India; but it was evident that the Government must look for a return, in some shape or other, for the contributions thus made towards the advancement of India. That return, he believed, would be obtained in the increased amount of land brought under cultivation. In the importance of extending education among the native population, he quite agreed; large grants had been appropriated for the purpose by Sir C. Trevelyan, whose interest in the subject was well known. The exertions of the railway companies in the Presidency of Bombay to complete the railway communication were most active. They would soon have lines running directly into the cotton district. Of the Godavery, unfortunately, every fresh survey increased the estimate of the outlay requisite to improve its navigation; but there could be no doubt that outlay on this route would be attended with advantages, and he did not shrink from any expectations on that score which he might heretofore have held out.

Mr. AYRTON asked when the Act of the Legislative Council would be laid on the table. Mr. Ayrton.

SIR CHARLES WOOD said, that there was no provision that these Acts should be laid on the table, but that they were, he believed, all in the library. Sir C. Wood.

Resolutions agreed to.

House resumed.

Resolutions to be reported *To-morrow* at Twelve of the clock.

SIR C. WOOD'S FINANCIAL STATEMENT,

1864-65.

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE.

Considered in Committee.

(In the Committee.)

SIR CHARLES WOOD: Sir, when I had the honor of addressing the House this time last year upon the subject of Indian finance, I stated that, so far as it was possible to judge, the experience of the preceding year had fully verified the predictions which I had ventured to utter in the year 1859, that, in three or four years' time, we should witness the restoration of our Indian finances to a prosperous condition. I am now happy to say that the experience of another year does but confirm that opinion. I was told at the time I uttered those predictions that the hopes which I was holding out were entirely fallacious, but I am glad to say that the course of events has proved that I was not mistaken. In the third year from 1859, namely, in the year ending the 30th of April 1862, the equilibrium of the Indian revenue and expenditure was so nearly restored that, on a revenue and charge of about £44,000,000, the deficit was no more than £50,000. In the year ending the 30th of April 1863, the accounts of which are now before the House, instead of a deficit, there was a surplus of £1,827,000. In the year ending the 30th of April last, the surplus is estimated at £257,000, and Sir Charles Trevelyan anticipates that the surplus at the end of the current year will amount to £823,000. This increase has been accomplished mainly by a great reduction of expenditure in India, but to a great extent by an increase in the important branches of revenue; and, although we were compelled to increase many of the taxes and to impose some new ones, a considerable portion of these have

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already either been repealed or reduced. I am not aware that the demands of the public service have been in any instance stinted in the expenditure which was necessary for them, or that there has been any neglect of the measures which should be adopted to encourage the development of our resources in India; and I think the House will concur with me in the opinion that it is a most satisfactory state of things when, so soon after so extraordinary a depression of the finances as for three years together took place in India, so large a surplus follows a year in which the expenditure and revenue were nearly equal. But, beyond this, I am happy to say that we have discharged a considerable amount of debt in the course of the last two years. Sir Charles Trevelyan stated in India that this payment of debt had amounted to £9,000,000, and, though I think that calculation is rather in excess of the real sum, I do not believe that the difference is very great, because we have paid off in this country a temporary loan of £1,500,000, £256,000 of India bonds, and also debentures which fell due during the last year to the extent of £5,557,000. The amount of debt paid off in this country is, therefore, £7,313,000. In addition to this, £1,000,000 was paid off in India, so that, in the last two years, the sum which has been cleared off amounts to £8,313,000.

MR. HENRY SEYMOUR: Do those figures appear in any accounts?

SIR CHARLES WOOD: I am not quite sure.

SIR HENRY WILLOUGHBY: What year's?

SIR CHARLES WOOD: From the 1st of May 1862 to the 30th of April 1864. I stated last year that, in consequence of the apprehension entertained in India of the falling off of the revenue, and of a deficiency of payments by the railroad companies at Home, we had at one time borrowed more than we actually wanted. I must now say that the alarm entertained in India was entirely unfounded, and, before the end of the year, the railway companies paid in to the full extent of the estimate, so that the sum borrowed was not required. [An hon. MEMBER: Was the sum borrowed £5,000,000?] £4,000,000. It is not true, therefore, that the amount of debt paid off has been liquidated from the surplus of the revenue. ["Hear, hear!"] My hon. Friend cheers as if there were some wonderful discovery in this fact, but he might have easily seen that £8,000,000 of debt could not possibly be satisfied by £3,000,000 of surplus. The financial state of India as it now stands shows that there has been a steady surplus for

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three consecutive years, following a year in which the revenue and expenditure were pretty nearly balanced; and that upwards of £8,250,000 of debt has been paid off. Nor have we accomplished this by unduly reducing our balances, for, on the 20th of April, the estimated amount of the balances at the treasuries at Home and in India was about £19,000,000. Satisfactory as this statement is, I must beg the House not to attach too much importance to the amount of the sums which I have mentioned as indicative of what must necessarily occur in future years, because one item of revenue—opium—will always remain a source of anxiety to the Indian financier. The amount of revenue received from opium in the year 1861-2 was about £6,359,000, and, in the year the accounts of which are now before us, it is £8,055,000, showing an increase of £1,696,000. In the year, however, ending in April last, the receipts in this department of the revenue fell to the extent of £1,205,000. Therefore, hon. Members will at once see that the revenue from opium cannot be depended upon with any certainty. In fact, by the falling off of the opium revenue in the year which has just closed, the surplus in India was reduced to £30,000. It so happened, however, that, by some arrangements made at Home with the other departments of the Government, a larger sum than we expected was received here, and the surplus was thus brought up to £257,000. [Colonel SYKES: The Income Tax?] I will speak of that tax with the other taxation. I do not think it worth while to enter into a detailed statement of the estimates and receipts, as I have sometimes done in former years, when there has been a question as to how the balance turned the one way or the other: and I think it will be more interesting to the House if I give the figures rather more generally. Now, the maximum charge in the year 1858-9 was £50,248,000, and the revenue £36,060,000, leaving a deficit of upwards of £14,000,000. In the next year the deficit was reduced to £10,000,000, and in 1861-2 to £50,000, the charge amounting to £43,880,000, and the revenue to £43,830,000. In the current year Sir Charles Trevelyan has estimated the revenue at £46,163,000, and the charge at £45,340,000, leaving a surplus of £800,000. For the last few years the receipts from the main articles of revenue have been steadily increasing. I will give the House a comparative statement of the receipts of this year and the year 1856-7, the year before the mutiny, when matters were in their ordinary and normal state; but I must inform them that I cannot specify the amount on every article in that year, because, although we

Opium re-
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21st JULY 1864. have the receipts on each item separated in the accounts before us, they were not so distinguished in the former year. Since 1856-7 the increase on the land revenue, forest, and abkaree (that is, the excise) was £3,500,000, and on opium £3,000,000. I am obliged to put the customs and salt duties together, because, owing to a change which has taken place, the importation of salt from this country having entirely superseded the manufacture of salt in Bengal, the receipt of duty, formerly in the excise, is now in the customs. The revenue from salt and customs has increased in that time about £3,000,000; stamps have increased about £1,100,000; and the whole increase, therefore, amounts to £10,600,000. The land revenue has steadily increased, owing to a larger quantity of land being brought into cultivation, and that is one of the best proofs of the increased prosperity and of the development of the resources of the country.

Increase of Revenue since 1856-57. Opium Revenue. Opium has increased, as I before stated, in a most extraordinary manner, and they anticipate even a larger revenue from it in the course of this year than was received two years ago.

Land Revenue. The salt revenue, in like manner, has increased in the last two years to the extent of £700,000, but, as I have already mentioned, a great change on this head has taken place. The manufacture of salt by the Government in Bengal has entirely ceased, and the objections which the natives entertained to English salt seem entirely to have vanished. After communications with the Salt Chamber of Commerce in this country, orders have been issued for the sale of the Government stock of salt in India, and henceforth I trust that the importation of salt from this country will entirely supply the province of Bengal. With respect to the income tax, I must observe that it was imposed under the pressure of circumstances, and it certainly is not a tax that has been very successful in India. With regard to the small holders of land under what would here be called Schedule A, hardly any portion of them pay the tax, and the tax on profits in trade, which I fear is not very honestly paid in this country, is hardly paid at all in India. The richest merchants in India somehow or other contrive to evade any considerable payment, and the result is that nearly the whole produce of the income tax in India has proceeded from a few large landholders, from the public fundholders, and from persons receiving salaries. It is not a tax which it is desirable to impose in India, except under circumstances of pressure. Last year 1 per cent. was reduced on the income tax, and next year it is proposed to repeal the whole as a general tax, leaving only a portion for the purpose of defray-

ing certain local expenditure which ought to be defrayed by the inhabitants of the particular districts. With respect to the customs duties, hon. Gentlemen are aware that, under the pressure of circumstances, they were raised from 5 per cent. to 10 per cent. Within a couple of years the duty on piece goods and yarns was reduced to the former amount of 5 per cent. and $3\frac{1}{2}$ per cent. *ad valorem*. The duty on beer was considerably reduced last year, and this year the remaining 10 per cent. duties will all be reduced to $7\frac{1}{2}$ per cent. Therefore, with respect to all articles imported into India, nearly the whole of the temporary duties are already reduced. It is true, however, that the customs duties are not very productive, and, omitting the duties on piece goods and salt, the whole amount is not much above £1,000,000. Of that sum of £1,000,000, more than one-half is paid on articles consumed by Europeans, such as spirits and wine, or which hardly ought to pay duty at all, such as metals, railway articles, and the result is that the whole amount of the customs duties levied on articles consumable by the natives little exceeds £400,000. When it is considered that the people of India are improving in condition, and that, in this country, £38,000,000 are raised by duties on the great articles consumed by the mass of the people—sugar, tea, spirits, wine, &c.—it is a striking circumstance that so small an amount of revenue should be derived from articles imported into India for the use of the mass of the inhabitants. When pressed by the people of Manchester to repeal altogether the duty on piece goods, I can only say that, without these two duties on salt and piece goods, the mass of the people in India would be practically untaxed. It appears that the first articles of luxury in which the people indulge are gold and silver ornaments, such as bracelets, armlets, &c. No duty is paid on these articles, and the extent to which they are used accounts in a great measure for the way in which the large importations of gold into India have been absorbed. Consequently we do not derive in India, in respect of taxable articles of consumption, the same advantage which other countries do from the improved condition of the people. That improved condition, however, is evidenced by the great rise which has taken place in wages, which has made it necessary for the Government to take into consideration the emoluments, not only of the Native army, but of the lower-paid civil servants. The pay of the Native officers and soldiers has been increased chiefly by additional good conduct pay. The expenditure on public works is much larger now on account of the rise in the rate of wages,

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duties.

Rise in wages
from increased
price of food.

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and the administration of justice, in like manner, is much more expensive. As a country advances in civilization the expense for the administration of justice is greater than in an uncivilized country. The administration of justice in patriarchal style, under the shade of a tree, is cheaper than its administration in a judicial court by an English barrister. The increase of charge in India in two years has been £2,000,000 under the following heads:—Public works, £1,000,000; law, justice, and police, £500,000; surveys and settlements, £500,000. This sort of additional charge must be made if we are to do justice to the country. The increased price of food, which has necessitated an increase of wages, is, to a certain extent, due to the quantity of land diverted to the production of cotton from the production of grain and cereal crops. The distress caused by the failure of the American cotton supply has not been confined to the manufacturing districts of this country. The Native manufacture of cotton has been pretty nearly destroyed in India. In one district the people had to resort for support to the public works, and, at another place, there were disturbances which we were obliged to suppress by force. Hon. Gentlemen will be not a little astonished, I daresay, at the extraordinary increase in the prices of different articles of produce. I have a return which illustrates this in a very striking manner:—

“In 1859 one could buy for a rupee 810 tolas of rice in Ahmednugur; in 1863, 660 tolas; and in the same year, in Dharwar, a cotton district, only 525 tolas. In 1859 a rupee procured 2,670 tolas of wheat in Ahmednugur; in 1863, 1,080; and in 1863, in Dharwar, 542. In 1859 a rupee procured 3,240 tolas of bajree in Ahmednugur; in 1863, 1,080; and in 1863, in Dharwar, 568. In 1859 a rupee procured 3,960 tolas of jowaree; in 1863, 1,260; and in 1863, in Dharwar, 595. Again, in 1859, a rupee would fetch 2,760 tolas of grain in Ahmednugur; in 1863, 1,170; and in 1863, in Dharwar, only 536.”

It is not difficult to imagine the extent of the distress which has been occasioned among the working classes by this extraordinary rise in the prices of provisions. So far, however, as this country is concerned, it is very satisfactory to observe the increase in the importation of cotton from India. Rather exaggerated expectations were, at the outset, entertained as to what could be done at once in procuring cotton from India. In no country is it possible that the permanent supply shall very much exceed the permanent demand. If people cannot sell produce they will not grow it. After the experiment tried some years ago of growing cotton for the English market in India, which was entirely superseded by the supply of superior quality from America, and great loss thereby caused to the growers in India, it is not surprising

Increased supply of cotton from India.

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that they were not ready to produce on demand a large quantity of cotton which, but for that sudden emergency, would not have been required from them. The first effect of the sudden demand was to bring out all the old stores of cotton, much of it of very inferior quality. It is said that even mattresses and beds were ripped open, and that the cotton inside of them was sent to this country. There was thus a considerable increase in the supply of cotton, but, in order to test the amount of production, we must compare the amount we got last year with the amount we received the year before this sudden demand arose, and not in the year after the increased demand. Even before the extraordinary demand there was a considerable increase in the amount of the supply. In 1858 the quantity of cotton imported from India was 1,185,000 cwt.; in 1859, 1,717,000 cwt.; in 1860, 1,822,000 cwt.; in 1861, 3,295,000 cwt.; in 1862, 3,505,000 cwt.; in 1863, 3,878,000 cwt. Last year I quoted one of the best publications I have seen on the production of cotton in India—letters addressed to a Bombay newspaper by a cotton broker, Mr. Smith of Liverpool, who travelled over a considerable part of India and made some most sensible observations. Mr. Smith stated very truly that it was absurd to expect a sudden rise in the supply; but, if prices were kept up, there would be ultimately a steady but gradual increase in the production of cotton. Referring to the accounts of the importation of cotton into this country for the first five months of the year ending on the 31st of May, the House will see that there has been a steady and remarkable increase in the last years. In the five months of 1858, 1859, and 1860, respectively, the cotton imported from India amounted to about 340,000 cwt. In the five months of 1861 it was 342,000 cwt.; 1862, 734,000 cwt.; 1863, 962,000 cwt.; 1864, 1,247,875 cwt. We are fairly entitled, therefore, to say that the production of cotton in India and its importation into this country have been pretty nearly quadrupled in those periods. In Berar, Nagpore, and the other cotton districts of Central India, the number of acres under cultivation in 1861 was 380,000; in 1862, 427,000; and in 1863, 588,000. Similar progress, I have no doubt, is observable in other parts of India, where cotton can be grown. On the score of quantity, therefore, we have every reason to be satisfied with what India has done for us in regard to cotton. I am afraid, however, I cannot say as much as to the improvement in the quality of the cotton. That is of course necessarily a much slower process. The grower who receives a high price by weight has in many cases been tempted to enhance the

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coffee and
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of tea.

Cinchona
cultivation.

weight and his profit by unfair means. So great did the evil become that the Bombay Government passed an Act for preventing the adulteration of cotton; and from the report of the Inspector who was appointed to carry out the law, I understand he has been very successful in accomplishing that object. The main difficulty at present consists in preventing the mixing of different qualities of cotton. Superior and inferior kinds are grown in the same field, and great care is required both in sowing the seed and in picking the pods to prevent a mixture. I have no doubt that, when the Indian growers find that they can get a higher price for a better quality, they will be clever enough to produce a superior kind of cotton. Of the other articles of produce the return is really very satisfactory. Between 1858-9 and 1862-3 the quantity of coffee exported to this country has increased from about 11,000,000 to 21,000,000 lbs.; of indigo, from 9,000,000 to 11,000,000 lbs.; and of jute, 317,000 to 1,266,000 cwt. The export of wool has increased from 15,000,000 lbs. to 21,000,000 lbs. With regard to the tea grown in India, I am afraid that there is some prejudice against it at the present moment, but I believe that it has very much improved in quality. The extent of the plantations has considerably increased. In Assam the cultivation has been introduced and is carried on by private enterprise, and the result has been so successful that the Assam Tea Company have been enabled to pay their shareholders a dividend of 25 per cent. It has also been successfully introduced by the Government into the north of India, and so successfully that, at the present moment, all the Government plantations are to be disposed of with the exception of one which has been reserved for the production of seed. I do not possess an account of the quantity of tea exported for a period of years, but the value of that exported in 1858-9 was £60,000, and in 1862-3 it had increased to £223,000. A plantation for furnishing tea seeds and plants has been formed in the Neilgherries. There is another matter which is likely to prove advantageous, not only to India, but the world at large. Mr. Markham, a clerk in the India Office, has succeeded in introducing from South America the seed of the cinchona tree, from which quinine is obtained, and the cultivation of that plant in the Neilgherry Hills has proved most successful. In January 1862, 8,600 plants were growing, but, in April last, the number had increased to 341,000; and what is still more remarkable, the bark of the few trees which have attained sufficient size to enable the quality of the bark to be tested gave a pro-

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duce exceeding that of the bark of the same description of tree in South America. The cultivation of the cinchona plant is now being greatly extended, and I believe that the superintendent of the Dutch plantation at Java, who went over to inspect the plantations on the Neilgherry Hills, has declared that the plants are superior to anything they have in Java. The great increase in the exports from India has led to an extraordinary importation of gold and silver. In the last five years the amount has been £50,000,000 of silver and £25,000,000 of gold, but a considerable portion must have been employed by the natives in the manufacture of ornaments for themselves, their wives, and families. A large proportion of the gold and silver imported seems to have disappeared in this way, as it has not been exported anywhere. [Colonel SYKES: Has there been an increase in the coinage?] There has been a great amount of coinage. I do not intend to advert to the subject of the currency, as that question was discussed in the House a short time ago, but I shall be happy to answer any question which may be put to me upon it. [Mr. J. B. SMITH: Has a gold currency been adopted in India yet?] I stated, when the subject was before the House a short time ago, that I was not prepared to take any steps in the matter until I had received a report from the Government in India. I have not yet received that report, but I have every reason to believe that I shall do so before long. The public works have been carried on with great vigor and without any limit as to funds. The only difficulty which has been experienced has been one which we were not prepared to anticipate in India, namely, want of labor. I, in common with others, was for some time under the impression that the supply of labor was abundant in all parts of India, but I am informed that, in all districts where the public works are going on, it has been found extremely difficult to obtain an adequate supply of labor. In the central districts in India the railroads and other public works have been in competition with the agriculturists for labor. The consequence has been that the price of labor has been raised and the cost of the construction of the public works increased. In Assam, South Canara, Central India, Scinde, and the North-Western Provinces, there is a great want of labor, and, unfortunately, these are the districts in which English capital and English settlers can be most beneficially employed. So great is the inconvenience which is experienced from the want of labor that I have been asked to do something towards importing Chinese laborers into

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India, which is a proposition not a little startling to those who have always been led to believe that the population of India was more than sufficient for the requirements of the country. Railroads are being carried on with great activity in all parts of India. A number of gentlemen have come forward and have undertaken the construction of what is called a light branch railway communication through the northern parts of India. They have done this without a guarantee upon obtaining the land from the Government and a contribution for a certain number of years. The terms are much more favorable to the Government than anything we have hitherto been able to obtain. I sincerely hope that the undertaking will succeed. It will show that works of this kind may be done by private companies, not only with advantage to the country, but to the shareholders themselves. The gauge is the same as that of the great railroads. Beyond that, in the course of the winter, a telegraphic cable has been laid down from Kurrachee to the head of the Persian Gulf. The recommendations of the commission presided over by the noble Lord, the Member for King's Lynn (Lord Stanley), to inquire into the sanitary condition of the Indian army, have been followed up by the appointment of sanitary commissions in each presidency, who have already commenced their labors, not only with regard to the barracks, but also in reference to the condition of the town of Calcutta. For a long time, to the disgust of the more civilized inhabitants, it has been the practice in Calcutta to throw dead bodies into the river, the result of which was to aggravate, during last year, the ravages of the cholera which broke out very severely. It was thought desirable to take some precautionary measure, and the first step taken was to prohibit the throwing of dead bodies into the Ganges. There was no intention on the part of the Government to interfere with the prejudices or wishes of the Hindoo inhabitants of Calcutta, and it will be a consolation to the hon. and gallant Member (Colonel Sykes) to know that the prevention of the abomination of throwing dead bodies in the river had the entire approval of the Hindoo municipality of Calcutta. [Sir JAMES FERGUSSON: What about the state of the gaol?] The last report we have received was that the gaol was in a satisfactory state. It had been inspected by the magistrates at Calcutta appointed under an Act of Parliament, who are bound to inspect it at least once a month. The progress of internal affairs in India is also most satisfactory, and there is no disturbance within our frontier. If there has been some little disturbance just outside our north-western frontier it has turned out to be

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a matter of very little consequence. Early in the Session, in answer to a question, I stated very shortly what had happened in that case, and perhaps it is right that I should now recur to it. Many years ago a Mahomedan fanatic established himself and his followers in the district beyond the Indus when Runjeet Singh ruled in the Punjab. He continued for some time to defy that ruler, and was ultimately killed, but the remainder of his companions took refuge in the hills and made marauding incursions into the territory of that ruler. When we took possession of the Punjab they had no more love for us than they had shown for Runjeet Singh, and they had been a thorn in our side, more or less, ever since. They were settled on the western bank of the Indus, just on the outside of our frontier, and were in the constant habit of making inroads upon our territory, murdering and plundering the inhabitants of the villages, and disturbing the peace of the district in every possible way. In 1857 an expedition was undertaken against them under Sir Sidney Cotton, who destroyed two of their strongholds, and took engagements from the neighbouring tribes that they would not allow them to harbour among them, or come thence to harass our frontier as they had been wont to do. For a year or two they gave us no further trouble, but, being partially strengthened by some mutineers who took refuge among them, these marauders recommenced their incursions. They advanced into our territory and into one of the States under our protection, and committed their usual outrages by murdering the persons whom they came across and burning the villages. We called upon the tribes through whose territory they passed to perform their engagements and arrest their progress. One of those tribes was divided in feeling, one-half of it being disposed to do what it could to prevent these marauders from coming through its territory, the rest not being disposed to do so, and saying that they were too strong for it, and that, if we wanted to stop them, we must do it ourselves. After considerable hesitation Lord Elgin authorized an expedition against the marauders, but the officers on the spot were a little indiscreet in one respect in the course they took. They proceeded by way of the Umbeylah Pass, but they did not take into account sufficiently early the probability of their alarming the powerful tribe of the Bonairs by their advance. They had not the least reason to apprehend any opposition from the Bonairs, who, on a former occasion, took our part against these marauders, and we had not the least intention of injuring the Bonairs. However, our officers did not send a communi-

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cation to the Bonairs until they had reached the top of the Umbeylah Pass, within a few miles of their territory, and, with the suspicion natural to an Oriental tribe, the Bonairs thought we were about to attack them. They, therefore, turned out in great force and resisted our troops. They were afterwards joined by other fanatical Mahomedans, but they were repulsed with considerable loss to themselves, but with some loss also among our force. While this was going on, the Agent of the Governor General, who had been absent, returned and apparently succeeded in assuring the Bonairs that we had not had the slightest intention to injure them, and they were willing to withdraw. But the fanatical allies from other tribes, under the influence of a sort of Mahomedan prophet called the Akhoond of Swat, persuaded them to continue their resistance. A successful attack was made on their lines, and they were driven from their position, and, after two days' fighting, the Bonairs themselves, the very people who had commenced the resistance to us before, said they were ready to go with our force and destroy the strongholds of the marauders. That object was accomplished, and the expedition ended as satisfactorily as a matter of that kind could end. It was a most unfortunate circumstance that opposition should have been offered to our troops through a false alarm on the part of the Bonairs. But the greatest pains were afterwards taken to assure them we never had any intention to attack them; that our only desire was that our frontier should not be harassed by bands of plunderers who harboured in their territory; and that we should only be too happy to live on good terms with them. We have no reason to fear that anything of that kind will occur again. [Mr. VANSITTART asked whether the expense of that war had been brought into the accounts?] The expense is in the estimated expenditure for the past year, and it amounts to between £150,000 and £200,000. Perhaps I should next notice the civil war between the Ameer of Cabul and his brothers. We simply acknowledge the *de facto* ruler in that case, and refuse to take any part whatever on either side. We are leaving them to fight it out in their own way and taking the greatest care not to give the slightest assistance to either party. There is only one other quarter which may, to a certain extent, disturb the peace of our frontier. I refer to Bhootan. For many years inroads have been made by plundering bands of Bhooteahs into our territory, and it had been determined to send an expedition there, but the mutiny prevented anything of that kind being done, and Lord Elgin thought it better to come to

Civil war in
Cabul.

Affairs of
Bhootan.

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some arrangement, if possible, with the rulers of that country. There was no reason to believe that the mission to them would not be well received, because, on two former occasions, such a mission had been favorably received. On the present occasion the envoy was grossly insulted. It is difficult to know exactly how he should have acted, but, although I think it would have been wiser not to have gone on, we can hardly form a fair judgment after the fact, and I have no doubt of Mr. Eden's having acted to the best of his judgment in very difficult circumstances. It would be hard to blame him now. The country was in a state of complete anarchy. The recognized rulers of the country are a spiritual chief and a temporal chief; there are also an eastern viceroy and a western viceroy, with subordinate chiefs. At present there are two temporal chiefs, two spiritual chiefs, two eastern and three western viceroys. These viceroys were in a state of hostility with each other. We have not the least notion of going into that country or maintaining any position there, but we do intend to take possession of a narrow strip of low country, and to occupy the passes to prevent inroads; and in that way we may be able to bring them to as much reason as is possible with a race of barbarians. There is another topic to which I should wish to refer,—the result of experience with regard to those legislative measures which the Legislature of this country has passed for India. In 1861 three Acts of Parliament passed specially affecting India. One was for admitting in the Council of the Governor General, not only Englishmen unconnected with the Government, but natives of India. The Council of the Governor General and that of the Governor of Madras and of Bombay was increased in this way, and a council was given to the Lieutenant-Governor of Bengal. As far as we can judge, that legislation has been successful, and, what is most satisfactory, the natives who were to form part of the council seem to have taken a very active part in legislation, and expressed their opinions with freedom, very greatly to the advantage of the Government. Three natives were put in by Lord Canning, one of whom has since died. Lord Elgin put in three other natives, and, I think, wisely brought a Native chief of considerable influence from Madras. Three natives have been put into the Madras Council, five into the Bombay Council, and eight into the Council of the Lieutenant-Governor of Bengal. I believe the measure has given the greatest possible satisfaction to the people of India. The next measure passed was one for the improvement of the High Court of Justice.

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Results of Par-
liamentary leg-
islation for
India.

Natives in
Government
Councils.

Improvement
of High Court.

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This too has worked well: the barristers, judges, and the civilians have acted very harmoniously together, and a very able native judge has been placed on the bench of the High Court of Calcutta. On the recommendation of a law commission which I appointed when I was President of the Board of Control, a Code of Civil Procedure has been introduced into India. Upon that subject the Lieutenant-Governor of Bengal says:—

“The result of all the inquiries I have made from the native judges, by whom nearly all original suits are tried, and of whom I have now seen many in different parts of the lower provinces, is that the new procedure in working has been successful even above all hope.”

Mr. Harington says:—

“As showing how successful the Code of Civil Procedure has been in expediting the administration of justice, it may be mentioned that in a Court of Small Causes in the North-Western Provinces, established under the provisions of Act XLII of 1860, the average duration of suits disposed of during the past year was only eight days, including the day on which the plaint was filed. Under the old system of procedure the average would probably have been between two and three months.”

Appointment
of unconvenc-
ed servants to
certain offices.

The third measure was one to enable the Governor General to appoint officers from the civil service to certain offices for which they were not till then eligible. I have laid on the table this year the number of appointments under that Act, and I do not think it will be found that there is reason to complain of any one of them. The measure has been entirely successful in the objects it sought to accomplish. Since I last addressed the House on this subject we have been deprived by the stroke of death of the services of Lord Elgin, and I know no one better fitted to undertake the Government of India as his successor than that old and eminent servant of India, Sir John Lawrence. I believe it is the opinion of the people of both countries that this appointment is the best that could have been made. Sir John Lawrence will, I feel confident, justify all the expectations that have been formed from his former career and from his intimate knowledge of the country. And I think that no one could have been found so well qualified as he to fill that high position with advantage. I am happy to think that the policy pursued of late years in regard to India has met with due appreciation on the part of the natives of India. That policy is not mine. It is the policy of the Sovereign, the policy of this House, the policy of the country at large. I am grateful for the support which I have received from all sides of the House, and more especially the impartial and straightforward support which has been given to all those measures which he believed to be for the good of India by

Intimation of
Sir John Law-
rence to be ap-
pointed
succeed
Elgin.

Sir C. Wood.

the noble Lord the Member for King's Lynn, from whom I have seldom differed in matters relating to India. The policy adopted towards the country has been, I repeat, the policy of the Queen and of Parliament, and all that I have done has been faithfully to carry it out. For this reason, that it has been the policy of the country, and that they are entitled to any expressions of gratitude from the people of India, I hope, without being accused of undue vanity, I may be permitted to advert to a resolution passed at a public Native meeting which was convened in Calcutta, and there an address was agreed to which was signed by 8,000 of the most intelligent and influential natives of that city. At this Native meeting, which was attended by the most influential persons in Calcutta, a resolution was passed which expressed the opinion of all the persons who signed the address. It is as follows:—

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Address of
Natives of
Calcutta in
approval of
the Govern-
ment policy.

“That this meeting desires to record their high sense of gratitude for the wise and beneficent policy which has distinguished the administration and control of Indian affairs for the last five years (by Sir Charles Wood),—a policy which has nobly sustained the authority and dignity of Her Majesty's Government in her Indian dominions: which has strengthened by new bonds of attachment the confidence and sympathy of the Princes and Chiefs of the country; which has, above all, steadily sought to govern the empire in consonance with justice and the true interests of her teeming millions.”

MR. HENRY SEYMOUR: What is the date of the meeting?

SIR CHARLES WOOD: It was held in March last year. I claim no credit to myself for what has been done, for, although I have received the expression of these thanks, it is not to me, but to the Sovereign and people of this country, that the thanks of the people of India are due. Theirs has been the determination to pursue this policy. I have only been the hand to carry it out, and I feel convinced that this country will reap the fruits of this wise and beneficent policy long after I have ceased to take any part in Indian affairs. The right hon. Gentleman concluded by moving the following resolutions:—

1. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India for the year ended the 30th day of April 1863, amounted to £3,481,927 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £3,049,501 sterling. Resolutions.
2. That the total net Revenues of the Bengal Presidency for the year ended the 30th day of April 1863, amounted to £11,755,377 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £2,060,713 sterling.
3. That the total net Revenues of the North-Western Provinces for the year ended the 30th day of April 1863, amounted to £5,162,401

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sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,497,179 sterling.

4. That the total net Revenues of the Punjab for the year ended the 30th day of April 1863, amounted to £2,612,517 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,192,674 sterling.

5. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India, of the Bengal Presidency, of the North-Western Provinces, and of the Punjab, together for the year ended the 30th day of April 1863, amounted to £23,012,222 sterling, and the Charges thereupon, including the Military Charges, amounted to £14,753,114 sterling, leaving a surplus available for the general Charges of India of £8,259,108 sterling.

6. That the total net Revenues of the Madras Presidency (Fort St. George) for the year ended the 30th day of April 1863, amounted to £5,819,048 sterling, and the net Charges thereof for the same period, amounted to £5,383,285 sterling, leaving a surplus available for the above Presidency, for the general Charges of India, of £435,763 sterling.

7. That the total net Revenues of the Bombay Presidency for the year ended the 30th day of April 1863, amounted to £7,831,597 sterling, and the net Charges thereof for the same period amounted to £4,831,841 sterling, leaving a surplus available in the above Presidency, for the general Charges of India, of £2,999,756 sterling.

8. That the total net Revenues of the several Presidencies, for the year ended the 30th day of April 1863, amounted to £36,862,867 sterling, and the Charges thereof amounted to £24,968,240 sterling, leaving a surplus Revenue of £11,694,627 sterling.

9. That the Interest on the Registered Debt of India paid in the year ended the 30th day of April 1863 amounted to £3,351,680 sterling, and the Charges defrayed in England on account of the Indian Territory in the same period, including Guaranteed Interest on the Capital of Railway and other Companies, after deducting net Traffic Receipts of Railways, amounted to £6,515,601 sterling, leaving a surplus of Indian income for the year ended as aforesaid, after defraying the above Interest and Charges, of £1,827,346 sterling.

Mr. H.
Seymour.

MR. HENRY SEYMOUR said, he was quite willing to endorse the commendation of the Calcutta meeting. He believed that the confidence of the natives of India in us had increased in consequence of the policy we had pursued since the mutiny,—a policy which repudiated annexation. He believed that, if that policy had been previously adopted, we should have had no mutiny at all, and should have been spared all those harrowing scenes which had occurred. As to the finances of India, the House hardly seemed in a position to discuss them. The estimates had been laid before the Indian public, but the House of Commons knew nothing officially of what the policy of Sir Charles Trevelyan for the next year might be. He trusted that either Sir Charles Trevelyan's speech or a *précis* of it would be laid upon the table. There were three sets of Indian accounts.

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Hon. Members had the accounts of 1862-3 and the estimates of 1863-4 before them. But the estimates of 1864-5 were in the bureau of the Secretary of State for India, and were not accessible to the House. He could not understand the exact position of the land question, but he approved the redemption of the land tax which had been carried out to a limited extent. The right hon. Gentleman insisted on his system of survey of the waste lands, although it would retard the process of reclamation, and was, he thought, much inferior to the American plan. The coffee plantations on the other side of India were very important. A portion of these were held by English planters, and the rest by natives. It was calculated that 100,000 acres would require capital amounting to £10,000,000 for its due cultivation. The difference, however, was that the English planter raised a great deal more coffee per acre than the Native planter, and it was, therefore, important to encourage the English planter. The planters desired to have the land sold to them out and out, because, in order that they might borrow money to invest in the culture of coffee, it was necessary that they should have the fee-simple. Many persons were anxious to start companies for the cultivation of coffee, but, in consequence of the refusal of the Government to part with the fee of the land, they could not succeed in their objects. At present it took an emigrant twelve months before he could get land at a public auction, and the expense of living for that time in a presidency town was a very serious matter. While other countries were bidding for English labor and capital, in India it seemed to be treated as quite a favor that Englishmen should be allowed to engage in the cultivation of land. This spirit ran through all the dealings of his right hon. Friend and the Indian Government. The right hon. Gentleman had made some important observations as to the rate of wages. He said that the rate of wages was rising, and that labor was hard to be had in India. Yet emigration from that country was going on to a great extent, and large estates in Ceylon and Mauritius were cultivated by labor from India. There was some analogy between India and Ireland in this respect,—that the people were under-fed and the rate of wages was too low. He thought it highly desirable that the Native population should have better food than they were able to procure at present, and, therefore, he was glad that the rate of wages was rising. He did not think that would add anything to the real cost of the public works. It was impossible that half-starved natives who only earned 3d. a day should do as much work as was

Sale of the fee-
simple of land.*Mr. Henry Seymour.*

21st JULY 1864. performed by the same people when they went to Ceylon or the Mauritius and received 1s. or 2s. a day. It was the case of the Irishman over again. If you paid him 6d. a day in his own country you got six penny-worth of labor from him, but he did not work as hard as he did when he went to the United States and received a dollar. His right hon. Friend was surprised at the slow rate at which the customs duties increased, and so was he. The fact was that, although the well-paid Government officers were well clothed,—and that entirely in cotton goods from Manchester,—the cultivators of the soil were miserably clad in a mere rag each. He thought that a Finance Minister should not be satisfied unless he saw the customs revenue increase, for they were a sure index of the condition of the people. He regretted that so little progress had been made with the construction of the Indian telegraph. The delay was mainly attributable to the right hon. Gentleman's adherence to the route by Bagdad and the Persian Gulf, against which he was warned by Sir Henry Rawlinson. He was glad that a line was now being constructed through Persia, and he hoped that we should soon have a complete telegraphic communication with India. Russia had completed a telegraph to the extremity of the Asiatic continent. The progress of railways was extremely satisfactory, but there were some lines which were still much wanted: for instance, lines from Indore to Agra, and from Trichinopoly to the south. As to the general question of the construction of public works, he thought that it would be better, instead of raising £4,000,000 annually from the people of India for that purpose, to contract a loan in this country, as was suggested by Lord Dalhousie. There were at present in existence one or two taxes which, either in their nature or the mode of their imposition, were highly obnoxious. In the first class was the institution stamp, which ought at once to be abolished. The tax upon spirits, although proper in itself, was open to great objection in consequence of the mode in which it was levied. The spirits were manufactured by the Government and sold at certain places under licenses which were granted to the persons who undertook to dispose of the largest quantity. This acted as a direct encouragement of drunkenness. The sellers paid a large sum for their licenses, and they were obliged to resort to all sorts of means to induce their neighbours to consume the quantity of spirits which they had undertaken to sell. Upon the whole the accounts were satisfactory. The events occurring in the United States had of course exercised great influence upon India, but he was

Mr. Henry Seymour.

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1864.

convinced that, if the right hon. Gentleman had allowed land to be more extensively sold in fee-simple, more capital would have been attracted to India, and there would have been a still larger increase in the growth of cotton. If the American contest were now brought to an end, he had no doubt our main supplies of cotton would again flow thence; but, if proper measures had been taken during the five years the right hon. Gentleman had presided over the India Office, cotton might have been fixed as a staple production of India. The same care applied to the cultivation of the plant in India as was given to it in America would have greatly increased its value. It was the mixed and dirty cotton that was objected to, and improvement could not be looked for until capital and enterprise were permitted to engage in the trade. In 1858, when the noble Lord the Member for King's Lynn (Lord Stanley) was at the head of the India Office, he had many applications from gentlemen and companies to purchase land. How was it that now there were no such applications, or, if there were applications, why were they refused? The right hon. Gentleman should encourage the introduction of English energy and English capital into India and thereby benefit both the Indian and imperial exchequers. He believed with Sir Charles Metcalfe that every Englishman who went to India added to its security and resources. He trusted that, in future, the right hon. Gentleman would not overlook that important point upon which might depend, to a great extent, the permanency of our hold upon India. He would remind the right hon. Gentleman that Russia, with nothing like our vast resources, was pressing forward in every direction. Only yesterday it was announced that she had concluded terms for railways through Herat and through Persia; she had an immense length of navigation up the Amoor, and she had telegraphic communication with China. Surely it would be well if we were to follow the wise example thus set to us. We ought to fix ourselves in India as firmly as we could, and the best way of doing so was to encourage our countrymen to go there with their capital. The more the natives were encouraged to lay out their money in the purchase of land the more would they be attached to our Government. He hoped that, when next the right hon. Gentleman addressed the House upon this subject, he would be able to show that the important points to which his attention had been called had been practically considered. In that case the right hon. Gentleman would increase the claims which he already had upon the gratitude both of this country and of India for

Cotton.

Encourage-
ment to
English
capitalists to
settle in India.

Mr. Henry Seymour.

21st JULY 1864. having so long administered the affairs of the latter great empire.

Mr. J. B. Smith.

Delay in bringing forward the Indian Budget.

Financial Statement made in India.

MR. J. B. SMITH said that, while he congratulated the right hon. Gentleman on the improved state of India, he at the same time regretted that he had placed himself in such a position as to make it his (Mr. Smith's) duty to find fault. What he found fault with was that the right hon. Gentleman had pursued the same course this year which he did last year, namely, of delaying his Indian Budget until two days before the Whitebait Feast, when, as usual, not more than twenty Members could be got to listen to it. If the House was to take any cognizance whatever of Indian affairs, it was but just that they should have an opportunity of doing so at a time when they were not in an exhausted state, as they undoubtedly were at the end of the Session. The subject should be brought before the House at an early period of the Session. He had likewise to complain that the right hon. Gentleman had not furnished them with the speech of the Finance Minister of India. He could not account for the right hon. Gentleman objecting to furnish the House with that without which the Indian accounts were nothing but a mass of figures. What could the House make of the Exchequer accounts without the explanation of the Chancellor of the Exchequer? When he mooted the question on a former occasion, the right hon. Gentleman said that he might as well be asked for the Chancellor of the Exchequer's speech as for the statement of the Indian Finance Minister. But there was this difference, that the latter statement was made in India, while the speech of the Chancellor of the Exchequer was made in that House and was printed in all the newspapers the next morning. He could see no just ground for withholding from the House that explanation which was given by the Finance Minister of India; and, if the right hon. Gentleman should persevere in bringing forward his Indian Budget at the latter end of the Session, and declined to give the House the explanation of the Finance Minister of India accompanying the Indian accounts, he should feel it his duty in the next Session of Parliament to bring the subject under the notice of the House. He would again congratulate the right hon. Gentleman on the improvement which seemed to pervade all classes of Indian society. There had been a great demand for labor and a great advance in the price of provisions. That was easily accounted for,—the demand for labor had been for Indian railways and for the growth of a variety of products, especially of cotton. Labor had been transferred from the

Mr. J. B. Smith.

growth of provisions to the growth of other articles, and the consequence had been a great advance in the price of provisions. There was no question that there had been a great advance in the wealth and capabilities of India, but still he thought the resources of the country were very far from being developed. Their railways would do something in that respect, but he regretted to find that so little attention was still paid to opening out the navigable rivers, the natural highways of India. The Godavery, with its affluents, was a highway 2,000 miles long, but only about 400 miles of the river was at present navigable, and he regretted to find, from the reports which had been laid on the table respecting that river, that there was little hope of those 400 miles being much extended. The right hon. Gentleman had made some observations about the customs duty on cotton, which he said amounted to £500,000. He did not know whether the estimate of the duty on cotton goods was taken at 10 per cent. or $7\frac{1}{2}$ per cent. [Sir CHARLES WOOD: In 1862 the duty was reduced to 5 per cent.] Well, the duty might be said to be 5 per cent., but it was in reality 10 per cent., and he considered it altogether an unjust tax. It was founded upon a system of protection, so far as the Indian manufacturer was concerned. In India there was a protection which could not be taken away. There they had the cotton on the spot, and England had to fetch it 10,000 miles, manufacture it into goods, and then send those goods back to India. When, in addition to all the expense these processes involved, we had to pay a high customs duty, protection to a very large extent was of course afforded to the Indian manufacturer. Sir Charles Trevelyan complained that the great embarrassment to the trade of India had been the want of imports to meet the large amount of exports, and he said every possible encouragement should be given to the import trade. In his (Mr. Smith's) opinion the best way to encourage imports was to abolish the duty on cotton goods, and they would thus meet the objection which Sir Charles Trevelyan made. But if it was necessary to raise that revenue on cotton goods, then the duty ought to be levied on a fair principle which would give the English manufacturer a chance. If they levied a duty on the goods of the English manufacturer, they ought to levy a like duty on the goods of the manufacturer in the country, otherwise they afforded to the Indian manufacturer an unjust protection. Sir Charles Trevelyan, speaking of the sale of opium, said that one of the causes of the decline in the price of opium was the difficulties connected with the monetary system.

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The Godavery.

Customs duty
on cotton.

Opium.

- 21st JULY 1864. He stated that, in 1859, the price of a chest of opium was Rs. 1,429, while, at another period, it was Rs. 1,100, being a difference of Rs. 300 a chest. This showed the importance of the right hon. Gentleman turning his attention to the gold currency for India. He (Mr. Smith) must confess he had little expectations of a sound measure from Sir Charles Trevelyan, and that was from this circumstance—he said, the effect of the gold currency would be that the depreciation of gold would be arrested. Now, he there assumed that gold had been depreciated, and any one who concocted a measure on that assumption would not be likely to make it a sound one. He hoped the Secretary of State for India would do something on this subject. In conclusion, he could only repeat his congratulations at the favorable report of the finances and prospects of India as made by the right hon. Gentleman, and he hoped he would be able to do something in reference to the complaints which he (Mr. Smith) had felt it his duty to make.
- Gold currency.
- Mr. Kinnaird. MR. KINNAIRD said, he did not think any blame could fairly be imputed to his right hon. Friend the Secretary for India for not introducing his budget at an earlier period of the Session, when the difficulty of getting in the accounts was taken into consideration. Even if it could be brought forward at an earlier period, he scarcely imagined that the right hon. Gentleman would be able to secure a larger attendance of Members than was usual when Indian questions were being discussed. The real point to be dealt with was, had India improved of late years? and he must say, after the speech which he had heard from the responsible Minister for the country, that there were the strongest evidences of her material progress. He regretted his right hon. Friend had made no allusion to the enormous duty on salt, than the bringing of which within easier reach of the poorer classes there could be no greater measure of relief. He should not enter into a detail of the great suffering which was occasioned by the existing state of things in that regard, but he hoped that, with the prospect of an increasing revenue before them, the matter would not escape the attention of the Government. Unless they took some steps in that direction, he should feel it to be his duty to bring the question under the consideration of the House early next Session.
- Indian Budget.
- Salt duty.
- Mr. Vansittart. MR. VANSITTART said, he quite concurred in much that had fallen from the hon. Gentleman who spoke last but one, and whom he was happy to see sitting on the Opposition Benches,—an indication he hoped that those on that side of

the House might look forward to receiving his valuable support in future. He also concurred with the hon. Member for Poole (Mr. Henry Seymour) in regretting that he had not the advantage of the speech of Sir Charles Trevelyan before him, for he had, he believed, set down his surplus at the modest figure of £20,000. However that might be, he did not entertain any confident expectation of a permanent improvement in the finances of India, while so many reasons existed to disturb the calculations of a Chancellor of the Exchequer. Our surplus this year would have been larger but for the hastily conceived and badly organized proceedings on the north-western frontier; and the surplus of next year, he believed, would be swallowed up in consequence of that insatiate and insatiable desire to thrust our trade and commerce upon the inhabitants of Bhootan which had resulted in our envoy's being grossly insulted; the probable consequence of which was that war would be carried on in those sterile and mountainous regions if it had not already been commenced. The tax-payers in this country would find their expenditure largely increased owing to our wars in New Zealand, China, Japan, Ashantee, the Cape of Good Hope, and, he believed, in Bhootan. These two hostile collisions in India might have been avoided if we had followed the plan which we had adopted at Cabul, where our negotiations were conducted through a native. By this method the prejudices of the natives were conciliated, and the terms upon which the British Government stood with reference to Cabul were of the most amicable character. It was notorious that, even in time of profound peace, our surplus in India depended entirely upon the value of the sales of opium. There appeared to be two systems existing in India in reference to the cultivation of opium,—the one was carried on in Bengal, where the Government was the producer, and the other in Malwa and Central India, where the Government did nothing but levy a duty on its exportation to China. This duty was originally Rs. 200, or £20 a chest, but it was gradually raised by Sir Robert Hamilton to Rs. 500, or £50 a chest. Lord Canning was anxious to raise it to Rs. 600, but he was dissuaded, because, as long as the opium was grown by the British Government in Bengal, and was a Government monopoly in that Presidency, the producer in Malwa and Central India had not a fair market for competition. The actual cost per chest in Malwa to the producer varied from Rs. 300 to Rs. 400, or from £30 to £40, and the average selling price might be estimated at from £100 to £120, sometimes falling as low as £80 or £90. Taking, therefore, the

Mr. Vansittart.

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Impediments
to permanent
improvement
in finance.

Bhootan.

Opium sales.

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cost of production at £35 and the duty at £50, there would remain a profit of about £15 to cover risk, insurance, and other contingencies. If the Bengal monopoly glutted the China market, the price of the chest would fall, and the loss to the Central Indian merchant would almost inevitably entail his ruin. Sir Robert Hamilton had proposed to check the monopoly of growth by the British Government in Bengal by placing an uniform duty of £50 a chest on all opium exported to China wherever and by whomsoever grown, and thus adopt the Central India system uniformly throughout the whole of India. He believed that, if this were done, we should not have any decrease in our revenue from the sale of opium, and that our China trade would be placed on a healthy foundation, without involving in so disgraceful a speculation the British Government, the Secretary for India, and his Council.

Mr. Crawford.

Duty on
saltpetre.

MR. CRAWFORD said, he desired to call the attention of the right hon. Gentleman to the effect of the duty imposed on saltpetre. On the assumption that they possessed a monopoly, the Government of India, in 1860, raised the duty to 50 per cent. on the value of the article. Previous to that period, the export duty had been 3 per cent. on the value. The price of saltpetre was 26s. per cwt. and the duty £6 per ton, which was an enormous duty, and, in consequence of it, people of an inventive turn of mind had turned their attention to finding a substitute for it, and had discovered, in a preparation from nitrate of soda, an article which was applicable to many of the purposes for which saltpetre was used, and large quantities of this article were imported from Magdeburg and other towns of Germany. In 1859—the last year before the change in the duty—the quantity of saltpetre exported from Calcutta was 25,000 cwt.; in 1860, it was 19,000; in 1861, 22,600; in 1862, 1,000; in 1863, 21,000; and in 1864, the falling off, it was calculated, would be to a considerable extent. Now, up to 1860, there had been no saltpetre received from the German ports; but, in 1861, 1,591 cwt. were received; in 1862, 3,480; in 1863, 8,418; and in 1864, down to the 31st of May, no less than 12,510 cwt., showing the extent to which we are receiving supplies of manufactured saltpetre from foreign countries to the exclusion of the saltpetre which we used to receive from India. The quantity of nitrate of soda supplied from Peru and Chili was in proportion to the quantity of saltpetre received from German ports. The quantity of saltpetre received from Bengal and exported from this country had fallen off from 151,000 cwt. in 1862 to 74,000

Mr. Crawford.

in 1863, and this year, to the present time, the exports were 41,000. The deduction from this was that the trade was in considerable jeopardy from the heavy duty on the export from Calcutta. If any advantage from this arrangement accrued to the public, he would have no right to complain; but such was not the case, and, on the part of those engaged in the trade in the city of London, he had taken the opportunity of laying the matter before his right hon. Friend in order that it might be brought under the notice of the authorities in India. With reference to the introduction of a gold coinage into India, he confessed he was one of those who did not anticipate much advantage from such a measure. The whole of the pressure which had been experienced at Calcutta and Bombay arose, not from any want of money, but from the inability of the possessor of hard silver to convert it into current coin. It was within his own knowledge that a person in the possession of silver to the extent of thousands of pounds had been obliged to pay 15 per cent. per annum for the temporary use of coin while his silver was being coined at the mint. He (Mr. Crawford) thought the coining power of the mint ought to be increased at least threefold. The hon. Member for Stockport (Mr. J. B. Smith) was misinformed when he stated that the best cotton was grown in Dharwar. Considerable quantities had lately come from the interior of India far superior in quality to any that had been grown in Dharwar, as he should be happy to show to any gentleman who would favor him with a call at his office. His hon. Friend the Member for Poole (Mr. Henry Seymour) talked about the Russian Government making a railway to Herat; but, as Herat was thousands of miles from any civilized part of the Russian dominions, he (Mr. Crawford) received with utter incredulity the statement of such a scheme. His right hon. Friend the Secretary of State had adverted to the fact that the Government received but little in the shape of customs duties from the natives of India. That was a result which could not surprise any one who was acquainted with the mode of living of the people of that country. They drank hardly any wine or spirits, or tea; the sugar and the tobacco which they consumed were manufactured upon the spot, and they therefore made very few purchases of any of the articles on which customs duties were principally raised. He entirely coincided in the statement of his right hon. Friend that a considerable increase in wages had taken place in India during the last few years. The fact was that since railway operations had been carried on in India, the value of labor had

Mr. Crawford.

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1864.

Gold coinage.

Cotton.

Russian
Railway
to Herat.

Scanty receipt
of customs
duties from
natives.

Rise in wages.

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rised to an extent which no person could a few years ago have thought possible. He was glad to be able to join the Members who had preceded him in congratulating his right hon. Friend on the very satisfactory state of affairs which he had been able to bring under their notice that evening.

Mr. Torrens.

MR. TORRENS said, that he also would offer his congratulations to the right hon. Gentleman the Secretary of State for India on the very satisfactory statement he had made on that occasion; but he could not help regretting that it should be submitted to their notice at so very late a period of the Session. He was aware that that was occasioned by the period up to which the accounts were made up in India; but he could not see any reason why these accounts should not be closed at the end of December or November instead of April, which would allow the right hon. Gentleman to make his statement about the same time as the Chancellor of the Exchequer was making his statement here. He hoped the right hon. Gentleman would be slow to act on the suggestion of the hon. Member for Windsor (Mr. Vansittart), that the system of opium cultivation in Bengal should be assimilated to that in Malwa and the West of India. He should be sorry to see the ill-feeling which existed between the indigo planters and the ryots extended to the cultivation of opium. He did not think the matter of a gold coinage was so pressing as it had been represented to be, and he hoped that the Secretary of State, before taking any step with regard to it, would wait to receive suggestions from the local authorities. The right hon. Gentleman had adverted to the Act passed last year for throwing open certain civil appointments to persons not belonging to the covenanted service, and he seemed to speak favorably of that measure. But he (Mr. Torrens) believed that of the instances quoted by the right hon. Gentleman to exemplify the working of the Act, two at least were opened to animadversion. In one case a gentleman of great local interest—brother-in-law to the Governor of Bombay—was put into an appointment contrary to the Act, and the right hon. Gentleman had thought proper to cancel the appointment. In another, a Native named Gopal Rao Hurry had been appointed to an assistant-judgeship at Ahmednuggur, and the appointment was so illegal that it was taken up by the High Court of Judicature, and the Government was obliged to cancel it. This Native, however, was put into another appointment, which gave rise to a memorial from the whole Civil Service there. He hoped that memorial would be sent home.

Lateness of
Indian
Budget.

System of
opium
cultivation.

Gold coinage.

Appointment
of
uncovenanted
persons to
certain offices.

Mr. Torrens.

MR. GREGSON said, he quite concurred with the hon. Gentleman that it was desirable that the Indian accounts should be brought down to a later date; and he thought that by the employment of an additional staff at Calcutta that might be done. He also thought it desirable that the accounts should be closed on the 31st December instead of the 30th April. With regard to the opium question he entirely disagreed from the right hon. Gentleman, for he thought that the opium system of Bengal should be assimilated to that of the Western Provinces. He thought the monopoly of the opium trade by the Government of Bengal was injurious and ought to be abolished. He heartily congratulated the right hon. Gentleman the Secretary of State on the flourishing condition of the Indian revenue, as he had laid it before the House that evening. India had had three prosperous years in succession; and the Indian Treasury had been enabled not only to reduce the debt £3,000,000, but there was £19,000,000 in the Treasury. This was a highly satisfactory statement. But he perceived that the increase of revenue to the amount of £1,600,000 was from opium; but opium revenue was a precarious and dangerous source of income to rely upon. The increase upon the land revenue was in every respect satisfactory. But he did not think that the Indian finances had yet been put on an unexceptionable footing. The tax on salt was oppressively high. Salt was essential to the health of a population that lived chiefly on vegetable food, and he would therefore urge upon his right hon. Friend the propriety of reducing the tax at the earliest possible moment. He did not believe that the revenue would ultimately suffer by the reduction—on the contrary, he believed it would be rather increased than diminished. But in order to effect any good, the change must not be made in any niggardly spirit. The tax was at present from 1,800 to 2,000 per cent. on the value of the article, and the diminution in the cost, if the tax were reduced to a moderate amount, would be certain to produce a vastly increased consumption. He thought there were many grounds on which the right hon. Gentleman might take into favourable consideration the introduction of a gold currency into India; nor did he think it would be attended with those difficulties the right hon. Gentleman anticipated. There was already a gold coin in India, but it was not in general circulation. He thought that the introduction of a more portable medium of exchange than silver would be received with favour. In conclusion, he congratulated the right hon. Gentleman and the House on the

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Mr. Gregson.

Indian
Accounts.

Opium system.

Tax on salt.

Gold currency.

Mr. Gregson.

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growing prosperity of India. It was a little more than one hundred years ago that the tragedy of the Black Hole occurred—now we reigned over nearly 200,000,000 of people, whom our Government had raised to a great degree of material prosperity. He believed that the whole of the intelligent Natives of India were well satisfied with our Government. Such indeed had been the improvement effected of late years in the moral and intellectual well being of the Indians that he thought in course of time they might be trusted to govern themselves.

Sir H.
Willoughby.

Character of
surplus in
revenue.

SIR HENRY WILLOUGHBY said, that at present he was hardly sanguine enough to believe in an Indian surplus; but however that might be, the Secretary of State would do well to bring forward this question a little earlier in the Session, so that there might be a creditable debate and a fair audience. He did not object to the Resolutions of the right hon. Gentleman, except the sixth, in which there appeared to be a mistake of £2,000,000. [SIR CHARLES WOOD: It is a misprint; instead of £5,333,285, the figures should be £7,333,285.] When the revenue was £46,000,000 and the expenditure £45,750,000, it could not be said that a margin was left. Some £16,000,000 or £17,000,000 out of the revenue was gone, being bespoken as interest of debt, allowances, obligations under treaties, and expenses of collection, which according to his estimate amounted to nearly £6,250,000. Under our present system a deficit was just as likely to happen as a surplus. The cost of the army was very large, for in the last three years this charge had amounted to £37,000,000—nearly as large as the army expenditure for the United Kingdom. He wished to know what had been the expenses thrown upon the Indian revenue by the necessity of doing justice to the officers of the Indian Army. The prophecies of those who deprecated the amalgamation had been fulfilled, and it seemed that having made the blunder and given the guarantee, the Natives of India were now being made "to pay the piper." He should be glad if the right hon. Gentleman would give some explanation of the state of this account at the present time. Did he understand that the late war with the Hill Tribes had cost only £150,000?

War with
Hill Tribes.

SIR CHARLES WOOD said, that was the estimated cost, but in order to cover contingencies a sum of £200,000 had been taken.

SIR HENRY WILLOUGHBY could only say that the war had been a very cheap one; but he presumed that this was the extraordinary expenditure. The whole proceeding was

Sir Henry Willoughby.

rather in the nature of a blunder, and the war might have been avoided if the proper steps had been taken in the first instance. However, he did hope that we were not going to engage in another war with this wild people, and that we should be able to check the Hill Tribes, leaving their country alone, and thus avoiding the little wars which destroyed the Indian surplus from year to year. Nothing was to be got by attacking them; but they were very good shots, and might give our troops a good deal of trouble. This was not the time to enter into the gold currency question, and it had recently been discussed in that House; but with regard to the salt tax, the Government should deal with it with great caution. It was necessary to consult the prejudices of the Natives. It was difficult to find a tax that they were willing to pay, but they would pay taxes to which they had been accustomed. Though the hon. Member for Lancaster (Mr. Gregson) hoped that the people of India would pay the income tax, he must say he agreed with Mahomedans and Hindoos in thinking the tax extremely abominable. He should, therefore, be glad to find that the Government did not press that tax on India. But, on the other hand, bearing in mind that there were not many means of obtaining revenue from the Indian people, he thought that the salt tax ought to be approached with the greatest caution.

COLONEL SYKES said, that no doubt the financial administration of Indian affairs by the right hon. Gentleman the present Secretary for India had been surrounded with a bright halo during the last few years, but all the rays of this crown of glory could hardly be said to emanate from the brilliant administration of the right hon. Gentleman, for many of them were traceable to the Government of the East India Company. The right hon. Gentleman boasted of the increase of land revenue; but that was the result of the establishment by the Court of Directors of a permanent system of taxation, which stimulated the Natives to lay out their money to extend their cultivation, with the certainty of themselves reaping the profit. The next statement the right hon. Gentleman made was, that the cash balances were in such a good state as enabled him to pay off a considerable amount of debt; and the hon. Member for Lancaster (Mr. Gregson) talked of the cash balances being £19,000,000. According to Sir Charles Trevelyan's last Report for the years 1863-4, the cash balances, instead of being £19,000,000, were only £14,000,000; but in 1857—that was before the mutiny broke out, and under the administration of the East India Company—they amounted to £15,389,000, and

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Salt tax.

Col. Sykes.

* Indian prosper-
ity and
Court of
Directors.

Cash balances.

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Natives in
high places.

Natives in
medical
service.

Imports and
Exports.

Opium
revenue.

the Indian Government were then enabled to pay off a 5 per cent. loan. He understood his right hon. Friend to say that the employment of Natives in judicial administration was a new thing within the last five years. [SIR CHARLES WOOD explained that what he stated was that Natives had for the first time been put into high class judgeships.] He approved that step, but, with respect to the administration of justice, it was the fact before that 98 cases out of 100 were adjudicated on by Natives, as he (Colonel Sykes) had shown by publishing the official consecutive Judicial Returns for twelve years for all India. He gave the right hon. Gentleman credit for putting Natives into high places, but they were Princes and Royal personages that were so appointed; and they, no doubt, considered it to be a great honour to be associated with their governors; but they were not the persons best acquainted with administration, and he wished to know whether it would not be more advantageous if persons of a lower class with greater administrative ability were made members of these Councils? The right hon. Gentleman was, moreover, inconsistent in exercising his power in the appointment of Natives to office, in not allowing the employment of Natives in the medical service in India, notwithstanding that some Natives had come to this country to be educated at their own expense, and on examination had been rewarded with gold medals and full diplomas. He hoped such men would be included in the new medical service about to be established in India. He would not now touch on the still continued wrongs of the officers of the Indian army, in violation of Acts of Parliament, as there was no doubt that that question must be distinctly mooted next Session. The imports into India, though the House would scarcely believe it, had actually fallen off. According to Sir Charles Trevelyan's Report the Customs duty in 1861-2 was £2,876,139; but in the regular estimate for 1863-4 it was only £2,324,200, and the estimate for the next year was still less. On the other hand the exports had enormously increased, rendering the settlement of the balance of trade annually more difficult. The revenue from opium fluctuated greatly year by year. The Chinese were the only consumers of the drug, and what was the state of that country? Anarchy reigned throughout the land, and England had lent her aid to aggravate the desolation. They could not, therefore, look upon opium as a permanent source of revenue, but must be prepared for a time when it would, to a considerable extent, break down. In Bengal there was a vicious Government monopoly. The farmer had not

Colonel Sykes.

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control over his own land, for he was obliged to cultivate opium on a fixed portion of it, and sell the produce to the Government, who bought it at a low and sold it at a very high rate. That was neither a sound nor a creditable system. On the Bombay side of India an Excise duty was imposed on opium, and its cultivation was left to the discretion of the people. There was a great deal of talk about developing the resources of India; but the fact was that they had already been developed to such an extent that the balance of trade was annually increasing against us. We required Indian productions—indigo, sugar, cotton, oilseeds, jute, flax, &c.; we must have them; but the people of India did not want our woollens or warming-pans. The demand for their products was increasing year by year, and we were obliged to pay for them in hard cash. Since 1800, by a Return which he (Colonel Sykes) had moved for, it appeared that the amount of silver and gold which has been introduced into India was £254,000,000 sterling. No part of this sum had come back again, or was likely to come, seeing that it could be lent at from 10 to 30 per cent. It was absurd to talk of the people burying their money, for they were much too acute to do that when they could get 20 or 30 per cent. for it. His right hon. Friend, in his review of Indian progress, had not included the financial improvements of 1863-4, which must be in his possession, as he (Colonel Sykes) held an official paper on the subject in his hand, and these figures would have been more acceptable than those of former years.

MR. BAZLEY said, he joined with every other Member who had spoken in regretting that the Budget had not been brought forward earlier in the Session. An impression was growing in the public mind that there was a disposition to carry on the Government of India irrespective of the control of Parliament. If, as had been proposed, the accounts for the year were submitted to Parliament at a proper time, very valuable suggestions, no doubt, would be made in the course of the discussions, the result of which might be of great benefit to the Indian Government. He wished, however, he could congratulate the right hon. Gentleman on the services of the Government in regard to the cultivation of cotton in India, and its increased supply; but on the part of his friends in Manchester he had to complain that the Indian Government had interfered in the affairs of the Manchester Cotton Company in such a way that that concern had been reduced to comparative ruin. In describing the prosperity of India, the right hon. Gentleman was wanting in candour in omitting to state that the surplus price of cotton remitted to

Mr. Bazley.
Lateness of
Indian
Budget.

Cotton suppl

Mr. Bazley.

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India at the present time amounted to little less than £50,000,000. But how were the Indian Government requiring Lancashire for the excessive price they were paying for cotton? Why this was the very moment which was chosen for enforcing increased exactions on Manchester goods to the amount of 100 or 150 per cent., taking into account the high value of cotton. Such was the dissatisfaction in Manchester that a claim was raised not merely for a reduction of the duty on cotton manufactures, but for the admission of Lancashire goods into India free of duty. The practical effect was that the Lancashire manufacturers were carrying on very extensive works at a great pecuniary loss. There were individual establishments contributing to the revenue of India as much as £100 per week in the duties levied, which were about to be mulcted in £200 or £300 a week, thus, of course, adding to the losses they already sustained. It was cheering to learn from the hon. Member for London (Mr. Crawford) that an improved quality of cotton was now being received from India. He had never doubted that that country might be made to grow cotton which would not only compete with, but even supersede the American supply; but it was of great importance that a superior quality of fibre should be cultivated in India. If, while the Indian supply was in its present condition, the American supply were suddenly to be restored, the manufacturers would prefer the latter; and the result would be that all the efforts that had been made in India during the last few years would be thrown away. Every effort ought, therefore, to be made to raise the character of the cotton which was produced in India. He trusted that next Session more time would be given to the discussion of Indian affairs.

Sir J.
Elphinstone.

Parliamentary
indifference to
Indian affairs.

SIR JAMES ELPHINSTONE said, that they were met together on the 21st of July for the purpose of re-enacting the solemn farce which last year was performed on the 23rd of July. After a Session passed in laborious discussions, a mere fragment of the House of Commons met for the purpose of deliberating upon the Government of more than 200,000,000 of people. A more scandalous sight could not be presented to the British nation than the aspect of the House at that moment. The Government of 200,000,000 of people was confided to their care, and yet the welfare of that enormous population was muttered over to Benches almost empty. The statement of the right hon. Gentleman was to some extent encouraging, as it showed that the natural resources of the country, assisted by that Providential interposition which generally came to our aid when we had committed great

Sir James Elphinstone.

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blunders, had raised the revenue of India to a paying point. He, therefore, trusted that the Government of India would feel inclined to treat the two services in India with more liberality than they had hitherto displayed. It had been remarked that evening that the Speaker had heralded the finale of the labours of the Session by his annual dinner; and he (Sir James Elphinstone) therefore felt justified in calling this a post-prandial discussion of a subject that was worthy of greater respect and attention by the House. By a formal decision of the House it had been declared that those services were entitled to consideration, and he gave the right hon. Gentleman fair warning that if the subject was not satisfactorily dealt with or explained by the right hon. Gentleman, that at the beginning of the next Session the subject would be forced upon the attention of the Government and the sense of the House again taken upon it. The revenue and expenditure of India which they were now discussing were matters of history, and debates of this kind simply converted the House of Commons into a debating society for expressing opinion upon India in general. He was glad to hear that the Government had at length adopted the recommendation of the Committee to transport our troops to India by the way of the Red Sea rather than by the Cape. This was a course so consistent with common sense and economy, the marvel was that the Government did not see the advantage of it before. He wished to ask on whom the expense for providing the passage of those troops from England to Alexandria was to fall, and whether this country or India was to provide the transports from England to Alexandria? He hoped that the Government of India had duly considered the periods of the year when the health of the troops would be seriously endangered by their transit. At the fall of the Nile fever set in, which lasted for three months afterwards, and therefore the troops should not be sent to India by this overland route between the months of June and November. Now that there was extensive railway communication in India it was time for the Government to look before them, and to consider seriously whether a reduction in the Indian establishments could not be effected. Sir Sidney Cotton—a most able and experienced authority—stated with those means of communication with India they could govern India with 30 per cent. less of troops than they had heretofore thought necessary to have there; but that could only be done by the abandonment of the old system of cantonments, which was now entirely obsolete, and by availing themselves of the facilities afforded by the extension of the railway

Transport of
Troops by way
of the Red
Sea.Reduction of
establish-
ments.*Sir James Elphinstone.*

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Facilities for
coasting trade.

Channel
through
Adam's
Bridge.

system. He recommended the Secretary of the Colonies to consider whether a similar course might not be advantageously pursued in the colonies for the development of railway communication. There was, however, one point to which the attention of the Government of India did not appear to have been sufficiently turned. The whole of our effort for the last few years had been directed to the development of the internal traffic of India. No doubt that was of paramount importance, but in order to render it effectual, it was also necessary to give increased facilities for the coasting trade of India. Much had been said about the scarcity of labor in India; he did not believe there was any such scarcity. No doubt the higher portions of the country were more sparsely inhabited than the alluvial portions of the country. The lines of communication which were now established in India appeared to be intended more for the transport of the products and commodities of the country than for the purpose of supplying food to the population; if the Government afforded proper facilities for conveying labour from one part of the country to another all the difficulty would cease. Three years ago he obtained a Committee to investigate the possibility and practicability of deepening a channel through Adam's Bridge, connecting the Continent of India with the Island of Ceylon, so as to enable large ships to go through the passage instead of going round the Island. There were between 3,000 and 4,000 yards of ground requiring to be cut through, but the work was not greater than was met with in any ton miles of railway out of London, and it was most important with regard to the coasting trade of India. According to the evidence taken by that Committee it was quite clear that £100,000 or £150,000 was all that was necessary to open that channel for a line-of-battle ship. He asked the right hon. Gentleman whether any steps had been taken to open up that channel? The present extra expense of the coasting trade, arising from the necessity of taking a 350 miles' voyage for one year, would pay for the canal, and enable the *Princess Royal*, the flag ship of the station, to sail through the Straits. Materials of excellent quality were on the spot, and the surplus which the right hon. Gentleman had in hand would enable him to carry out that improvement. We had peace in India, and revenue was springing up. The East India Company was constantly at war, coerced into it by the Board of Control; and when the Company had taken the chesnuts out of the fire they were set aside, and the right hon. Gentleman took credit for the present state of things.

Sir James Elphinstone.

Another point on which he desired to have information was who paid for the British Navy in India? The coasts of India were about 4,000 miles in extent, from Beloochistan to Singapore, and the whole police of these seas was managed by the Royal Navy. One of the first acts of the right hon. Gentleman was to extinguish the Indian Navy. The Indian Navy comprised more scientific men, for its numbers, than any other service in the world, excepting a strictly scientific service like the Royal Engineers. They were employed as ambassadors, diplomatists, residents, consuls; they explored countries, they investigated the ruins and antiquities of the country; they were linguists, surveyors, admirable seamen, and they maintained a post of the highest respectability and honor under the East India Company, and performed services of the very greatest importance in the survey and exploration of the country, not only of the East India Company, but adjacent to the Red Sea and in Abyssinia. That service was swept away with scanty thanks or justice. He asked the right hon. Gentleman, out of his overflowing Budget, to temper justice with mercy, and to give the members of that profession some of the advantages which he was extending to the country which we had saved from anarchy and despotism. By what had that force been replaced? By the Royal Navy. And who paid the navy for this service? The taxpayers of England. Now, he would ask whether it was right that the taxpayers of England should send out a navy to do the business which should be done by the Indian Government, and enable the right hon. Gentleman to come down to the House with a flourishing statement about the revenues of India? Then, as to the alteration in the boundary between the East India Company's territory and the territories of the Crown. Formerly, when an officer passed the Cape of Good Hope, he came under Indian allowances. We had now established a command eastward of the Cape; we had established a naval command from the Cape of Good Hope to Singapore, where it joined the Chinese station. It was practically impossible to separate that portion of the sea from the territories of the Indian Government. The whole stream of our commerce went from the narrow neck round the Cape of Good Hope to the Southern Indian Ocean, and there ought to commence the subsidy of the Indian Government for the navy, and it was a practical injustice to this country to make it otherwise. It was a direct premium to the Admiral for spending the whole of his time in the Indian portion of his station. He wished to know how the right hon. Gentleman intended to deal with these matters. He

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Payment of
Navy in India.

Sir James Elphinstone.

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Straits
Settlements.

understood that an important alteration was to take place with regard to the Straits Settlements, and he wished to know in what that change was to consist. When Sir Stamford Raffles established the colony of Singapore in 1819, it was guaranteed as a free port. He (Sir James Elphinstone) was there in the year 1820, and he had been there occasionally during the next seventeen years. A more extraordinary increase in any port had never occurred, except in some of the mushroom places in America, than took place at Singapore. The whole of the trade of the Eastern Archipelago had been centred in that port, and the progress of the colony was mainly due to its immunity from all port charges. He understood that it was the design of the Indian Government to introduce port regulation for Singapore. He wished to know whether or not that was really the intention of the Government; because, if so, that opportunity might be obtained in the next Session which was denied him in the present, of opposing a policy likely to be so mischievous. Then, as to the taxes in India, and especially the salt tax. He looked upon the cotton cultivation in India as ephemeral. The war in America must, in the nature of things, end some time or other. There were in the South 3,000,000 or 4,000,000 of slaves, and half a million would be quite enough to supply this country with all the cotton it required. The total destruction of the animals in Egypt had altered the position of that country, and instead of exporting large quantities of grain, Egypt was likely to become a great cotton field, and to import grain for its own consumption from the Black Sea. Under these circumstances, was it likely that we should take our cotton from a country 16,000 miles distant when we could get it from America and Egypt? India, no doubt, had benefitted from the war in America, and as long as it pleased Providence that the war should continue, India would be likely to benefit. But as soon as it came to an end, the people of this country would fall back upon their old sources of supply. But since the people of India must consume a certain quantity of salt with their food, the salt tax, in his opinion, and in the opinion of those best acquainted with India, was the last tax with which the Government ought to interfere. He felt bound to enter his protest against the system inaugurated by the right hon. Gentleman of bringing forward his financial statement, when he might have acted far otherwise, at a time when the Benches of that House were so empty. He should have been glad to see the noble Lord the Member for King's Lynn (Lord Stanley) present on that occasion. It was the proper function of an

Cotton.

Salt tax.

Sir James Elphinstone.

Opposition not to allow questions of such importance to be slurred over as they were that evening, and he hoped the House would support him next year when he should endeavour to bring about a better state of things.

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MR. GRANT DUFF said, that of all the wonderful political performances ever enacted on this terrestrial globe, the most astounding was the performance of the right hon. Gentleman. It was not merely that the Indian Budget was brought in at the end of the Session, when they were all wearied and jaded, but that they were wearied and jaded from listening not to a speech, for it could not be called a speech, but to a sort of concatenation of broken, interjectional remarks and sentences, jerked out by a Minister to whom Heaven had denied not only the power of lucid statement, but almost the gift of articulate speech. ["Oh, oh!"] Assuredly the noble Lord at the head of the Government could find a colleague who, while not inferior to the right hon. Gentleman in administrative ability, might possess the power, he would not say of laying before the House such a statement as that which the Chancellor of the Exchequer was in the habit of making from year to year with regard to the financial position of England; but a person who could make that sort of clear and intelligible statement which the country had a right to demand. ["Oh, oh!"] He had listened year after year to the speeches of the right hon. Baronet, and he had never heard him make a speech which would be in any respect satisfactory, even if it appeared as an anonymous article in the pages of a Quarterly Review.

Mr. Grant
Duff.

MR. AYRTON said, with regard to what had been said of the state of the House, he believed these Indian debates followed only the ordinary course of such matters; and if there was any peculiarity in this debate, it was to be found in the circumstance that there was an almost entire absence of all the Members connected with the manufacturing districts who had ever taken an interest in the affairs of India. The only two persons present who could be said to represent the manufacturing districts were the hon. Member for Manchester (Mr. Bazley) and the hon. Member for Stockport (Mr. J. B. Smith), and they had expressed themselves as satisfied on the whole with the state of affairs. He attributed the peculiarity to which he had alluded to the circumstance that from repeated discussion they had arrived at a better appreciation of the relations of this country to our Indian Empire, and they felt that the causes of complaint upon which they had formerly dwelt had ceased to exist. They no longer

Mr. Ayrton.

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1864.

Financial
Statement
delivered at
Calcutta.

looked for that enormous supply of cotton which they had formerly anticipated, nor did they attribute the deficiency to the causes of which they had so often complained. While regret had been generally expressed that the House had not before it the financial statement delivered by Sir Charles Trevelyan to the Indian Council in the beginning of the financial year, an hon. Gentleman spoke of it disparagingly, and said that it had sent every Member of the Council to sleep, except Sir Charles Trevelyan, who was reading it. He (Mr. Ayrton), on the contrary, had received a copy of that statement, and he must say he considered it as deserving to be spoken of with the utmost respect, and that it reflected the highest credit upon Sir Charles Trevelyan. In former years some gentlemen went out to India with the most inflated ideas of their position; they called themselves Chancellors of the Exchequer, and delivered speeches which were not worthy of being reproduced in this country, and of being laid in an official form upon the table of the House. But there was a total absence of any such assumption on the part of Sir Charles Trevelyan. Considering the tone of Sir Charles Trevelyan's address, he was of opinion that some arrangement should be made by which such a document should be laid upon the table of the House by the Secretary of State for India; not that the document should be looked upon as binding the Secretary of State to everything contained in it, but merely as an expression of the opinion of the Government of India on the finances of that empire. It was most unsatisfactory that they should be passing Resolutions relating to a state of affairs past and gone, when Sir Charles Trevelyan had published a statement which brought the finances of India up to the April of the present year, and estimated them to the April of 1865, and had added a financial criticism relative to the increase or diminution of the income and expenditure of that country. He thought that with such information the House would be able to arrive at a better conclusion than by merely receiving the accounts which had been laid upon the table. It was not his intention to enter into discussions extending from the Himalaya to Adam's Peak, and from the chronicles of Adam to the present time; but he could not help recalling the attention of the Secretary of State to a subject which he had brought to his notice last year, and which showed a tendency on the part of the Government of India to fall into the evil course into which the Home Government had fallen. A hundred years ago it was predicted that, if the Government of this country could raise a revenue from the vices of the people by the spread of in-

Mr. Ayrton.

temperance, they would address themselves to promote the consumption of ardent spirits rather than to diminish it, and that prophecy has been thoroughly fulfilled. He thought there was a disposition on the part of the Government of India to fall into the same error. Nothing could equal the horrors produced by stimulating the consumption of intoxicating drinks in India; and it became the Government seriously to consider whether some improvement could not be introduced into this system. He must also again press on the right hon. Gentleman the condition of the salt revenue. That revenue had been raised very much during the last few years; and while every step taken in the remission of revenue was for the relief of the wealthy classes in India, they were putting on a tax on the first necessary of life for the poorer classes. The increase of the salt tax had been attended with the most deplorable results. Those who are engaged in the curing of provisions had been compelled to reduce the quantity used, and the most lamentable evils, involving loss of life, had been the consequence. Serious effects had also been occasioned to cattle and agriculture. He was quite satisfied that the present amount of this tax was oppressive and ought to be reduced at the earliest possible period. With regard to expenditure, it was unnecessary to go into all the items that appeared in these accounts. He feared very little could be done in reducing the expenditure on account of the army and civil service. But there was one thing for which Sir Charles Trevelyan deserved the greatest credit. Instead of lending himself to the views of a few people in India who were desirous of carrying on a false system of finance, he had boldly applied himself to the proper appropriation of the surplus Indian revenue to the reduction of the public debt. That surplus had been created by factitious finance, and the debt ought never to have been created. Still, there had been a pressure put on the Government that the surplus should be applied to develop the resources of the country and the maintenance of a false system of finance. Every encouragement should be given to the Finance Minister in India in resisting that pressure. He had been placed in a position of the greatest possible difficulty, being surrounded by persons who fancied that the interests of India were coincident with their own, though these might be limited to the province or towns in which they resided, and by no means identical with the interests of the great mass of people for whose good government we ought to feel ourselves responsible. He thought the statement which had been made exceedingly gratifying. India

Mr. Ayrton.

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Promotion of
consumption
of ardent
spirits.

Salt Revenue.

Appropriation
of surplus to
reduction of
debt.

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was prosperous, notwithstanding the misfortunes of the mutiny and in consequence of the war in America. Immense capital had been invested in India by the railway companies. There had been a vast increase in the value of its produce, which had tended to bring the finances of India into a more healthy condition. But he hoped it would not be thought, because we could collect revenue from a submissive people, we should exact from them the last farthing they could pay short of driving them into rebellion, and that we were entitled to squander that revenue on anything that gratified the caprice of Europeans. They were now congratulating themselves on the great prosperity of India; but he would remind them that a few years ago Lord Dalhousie printed a *Minute* in which he congratulated himself and the country on the prosperity which had resulted from his system of administration; and all concerned in that *Minute*—the Court of Directors, the Board of Control, and the Public Service in India—were extremely delighted by that state of things. But when the record came home it was found to be a factitious statement; and twelve months afterwards we were awakened by the astounding discovery that the statement was mere imagination; and that underlying our administration was a deep sense of injury and wrong, a growing state of dissatisfaction which burst out into open mutiny and sedition. Government would do well to consider what was the real state of India, and not build too much on the force they possessed, and the submissiveness of the people; for if they did, deriding Native prejudice and superstition, and exacting from the people the utmost farthing they could pay without breaking out into open rebellion, the time would come when this country would be more startled than before, and would regret that it had not taken advantage of the pacific and humble disposition of the Natives of India.

Sir C. Wood.

The Indian
Budget.

SIR CHARLES WOOD was very much obliged for the views which had been expressed on this subject by hon. Gentlemen who had spoken in the debate, and the kind expressions which had been used towards himself. It had been stated by the hon. and gallant Gentleman (Sir James Elphinstone) that the Indian Budget had been postponed, as a dodge on his part, till so late a period that he might be enabled to make what sort of statement he pleased. Now, the real facts of the case were these—till he became President of the Board of Control, no Indian Budget was ever laid before the House, and no more information about the affairs of India was placed before the House than of any part of the world with which he had no connection. He could there-

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fore hardly be accused with justice of wishing to keep the House in ignorance of Indian affairs. But how much earlier could he make his statement? The accounts on the table, up to the end of April 1863, were made up in India in March and April 1864. The regular Estimates for 1863-4 were made up about the same time, and did not arrive in this country till towards the end of April. The form of the accounts had been settled by the House of Commons, and the day on which they must be laid on the table was fixed by Act of Parliament. That day was the 14th of May. Generally speaking, they could not be laid on the table more than a day or two before the time fixed by Act of Parliament. The accounts were laid on the table before Whitsuntide this year, and they were of such a detailed character that they could not be printed before the middle of June. No doubt it might be possible to change the whole arrangement of business in India, and to alter the date of the Indian year, which had been fixed for the convenience of India, and not of this country. He might by this means be able to make his statement about India at an earlier period of the Session. The House must see that it was a matter of perfect indifference to him whether he made that statement on the 1st of January or the 1st of July. But the financial year in England had been changed from the end of December to the end of March, in order that the votes for the great services might be got through before Easter. If even one night were taken for the Indian Budget before Easter it would interrupt the course of business in that House; and it was, therefore, necessary to appoint such a day as would least interfere with English business. The House of Commons, however, did not vote the taxes of India, nor did it in the first instance control the expenditure of India. The object of the statement now made annually by the Indian Minister was to lay before the House the general state of affairs in India, and to enable those hon. Members who took an interest in Indian matters to make such suggestions or ask for such information as might be useful. The House was asked for no vote that influenced the taxes of India. He had listened with great attention to the various suggestions which had been made; but if he adopted the suggestions of some hon. Gentlemen he should have very little surplus left. He had never thought it desirable to maintain a high duty on salt; but when recommendations of its reduction were made, hon. Members must think of the present state of Indian revenue. The surplus in India was estimated at £30,000; but there were miscellaneous receipts

Duty on Sal

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in England that brought it up to £257,000. It must be remembered in how large a degree the Indian revenue depended on opium, the income from which sometimes varied as much as £1,000,000 a year or even more, and how difficult it would be to make up any possible deficiency which might, not improbably, occur in that source. The evils of the salt tax had been, he thought, a good deal overrated; for he remembered a report from a medical officer attached to a hospital in Calcutta who examined his patients on this subject, and found that out of 100 persons only three said that they had ever suffered from the diminished quantity of salt which they were able to consume in consequence of the high price. The land revenue was a rent, and not a tax, and the only taxes the Natives of India paid were customs duties on piece goods for clothing and the tax on salt. The people of India had always been accustomed to taxes on salt. They had a singular objection to a new tax, and it would therefore be most unwise to repeal the salt tax which had always existed in India, and substitute some other impost which the people of India had never paid before. It could not be said that the people of India were too heavily taxed. With regard to opium, he was ready to admit that the pass duty on Bombay opium was at present too high, and that it would be well that it should bear a fairer proportion to the amount of duty at Calcutta. The hon. Member (Mr. Henry Seymour) had not correctly understood the state of the case in regard to waste lands. What he (Sir Charles Wood) had stated, and that was on the authority of Lord Canning, was that he did not think a large amount would be available for sale in Bengal Proper; but that in Assam and the Neilgherries there was a good deal of waste land available for European cultivation. With reference to the telegraph, he did not see that he had been at all to blame. The Turkish Government insisted upon constructing the line in Turkey, and the Persian Government upon constructing that in Persia. He had completed all that depended upon himself, and had assisted those Governments as far as they would allow him in constructing the lines which passed through their respective territories. The complaints of the hon. Members for Stockport and Manchester as to the valuation of piece goods at Calcutta were not well founded. The duty was 5 per cent. *ad valorem*, and as the value of the goods had risen, it was only fair that the rate at which they were charged should be increased. That had been done in concert with the Chamber of Commerce at Calcutta, which admitted that it was perfectly fair. The hon. Member for Stockport charged him with bad political

Duty on
Bombay
opium.

Waste lands.

Telegraph
through
Turkey and
Persia.

Duty on
piece goods.

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economy in doing with reference to tea and the cinchona—that is to say, encouraging the introduction of those articles of produce—that which he refused to do with regard to cotton; but the hon. Member forgot that all that he was doing in the former cases had been done with regard to cotton ten or fifteen years ago by the East India Company, who, having introduced the best description of cotton and shown that it could be grown, handed the plantations over to private enterprise. Upon the subject of the duty on saltpetre, a letter had that morning passed the Council, and was about to be sent to the Government of India, informing them that saltpetre was being manufactured in Europe to a considerable amount from nitrate of soda, a fact which bore most importantly upon the duty, the existing rate of which was only justifiable upon the theory that India had a monopoly of the article. The inconvenience which had arisen at the mint of Bombay arose from the circumstance that in October last, there being then no bullion to coin, the old machinery was taken down for the purpose of substituting new and improved engines. While the establishment was in this crippled condition there came an extraordinary influx of bullion, which, of course, could not be immediately coined into money. The hon. Baronet the Member for Evesham had found fault with him for not going more minutely into the estimates of revenue and expenditure. On former occasions he had done so—in fact, had made an Indian Budget; and he had only omitted to take that course on the present occasion, because the experience of the last year or two had induced him to think that it rather bored than interested the House. The speech of Sir Charles Trevelyan was not an official document, and therefore could not conveniently be laid upon the table. He did not quite understand what the hon. Baronet meant by doubting the existence of a surplus. So far as last year went, the surplus was an ascertained fact. That of the current year was, of course, only anticipated, and might or might not be realized; but he had confidence in Sir Charles Trevelyan's judgment on this point. There must always be some uncertainty as to opium. As to the transport of troops, arrangements were now under consideration, in concert with the Admiralty, for sending them through Egypt. He was not so sure as he was at one time that the adoption of that course would lead to any considerable saving of expense, because the cost of building transports had been found to be much greater than had been anticipated. The troops would certainly be sent during the cool months of the year. Various suggestions had been

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Sir C. Trevelyan's Budget
Statement.

Existence of
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Troops.

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made as to new taxes, but upon the whole he was inclined to believe that Indian finance could be better administered on the spot than by suggestions in that House. With respect to charges for the navy he would only observe that the external defence of India had always depended upon the Imperial forces, and the Indian navy was hardly more than a transport service. A question had been put about the Straits Settlement which he scarcely understood.

Sir J.
Elphinstone.

SIR JAMES ELPHINSTONE said, what he wanted to know was, whether Singapore was to cease to be a free port, or whether duties were to be levied there by the authority of the Indian Government.

SIR CHARLES WOOD said, no alteration in the position of Singapore was intended; but questions had been raised by the Singapore Chamber of Commerce as to harbour-masters, and also as to moorings, and it was stated that no objection would be made to the levying of some small duty for the purpose of defraying any expenditure for these purposes. He believed that he had noticed all the points that had been raised, and had only further to thank the Committee for the patient attention they had given to his statement, and to thank hon. Members for the suggestions which they had made, and which he could assure them should receive his most careful attention.

Mr. Torrens.

MR. TORRENS wanted to know whether there was any probability of the plan he had suggested being adopted—namely, to close the Indian accounts at an earlier date—say the 31st of December?

Sir C. Wood.

SIR CHARLES WOOD said, he would communicate with the Government of India upon that subject; but he would remark that, even if he were enabled to bring forward the accounts earlier in the Session, he should not be able to make his statement earlier without interfering with the English business. The accounts before the Committee were for the year ending the 30th of April 1863. The local accounts might be made up earlier in India, but the accounts for all India were not made up until March, and did not reach this country till the middle of April.

Mr. Torrens.

MR. TORRENS said, the accounts of India were closed on the 30th April—he could not see why they could not be made up to December 31st, or to any preceding date, so that they might be laid before Parliament early in the Session. He had great experience himself in relation to those accounts, and could see no obstacle to the plan he suggested.

Sir C. Wood.

SIR CHARLES WOOD admitted that the hon. Gentleman was better acquainted with the subject than himself, but he

Sir J. Elphinstone—Mr. Torrens—Sir C. Wood.

had spoken of the delay of arranging all the local accounts at Calcutta before reaching this country.

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SIR JAMES ELPHINSTONE thought that all the right hon. Gentleman had to do was to send out an order that the accounts should be made up to a particular day. With respect to the expenditure for barracks, he hoped attention would be given to that subject, as most of them were unhealthy and even pestilential; and if the Government would take the opinion of such men as Sir Sidney Cotton, they would soon learn where improvements were needed, and whether it would not be possible to do with some 20,000 or 30,000 less Europeans than were now kept in India. Then as to the Paumban Channel, he thought the expenditure of some £200,000 would be a most useful application of money, as it would greatly facilitate trade, and a small duty upon coasters would soon recoup the outlay.

Sir J.
Elphinstone.

MR. HENRY SEYMOUR said, that Sir Charles Trevelyan had made a statement in India of the estimate for next year, and yet the House was kept in ignorance upon the subject until the moment when the right hon. Gentleman spoke, and even then they were only informed of the general items, though the full accounts had been published in India. As to the home charges, that part of the accounts must be sent out from England; and why could it not be laid before the House? He complained also that the accounts which they had contained no column comparing the accounts with those of the previous year. The statement of Sir Charles Trevelyan was an explanation of the estimate of this year.

Mr. Seymour.

SIR CHARLES WOOD said, that if his hon. Friend would look at the papers which had been laid upon the table he would find that the accounts for 1862-3 were actually compared, page after page, with the estimated expenditure for the year 1863-4.

Sir C. Wood.

MR. GREGSON said, he had not asked for the repeal of the salt duty, but for the reduction of it.

Mr. Gregson.

In reply to Sir HENRY WILLOUGHBY,

SIR CHARLES WOOD said, that measures were being taken to consolidate various treasuries, which were now unnecessarily multiplied.

Sir C. Wood.

SIR JAMES ELPHINSTONE gave notice that if the naval service was not placed on the same footing as the military service by next Session, he should move the rejection of the Resolution.

Sir J.
Elphinstone.

Resolutions agreed to.

House resumed.

Resolutions to be reported *To-morrow*, at Twelve of the clock.

SIR C. WOOD'S FINANCIAL STATEMENT,

1865-66.

INDIA—EAST INDIA REVENUE ACCOUNTS.

COMMITTEE.

Considered in Committee.

(In the Committee.)

SIR CHARLES WOOD said: I must throw myself upon the kind indulgence of the House in the statement which I am about to make. I am not sure whether my voice will enable me to go through with it, but I was very anxious not to delay for a single day the statement which the Committee, I am sure, wishes to be made in regard to Indian finance. If I fail to go through with my statement, it will not be from want of will, but want of power; and the Committee will, I am sure, excuse me for making my speech as short as I can. It has been often urged in the House that this statement ought to be made at an earlier period of the Session. Some time ago I gave directions for expediting the accounts from India which are now, according to Act of Parliament, laid on the table by the 14th of May. Under that arrangement they cannot well be printed and be placed in the hands of Members before the 14th of June. It was found on going through the statement of the Indian accounts that they were kept on the most erroneous principles, and were very confused. I thought it better, instead of trying merely to expedite the accounts, to go into an entire revision of the whole system, with the view of putting it upon clear and intelligible principles of sound financial accuracy. Mr. Wilson did something towards that end; Mr. Laing did still more; but it was not till Sir Charles Trevelyan arrived in India, and set to work with that marvellous energy which distinguishes him, that the task of putting them on a sound footing was undertaken in earnest. Two gentlemen were sent out from this country to assist in this work,—Mr. Foster, of the Pay-

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Indian
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master's Office, and Mr. Whiffin, of the War Department. Two other gentlemen also gave their aid, and I am in hopes that, before this year is at an end, the new and improved system will have been established. It happened with this attempt, as it has often happened with others in India, that it was interrupted from time to time by the failure of the health of the gentlemen employed: Mr. Whiffin came home, the health of another gentleman entirely broke down; Sir Charles Trevelyan was obliged to come home in consequence of serious illness, so that the work was retarded through the failure in health of two of the principal persons employed in it. I trust, however, that, before the end of the year, the improved system which has been already applied in Bengal, and partly in the other provinces, will have been brought into full operation, and will have been permanently established throughout India. I hope that those gentlemen who are naturally anxious for an earlier exhibition of accounts in this country will think that I have done rightly in caring rather that we should have a permanent system of accounts based upon true principles than that for the last, or present, or even next, year the accounts should be presented two or three months, or two or three weeks, earlier.

Actuals for
1863-64.

With regard to the accounts which are now on the table, it is not necessary for me to trouble the House with many details. It turns out that the surplus for 1863-4, according to the actual accounts, is less than appeared from the regular Estimates. The surplus, according to the regular Estimates, was £257,000, but the actual accounts show that the surplus was only £78,000. That is not a very large amount; the difference is owing to the large stock of duty-paid salt on hand from the preceding year. A much more serious matter is the difference between the surplus in the year 1863-4 and that of the previous year 1862-3. In that year the surplus was £1,827,000; in the last year, or 1863-4, it was only £73,000, the falling off being no less than £1,749,000. That falling off, however, is almost entirely owing to that which every gentleman knows to be the most uncertain source of revenue in India,—namely opium. Between diminished receipts and increased charge there was a difference in opium returns of £1,673,000, so that, in point of fact, almost the whole difference is due to opium. With regard to the last year, I am sorry to say that the results disclosed by the regular Estimates are much less satisfactory than those which I anticipated at the time the Budget Estimate was framed. According to the Budget Estimates there would be a surplus of £823,000, but, according to the

Comparison
with 1862-63.

Estimate of
1864-65.

Sir C. Wood.

regular Estimates, there is a deficit of £263,000, the calculations being, in point of fact, worse by £1,086,000. Now, so far as the revenue goes, it is actually better than was estimated. The Budget Estimate was £46,163,000, the regular Estimate is £46,284,000, giving an increase of £120,000. But I am sorry to say that there is an increase of charge of £1,206,000; the charge in England is less, but there was an increased charge in India of £1,562,000. The increase of charge in respect of opium is £453,000—that, however, is a temporary increase. A more serious increase is that on the army of £674,000. In public works there is an increase of £327,000. Now, it is right to say that, with respect to that increase for the army, there is very little prospect of finding anything to cut off; because, although we have reduced the army considerably, there has been an increase of allowances given to it in order to compensate both the officers and soldiers of the Native army for the increased price which they have to pay for their provisions. The increased price of provisions amounts to £272,000. Then, the additional charge for the Bhootan war is about £160,000. A change from half to full batta has been made. Half batta, which was a very invidious thing, and under the circumstances very unjust, has been abolished, and the increase under that head, together with increased pay for the medical officers, and some other minor additions, amount to £242,000. These items make up the additional charge for the army of £674,000. Now, Sir, if I compare the last year with the preceding year so far as revenue goes, I must say that it is impossible that anything could be more satisfactory. There has been an increase in the revenue of 1864-5 as compared with the actual receipts of 1863-4 of £1,671,000, of which the main items are salt, £588,000; opium, £682,000; and the receipts from sale of building lands at Bombay, which, however, is only of a temporary character, £554,000. But, on the other hand, I am very sorry to say that, although the revenue has increased in a most satisfactory manner, that which is not so satisfactory is that the charge in India for 1864-5 has increased, as compared with 1863-4, by no less a sum than £2,262,000. Of that increase of charge £401,000 is on account of opium; £630,000 on account of the army, from the causes which I have mentioned before,—namely, increased pay and allowances, a portion only of which entered into the former year; £310,000 for public works; £186,000 for law and justice,—that is, for the improvement of the courts of justice throughout the country; £143,000 for education; and £270,000 for superannuations. Now, the House will observe

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Comparison
of 1864-65
with 1863-64.

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Estimate for
1865-66.

Increase of
revenue.

Increase of
charges.

Discontinu-
ance of In-
come Tax.

that almost all these charges are charges owing to the improved administration of the country, in which I do not see it possible to expect anything but a steady, though gradual, increase. It is indispensable to execute advantageous public works, and most desirable to aid education and make better provision for the administration of justice. These are the sources of the additional expenditure. I come now to the year 1865-6, and here again nothing can be more satisfactory than the Indian revenue. In spite of the loss of £685,000 in the current year by the loss of the income tax, the whole revenue will be better than last year by £264,000. It affords matter of great satisfaction to find that the increase is general throughout the main items of the revenue. The land revenue is better by £113,000, salt by £158,000, opium by £209,000, stamps by £146,000. And I hope that we may, without hesitation, accept that as a clear proof of the general improvement in the prosperity of the whole country from one end to the other. Again, I am sorry to say, however, that, if the revenue has increased, so have the charges. According to the Budget Estimate of this year, in spite of the reduction of £753,000 in the charge of opium, there will be an increased charge in India and England over the regular Estimates of last year of about £376,000. This is partly owing to the increased allowances rendered indispensable by the price of provisions to the army, and partly by the increased expenditure on public works, on law and justice, and police. The increase in the army charge is £426,000; public works, £202,000; law and justice, £210,000; and police, £95,000. That contains, as shortly and succinctly as I can give it, an account of the progress of the revenue and expenditure for the last three years. Before making any more general observations on the subject, I will come to the circumstances of the Budget of this year, the main features of which are the dropping of the income tax, and the imposition and disallowance of the export duties. The circumstances of last year were very exceptional, and the variation which took place in the Estimates which were framed at one time or another in the course of the year, and the difference there shown between income and expenditure, were very remarkable. In the Budget of April 1864, it was estimated that there would be a surplus of £823,000. In a revised estimate sent home in December last it was anticipated that there would be a deficit of £135,000. In February the deficit was estimated at £800,000, and other circumstances occurred which rendered it not improbable at that time that the deficit would be even greater,—that is to say, according to the accounts furnished

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by the Government of India. I mention this now to show the reasons for the change of purpose on the part of the Indian Government. Towards the end of the year the accounts forwarded were of a much more favorable character, and at the time the regular Estimate was framed the deficit had got down to £263,000. At that time, there being a notion that the salt duties might be increased, a large quantity of salt was suddenly taken out of bond, and £170,000 was paid upon that account, which really and truly belongs rather to the present than to last year. If that sum be deducted from the deficit appearing in the regular Estimate, I should not be surprised if, when the actual accounts come to be prepared, the deficit is not more than £93,000. The fact is, as I have stated before in this House, that I was entirely taken by surprise when I heard that the income tax had been discontinued. Up to the middle of March it never seemed to have entered anybody's head that it was possible to go on without the income tax; and at the time the despatch was written, which is contained in the papers moved for by my hon. Friend behind me, anticipating a very large deficiency and the necessity for an increased expenditure upon public works, the notion of the Government of India was that, maintaining at all events the existing taxation even if it was not increased, it would be requisite to borrow to a considerable amount, and in the financial propositions as ultimately made, the sum to be borrowed was taken at £1,200,000. On the 14th of March I heard from Sir John Lawrence that they were all agreed that the income tax must be continued; the only question was whether it would not be necessary to increase it. Mr. Maine, one of the Indian Council, who left India on the 24th March, was overtaken on his way home by the intelligence that the income tax had been dropped, and was quite as much surprised as I was that such had been the course adopted by the Government of India. In point of fact, it was only the day before the Indian Budget was announced that the determination was come to to drop the income tax; and, as may be inferred from the statement I have made, it was owing to the very improved account of the state of the finances which reached the Government of India in the course of the latter end of March. Of course, if things had remained up to the end of the month as they stood at the beginning, everybody was agreed that the income tax must be continued. However, on the last day of March, a Council was held, in which the only person in favor of maintaining the income tax was Sir John Lawrence. Every-

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body else was against its being continued. I am sorry, though I cannot say I am surprised, that Sir John Lawrence yielded to what clearly was nearly the universal opinion in that part of India. The views of Sir John Lawrence, expressed in the Minute of Council, seem to me to be those of a far-seeing statesman. I cannot, however, deny that, from the views they maintained, the other Members of Council had some warrant in the promises and expectations which had been held out, though under different circumstances, upon the imposition of the tax. Clearly, if it was possible to do so with a due regard to the revenue of India, the Government were bound to drop the tax. For myself I think it doubtful whether the circumstances justified that course. However, I do not wish to blame anybody for the course which has been taken. All that we have to do is to look forward and see what is the best course to pursue for the future. It is quite impossible for the Secretary of State here to direct the finance of India. To a certain extent he may control it, but the responsibility rests upon the Government of India, who are much better acquainted than anybody here can be with the state of circumstances, the prospect of revenue and expenditure, the feelings and wishes of the people, and the opinions of persons most competent to decide upon this matter. I should deceive the House, therefore, if I were to assume the power of directing the finance of India, though I do claim and have exercised the power of controlling it. The distinction is very obvious, and I hope hon. Gentlemen will bear it in mind in any observations which they may think proper to make on this occasion. One advantage at least may be derived from what has taken place. The attention of the Indian Government will be drawn more closely, perhaps, than by anything else to the necessity of exercising strict economy. Year after year, as the House will have seen, the revenue has increased in the most extraordinary and satisfactory manner; and, although a large proportion of the increase of expenditure is one which I do not think it was in the power of the Indian Government to prevent, nevertheless I think they might have kept their expenditure within narrower limits. When we compare the revenue in India in 1861-2, which was the first year when the income tax came into full operation, with the revenue of the last year, 1864-5, we find that, in the first of those two years, it amounted to £43,829,000, and in the last to £46,284,000, being an increase of nearly £2,500,000. In the estimate for the next year, 1865-6, the income is calculated to be larger in spite of loss by income

Comparison of
revenue and
expenditure of
1861-62 with
1864-65 and
1865-66.

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tax of £685,000 than it was last year, in consequence of the increase of the ordinary sources of revenue. The amount next year is calculated at £46,548,000. The actual expenditure in India, excluding interest on railways, was, in 1862-3, £36,800,000, and, in the Budget for 1865-6, it is estimated at £40,487,000, being an increase of £3,687,000, of which £1,000,000 is due to the army, £1,400,000 to public works, and £500,000 to law and justice. The prices of food, which of late years have been very extravagant, were last year, in Guzerat, exactly twice as high as the famine prices in the North-West Provinces. There is a certain height of price at which the soldiers are granted an increase of allowance, and last year the prices were in parts of Western India four times greater than the amount which entitles the soldiers to an increased allowance. There cannot be any reason to doubt that the greatest possible sufferings were thereby entailed on persons in the lower ranks of almost every department of the public service. The Committee will be aware that it was proposed at the same time to add to the duty on salt, but Sir John Lawrence refused to consent to that measure, and I think he was right in his determination. I do not think that a small increase would have been objectionable under ordinary circumstances; but I think that Sir John Lawrence was perfectly right in saying that he would not consent to take a certain amount of taxation off the shoulders of the rich, who paid the income tax, and transfer it to the shoulders of the poor, who paid the salt tax. With regard to the proposal for levying export duties, I do not mean to say that under no circumstances ought they to be imposed, and they have, indeed, existed to a certain extent in India; but I must own it is the last species of taxation which we ought to have recourse to, and I am not of opinion that the circumstances of the times justified their imposition. The levying of export duties on some of the articles would have been most impolitic. Coffee and tea are infant cultivations in India, and the imposition of export duties on them would be most injurious and productive of little or nothing in the way of revenue. As soon, therefore, as I heard that the export duties had been imposed, I sent a telegram to the Indian Government, stating that I would not allow them. An hon. Member asked a short time ago a question respecting the repayment of such duties as had been levied. We have not the full accounts yet of what has been done, but I have directed the Government in India to repay all the export duties which may have been levied. I have already adverted to the extraordinary increase of prices of every sort

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Rise in prices
of articles of
food.

Imposition and
disallowance
of export
duties.

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Speculation
in Bombay.

which occurred at Bombay, owing in a great measure to the extraordinary wealth which flowed into that place for the last two or three years. Another consequence of this was that speculation among the Bombay merchants ran perfectly wild, and I desire to state to the House the amount of speculation which took place in two sets of shares. On the Bank Bay Bombay shares Rs. 5,000 were paid. In August last they rose to 18,000 premium, in January last they were at 42,000 premium, and in May they were at 5,000 premium. Their value varied from Rs. 23,000 in August and Rs. 47,000 in January to Rs. 10,000 in May. The shares of the Elphinstone Land Company in February last were at Rs. 180,000 premium. New shares were issued at Rs. 1,000 paid, and in February they were at Rs. 2,600 premium, and in May at 450. premium. It is not to be wondered at, then, that the gentlemen who invested at very high prices should afterwards, when prices fell so much, have found themselves in a difficult position, and this accounts for a good deal of the pressure which has prevailed within the last few months. Somehow or another—I do not know how—the bankers of Bombay got the power by their charter of advancing money on speculative shares, and they used that power to a considerable extent. I wrote early in the year to Sir Bartle Frere, calling his attention to the necessity of looking after what they were doing; and, whether in consequence of my letter or not I cannot say, but the Government Directors went down to the Bank, and on their representations it ceased to do that which it had been doing for some time,—namely, advancing largely upon these shares. It was very wrong ever to have advanced money in that way at all upon a security which in times of difficulty would obviously be perfectly unnegotiable. Whatever rumours may have reached this country, I wish to state that, as far as I can judge from all the accounts which I have received, the Bank of Bombay will in future go on in the ordinary way, and there need be no apprehension in the public mind on this subject. I have been asked whether it was my intention to raise any large loan in this country for the service of India, and I have said it was not my intention to do so. I may remark that I think this year may be fairly regarded as a sort of transition year. A new Finance Minister has gone out to India, and it is impossible for me to act until he has had time to consider matters, and give a mature opinion upon them. I believe that Mr. Massey's appointment has been received with great satisfaction in India. We all knew him in this House, to be a cool-headed,

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of Mr. Massey
as Finance
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sober-judging man, and I place great confidence in his plain common sense,—a quality which I believe goes a long way to enable a man to discharge any public duties imposed upon him. I do not propose to borrow money for public works till I know where I am. If the people of India themselves find the money, we can spend it well for them; and I have stated that, when they send me a well-digested plan for useful improvements, I might be prepared even in this market to borrow funds for their execution, but that I would not go hand over head to put money into their pockets, which they might not expend so economically as if their plans were carefully prepared beforehand. I think the Committee will agree with me that that is the wise course to pursue. I do not, however, wish the Committee to run away with the idea that there has not of late years been an enormous expenditure upon public works in India. There has been spent upon them, during the last six years, from public funds, £30,000,000, and, from local funds, £4,500,000, making together £34,500,000. If to that we add the expenditure for railways, amounting to £38,500,000, there has been expended within the last six years upon public works of more or less importance in India no less a sum than £73,000,000. This expenditure from public and local funds has been gradually increasing. If we take the last two years, the expenditure has been upwards of £11,000,000 from public funds, and upwards of another £2,000,000 from local funds, making together £13,200,000 spent in public works, exclusive of railways, during those two years. I will not trouble the Committee with any statement of the general improvement of India, because the state of the revenue is a pretty good index as to that. I read on a former occasion a letter from Sir Bartle Frere, showing that districts which were formerly under jungle had been brought into cultivation. Mr. Temple gives an equally favorable account of districts in which he was Commissioner. The cultivation of cotton, has extended, and, what is more important, the capitalists of Bombay are introducing at all the railway stations establishments fitted with machinery for cleaning, pressing, packing, and to some degree spinning and weaving the cotton. I do not think our manufacturers at home have anything to apprehend from this, as the goods so made only displace the produce of the native hand-loom. The great want in that part of India, in connection with the growth of cotton, is the want of labor, and the hand-loom weavers, whose former employment has been displaced, have been set free to devote themselves to agricultural pursuits. A few months

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ago I saw an article in an Indian newspaper stating that, unless the Government interfered to check the cultivation of cotton and restore the cultivation of grain and food, the people of India would be plunged in great distress. The great object at present of our manufacturers is to obtain a better quality of cotton. I believe that, as soon as the Indian cultivators are convinced of the necessity of improving their article, they can and will do it. Hitherto they have had no reason for attending to it. In the appendix to a letter bearing on this subject and written by Lord Tweeddale, an authority of great experience, I observed the other day that he says—

“As long as there is so high a price given for quantity, no ryot will trouble himself about improving the quality until the demand for quantity has been satisfied. The only remedy I know is to improve the indigenous cotton plant of India.”

Now that has been done, and I do not think the fall in the price of cotton is so very bad a thing. My conviction is that it will drive the ryot to that which is not less important than the production of quantity,—namely, an improvement in the quality of the article. Several manufacturing gentlemen came to my room and showed me a quantity of cotton, saying “Look what stuff this is.” Perhaps when they listened to an account he was about to read, hon. Members would not be surprised at the description sometimes given of the state of Indian cotton as it reached this country. Dr. Forbes, in describing how cotton was treated in India, said—

“That portion of the province of Berar which is now being penetrated by the railway yields three times the above amount of cotton, and manual labor is still more scanty. The produce as it is picked from the field is piled up in one large heap in the open air, where it remains sometimes for months until labor can be obtained. When first stored in this way, from a short distance it resembles a heap of snow in whiteness; dust-storms, however, set in, and the heap becomes gradually covered with fine sand and earth until at length one can no longer distinguish what the contents may be. A few showers of rain generally succeed those dust-storms, and the amalgamation of mud and cotton is completed.”

I do not know that on this subject I need say any more, but there is another subject to which I would refer, with reference to which I have answered questions more than once put by the noble Lord the Member of King's Lynn (Lord Stanley), and on which my hon. Friend the Member for Poole (Mr. Henry Seymour) has intimated his intention to ask a question,—I mean the state of the inquiry in Oude. With regard to that subject, there certainly was at the beginning of the year, I must think, unnecessary alarm that

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in the course they were taking the Government of India were reversing the policy of Lord Canning, breaking the faith he had pledged, and destroying what was called the native aristocracy of India. I do not think there ever was the slightest cause for these apprehensions; and certainly, as far as the inquiry in Oude is concerned, they are totally groundless. There has been, I know, a good deal of excitement on the subject, but I would only beg permission, in correction of statements that have been put forward, to observe that, although it has been supposed that some new policy had been inaugurated a few years ago, generally called the Thomasonian policy, it was in entire accordance with that which had been pursued from the time of Lord Cornwallis, downwards. I cannot do better than read a portion of a letter from Lord Cornwallis which I stumbled on accidentally in his memoirs last Easter. Lord Cornwallis says—

“Neither is the privilege which the ryots in many parts of Bengal enjoy of holding possession of the spots of land which they cultivate so long as they pay the revenue assessed upon them, by any means incompatible with the proprietary rights of the zemindars. Whoever cultivates the land, the zemindars can receive no more than the established rent, which in most cases is fully equal to what the cultivator can afford to pay. To permit him to dispossess one cultivator for the sole purpose of giving the land to another, would be vesting him with a power to commit a wanton act of oppression from which he could derive no benefit. The practice which prevailed under the Mogul government of uniting many districts under one zemindary, and thereby subjecting a large body of people to the control of one principal zemindar, rendered some restriction of the nature absolutely necessary. The zemindar may, however, sell the land, and the cultivator must pay the rent to the purchaser.”

I have read that extract to correct what seems to me a great mistake in many of the statements which have been made on this subject. What has taken place in Oude is simply an inquiry as to whether these rights did or did not exist. It was admitted by Mr. Wingfield, the Chief Commissioner, by the talookdars themselves, and by every one, in the clearest and most unequivocal manner, that, if they existed, they ought to be maintained. The order of Sir John Lawrence was simply for an inquiry as to their existence. I certainly thought, when I read the order of the Financial Secretary, Mr. Davies, that it went rather further than inquiry; but it is only justice to Mr. Davies to state that the circular he issued had been submitted to Mr. Wingfield, and there could be no doubt, from the approval it met with from Mr. Wingfield himself, of its perfect and complete impartiality. The inquiry has since been going on,

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and I would take the liberty of reading two documents to show in what spirit it has been conducted on the part of Government. The first is an extract of a letter from Colonel Durant to the Chief Commissioner of Oude, dated Fort William, 8th of April 1865. He says—

“I am directed by the Governor General in Council to forward, &c., and to request that you will take every opportunity of explaining to the talookdars of Oude the object and limit of the inquiries now going on, and repeat to them the assurance that the spirit and letter of Lord Canning’s policy, and the condition of his sunnuds, will be scrupulously maintained.”

In pursuance of that direction Mr. Wingfield addressed the following circular to all talookdars in Oude:—

“Lucknow, April 19, 1865.

“Sir,—I have been directed by the Governor General to take every opportunity of explaining to the talookdars the object and limit of the inquiries into rights of occupancy going on, and, as I cannot expect to meet many of you for some months to come, I must have recourse to a letter to give effect to the Governor General’s instructions. 2. I have always told you, and you have readily admitted, that, if right of occupancy existed at annexation on the part of non-proprietary cultivators of the soil, they have been preserved by the condition of the sunnuds that ‘all holding under you shall be secured in the possession of all the subordinate rights they formerly enjoyed.’ You will also recollect Lord Canning’s words in his speech at Darbar in October 1859—‘The preservation of the great families of the soil has been encouraged and facilitated. The rights of the humble occupants have been protracted.’ 3. The only foundation on which rights of occupancy exist is their previous existence at the time of annexation. But there has been difference of opinion among officials whether they did exist there or not. To remove all doubts on this point is the object of the present inquiry. If the results should be to establish the existence of such rights, they must, of course, be maintained as you yourselves allow. If, on the other hand, it should prove that they did not exist at annexation, no new rights will be created. 4. I have repeatedly told most of you to wait patiently the termination of this inquiry, which can have no other result than to elicit the truth. I am glad to say my advice has been attended to. 5. You are aware that the policy of Lord Canning was to maintain in Oude a class of superior landholders in an influential position. For this reason he also invested many of you with judicial and revenue powers. This policy had the full approval of the Home Government. It will be steadily pursued in its spirit and letter by the Governor General, and the condition of the sunnuds will be scrupulously maintained.”

I think it is impossible to read two documents which more completely express the will and determination of Her Majesty’s Government, of the Government of India, and the local Government of Oude. The talookdars themselves admit that whatever rights exist should be preserved, and nobody proposes that new rights should be created: that is what Lord Canning contemplated, and what we have

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done our best to perform. It will be satisfactory to those gentlemen who were so much alarmed to know that, for the most part, the rights of the talookdars have been recognized, and that, for the most part, a very good feeling seems to have prevailed between the talookdars and ryots. Except in some very disturbed districts, the relations enjoined by ancient custom have remained undisturbed, and very few claims have consequently been put forward by the occupiers. There has therefore been little necessity for any judicial decisions, and, as far as I have learned, judicial decisions could hardly be given in favor of claimants whose cases rest upon immemorial customs rather than any tangible rights capable of being established in a court of law. In all semi-barbarous countries customs are the protection of the weak against the strong, and, as long as things go on well, it is of course the interest of the talookdars to retain the ryots on their side. Many of them were retainers and followers of the talookdars in war as well as in peace, but, on account of the universal tranquillity prevailing under our rule, the talookdars are no longer under the necessity of maintaining supporters of their own; and hence the question of how far the talookdars may some day feel it expedient to get rid of the ryots is one of very great importance. Nothing could have been better than the relations existing between the talookdars and ryots under the old system; but we cannot be surprised that people in India, looking mainly to the interests of the masses, should have felt alarmed at the prospect of injury to those masses arising from the withdrawal of one of the great securities of their position, consequent though that withdrawal may be, on the increased securities to life and property under British administration. With regard to what has taken place in Bhootan, I think I explained on a former occasion our position in that district. The country is distracted by internal dissensions; and, in point of fact, no regular government or authority adequate to control the Bhootan chiefs could be said to exist. When, therefore, representations came from our subjects of injuries for which no reparation could be obtained, it became indispensably necessary to take some steps, especially after the treatment experienced by our envoy, whom we had dispatched with a view to bring about a peaceable settlement, in the full belief that he would be courteously received. I was very unwilling to occupy the country, to go far into it, or to do anything that might lead to a permanent occupation; but the position of affairs was this, that the country was subjected

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to a divided rule, each authority enduring, in its turn, for six months at a time; and, as hon. gentlemen may imagine, the unfortunate inhabitants were equally plundered by both. Our main object in undertaking operations was to establish one permanent authority from which securities might be obtained against future inroads upon our subjects. The first step was to occupy the passes leading to the valleys, and the operation was successfully accomplished with the loss of only five men beyond what was owing to the accidental explosion of a mortar. The passes were held in perfect quiet for a month, but, at the expiration of that period, the Bhooteahs began to move, and one of the commanding positions held by our troops was abandoned in what I must call a most disgraceful manner. Nothing could be more discreditable than the behaviour of the commanding officer, the relieving officer, or the troops under their command. Another of the passes was also evacuated, and of course it became necessary to retake these posts. They were retaken in the most gallant way, and one of the Native regiments distinguished itself in a most remarkable manner by scaling a stockade. There was no great loss on our part, and they inflicted considerable loss upon the enemy. It was not thought desirable to retain during the unfavorable season all the positions at first taken up, so that, with the exception of a few artillerymen and Native troops, the body of the forces were withdrawn from the unhealthy districts, and the utmost pains were taken, as far as possible, to insure the health of those who remained. The time during which active operations can be pursued in this quarter is, in fact, very short, the rainy season lasting for about nine months out of the twelve. Since the beginning of April there has been, on this account, a cessation of operations. In the meantime, overtures of accommodation have been made by one of the Rajahs, but we do not yet know what amount of reliance can be placed upon them. Nothing definite can be done till next November or December; and, in the meantime, the Government will have made up its mind as to the course to be pursued with regard to what, after all, is a very trumpery affair, because we are engaged with a people who fight with bows and arrows, and matchlocks, and have not a twentieth part of the forces that we can bring against them. It is a most unsatisfactory state of things, but one which cannot possibly be avoided under the circumstances. The only anxiety of the Government of India is to put an end to the war as speedily as possible,—that is to say, as soon as we can obtain from

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our present opponents the security that they will respect the lives, the persons, and the property of our subjects. I thank the House very sincerely for the patience with which they have listened to my statement,—a statement which I have made with some difficulty,—but I hope, as far as it has gone, it has proved satisfactory. I can only say that, if further information be desired by any hon. Member, I shall be happy to endeavour to afford it. The right hon. Baronet concluded by moving the following Resolutions:—

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Resolutions.

" 1. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India, for the year ended the 30th day of April 1864, amounted to £3,956,776 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £3,208,118 sterling.

" 2. That the total net Revenues of the Bengal Presidency for the year ended the 30th day of April 1864 amounted to £11,862,738 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £2,513,263 sterling.

" 3. That the total net Revenues of the North-Western Provinces for the year ended the 30th day of April 1864 amounted to £4,847,051 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,485,351 sterling.

" 4. That the total net Revenues of the Punjab for the year ended the 30th day of April 1864 amounted to £2,755,169 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,096,999 sterling.

" 5. That the total net Revenues of the Territories and Departments under the immediate control of the Government of India, of the Bengal Presidency, of the North-Western Provinces, and of the Punjab, together, for the year ended the 30th day of April 1864, amounted to £23,221,734 sterling, and the Charges thereupon, including the Military Charges, amounted to £15,464,862 sterling, leaving a surplus available for the General Charges of India of £7,756,872 sterling.

" 6. That the total net Revenues of the Madras Presidency (Fort St. George) for the year ended the 30th day of April 1864 amounted to £5,973,313 sterling, and the net Charges thereof for the same period amounted to £5,167,165 sterling, leaving a surplus available in the above Presidency for the General Charges of India of £806,148 sterling.

" 7. That the total net Revenues of the Bombay Presidency for the year ended the 30th day of April 1864 amounted to £6,441,851 sterling, and the net Charges thereof for the same period amounted to £5,386,361 sterling, leaving a surplus available in the above Presidency for the General Charges of India of £1,055,490 sterling.

" 8. That the total net Revenues of the several Presidencies for the year ended the 30th day of April 1864 amounted to £35,636,898 sterling, and the Charges thereof amounted to £26,018,388 sterling, leaving a surplus Revenue of £9,618,510 sterling.

" 9. That the Interest on the Registered Debt of India paid in the year ended the 30th day of April 1864 amounted to £3,093,250 sterling, and the charges defrayed in England on account of the Indian Territory in the same period, including Interest on Debt incurred in England and

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Guaranteed Interest on the Capital of Railway and other Companies, after deducting net Traffic Receipts of Railways, amounted to £6,446,913 sterling, leaving a surplus of Indian income for the year ended as aforesaid, after defraying the above Interest and Charges, of £78,347 sterling."

Mr. H.
Seymour.

Indian
Accounts.

MR. HENRY SEYMOUR said: It would conduce to the ease both of the Indian Minister and the House if, instead of making so detailed a statement of the Indian Budget, the right hon. Gentleman would lay upon the table a document resembling the *Exposé de l'Empire*, annually laid before the French Chambers, and containing authentic details relative to the various departments of the Indian Government. Such a statement of accounts was actually provided for by Act of Parliament, and the right hon. Gentleman was violating the law by not giving it. With respect to the mode in which the Indian accounts were kept, he was glad to hear that gentlemen had been sent from the English Treasury. Lord Dalhousie had asked that these gentlemen should be sent out ten years ago, and it would have been much better if they had gone to India in 1854 instead of 1864. In April every year the Finance Minister of India came to the Indian Council and made his annual statement. It was generally an elaborate one, giving his motives for proposing various taxes, and containing an estimate of the revenue and expenditure of the year. The right hon. Gentleman, however, steadily refused to lay the document before the House, although it was necessary to enable the House to understand the subject. The Finance Minister for India accompanied it by two estimates,—one a Budget Estimate for the coming year, and the other a regular Estimate giving the actual revenue and expenditure for eight months in the year that had elapsed, and showing how the figures agreed with the Budget Estimate. He regretted to see that, according to the regular Estimate of 1864-5, the land revenue had decreased by £218,000 compared with 1863-4. He observed also that there had been no receipts from the sale of waste lands in India. These might be made to bloom with cotton and other crops: why were they not sold? In opium there was a large increase. The military expenditure was £630,000 more than in 1863-4. One or two items of this increase were, no doubt, unavoidable, such, for instance, as the rations to soldiers owing to the increase in the price of the necessaries of life. With regard to other items, he doubted whether a due regard to economy had been practised. There was an increase of £35,000 by the substitution of beer to a certain extent for spirits. This did not appear, according to another paper, to be the whole of the increase, and the

Increase of
military
expenditure.

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change might have been effected at much less expense by the establishment of English breweries on the spot instead of the costly method of importation. The item of £57,000 for barrack furniture and gas for the soldiers' reading-rooms; and non-commissioned officers' rooms, seemed enormous. The retention of two regiments that had been ordered home was put down at £50,000. The expenditure on public works was estimated at £5,600,000. He saw it stated in every direction in the papers that this expenditure was under no control, and that the Department was in a most disorganized state. There was an increase of £140,000 for gaols in Bengal alone. He had received complaints from jute manufacturers complaining that the Government were spending £10,000 in putting expensive machinery in the gaols for the manufacture of jute, which must soon be followed by the outlay of another £10,000 or £20,000 in order to enable the prisoners to compete with the labor outside the gaols. The Budget Estimate of 1864-5 assumed a surplus of £823,000, while the regular Estimate of the year showed a deficit of £344,000. The total Indian army was now costing us £15,700,000. There was another item in the Budget,—an estimated expense of £10,000,000 for barracks for the European troops in India, although the Government had been spending money year after year in improving the present barracks. The question was whether 70,000 or 80,000 European troops were required in India. During the troublesome times of the mutiny, and when the railways were less advanced, we had only 40,000 European troops in India, and yet they contrived to quell the mutiny. Did the right hon. Gentleman intend to keep the army in India at double its amount in 1857. If he did, no increase of revenue would meet so enormous a charge. The right hon. Gentleman also proposed to build a fleet of steam ships to carry his troops to India. If the troops were unnecessary, why build additional barracks or provide new transports? [M^r. VANSITTART: Are they unnecessary?] That was the question. How did the right hon. Gentleman intend to carry on the reliefs? The increase of the trade and prosperity of this country would make it more and more difficult to provide the number of troops. Then, public works for the year 1865-6 were to cost £5,800,000, being an increase on the year of £200,000. The civil expenditure was £3,450,000 out of which the establishments would cost no less than £800,000 to dispense these £3,450,000. These figures gave some clue to the complaints in every Indian newspaper as to the extravagance with which the machinery of these

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ture.

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civil departments was carried on. Then, the education grant was constantly increasing. He would be the last to object to that were it not that nearly half the amount of the grant was swallowed up in the establishments. The total estimated expenditure was £47,186,000, and showed an increase over the expenditure of the preceding year of no less than £2,652,000. The Budget Estimate of the year—and they all knew how fallacious that estimate was—reckoned on a deficiency of revenue. His right hon. Friend, however, had not told the House what steps he intended to take in order to force economy on the Government of India and oblige them to make income and expenditure meet. And then, as the waste lands were brought under cultivation, they did not appear to add anything to the revenue of the State. Some explanation was required and some papers were necessary to show what the facts of the case were. As to the mode in which this revenue was raised, he must comment upon what was called in India the “cowardly” policy whereby Sir Charles Trevelyan wished to replace the increased expenditure by imposing duties upon jute, which was a new manufacture in India, upon wool, which was a new product of commerce, and upon tea and coffee, which were taxed already, whilst he dared not tax cotton, out of regard for home interests. He regretted very much to see the income tax taken off, which, in five years, had produced nearly £8,000,000, and during all that time there was but one assessment,—the assessment of the first year. India had so much benefited by the state of things in America that, had there been an assessment lately, the tax would have been doubled, and he would suggest that it should be imposed in this form: exempt all incomes under £100 or £125 a year, and impose a tax of 3 per cent, realizing about Rs. 60, or £6 per annum, from incomes of £125 to £250; £12 from incomes of £250 to £500; and £25 on incomes from £500 to £1,000 a year. There might also be a license duty imposed on two or more classes on those following a trade or profession, excluding agriculturists, day-laborers and servants, and those who paid income tax. This was a tax in accordance with native feeling, and perhaps the only direct one that would be fairly paid. Before this expenditure of £10,000,000 was determined upon, he would like to know whether the right hon. Gentleman had considered the important question of the defence of India as a whole, in the best and cheapest manner, with the smallest number of troops. He should like to know whether his right hon. Friend had written out to India calling on the Government

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to reduce its enormous military expenditure. He should like to know whether his right hon. Friend, before sanctioning the enormous expenditure which it was proposed to make upon barracks, had read M. Brialmont's great work on fortifications and consulted the best authorities, for the problem was, how India was to be defended in the best manner. Another subject which was necessarily connected with the defence of India was, where they would have the capital. He had long considered there could be no doubt where it should be. For many reasons it should be at Bombay. Everybody admitted that Calcutta was too far to the east. The west was much better suited to European constitutions. Then, Bombay was nearer Europe; it had a magnificent harbour, and its people were better adapted to receive European civilization: in short, all the social, commercial, and political requirements of the capital of India were fulfilled in the same city; and now that the Governor General and his Council were like a roving commission on the lookout for a capital, and constantly on the move, was the time to consider where the capital should be. Bombay was now really being rebuilt. The Government had gained a large sum of money by the sale of the waste lands there, and there could be no better time for establishing the seat of empire at Bombay. At present the Governor General and his Council were compelled to go to the hills in the hot season; and for six months in the year the Government of India was left practically in the hands of subordinate officers. If all the chief officers of State were in the interior, and not on a sea-board, and if they could not be communicated with easily, our empire in India would run great risk in the event of any such outbreak occurring as the mutiny of 1857. This question of the change of capital, therefore, ought to be taken into consideration speedily, and, in his opinion, but one decision could be arrived at. As to the inquiry in Oude, he did not wish to reflect in the least upon Sir John Lawrence, but must say that, remembering past passages in the history of the Viceroy, he greatly regretted that inquiry. The zemindars in Oude were naturally frightened in seeing the same machinery at work which had reduced their compeers in other portions of the country. One result of the system heretofore pursued in the north-west of India had been the utter uprooting of the native aristocracy, and some of our officials had reckoned it as great a feat to root out a zemindar as to kill a tiger. There were men whose position formerly was on a par with that of the highest aristocracy in England, who now, owing to our policy, were forced to beg their

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bread. But this policy of destroying the native aristocracy in the North-West Provinces for the benefit of the village proprietors had been a failure, for, during the mutiny, the ryots,—the very men who should have been attached to our cause,—had brought back the old aristocracy and replaced them in their feudal estates. He believed that only two things were requisite for the prosperity and contentment of India: one was that we should respect the systems we found existing there, and not endeavour to carry out theories of our own; and the other was to leave the religion of the natives entirely untouched. He should like to hear the views of his right hon. Friend (Sir Charles Wood) with regard to the ecclesiastical establishments of India. Was it intended to divide the country into various bishoprics and to introduce the parochial system, defraying the cost of this out of Indian revenue? His hon. Friend had taken steps which justified apprehensions of this kind. Such a system should be nipped in the bud. In India we should carry out the plan which had been adopted in our colonies, and allow the grant of no money for ecclesiastical establishments of any kind. This policy was as desirable in the interests of Christianity as it was in the interests of British rule in India. He was pleased to hear that it was not intended to revert to Lord Dalhousie's system with regard to the native aristocracy of India, and he wished that his right hon. Friend would make a similarly satisfactory announcement with regard to religion. Just now the Indian Government were severing all connection with the native religions of India, and was this a time for using the money of Mahomedans and Hindoos in order to further Christianity? We had had a warning in the case of Ireland, and the thin end of the wedge should not be inserted in this direction. In his opinion such a system, if persisted in, would end disastrously for our rule in India.

Mr. Vansittart

Expenditure
for European
troops.

MR. VANSITTART said: The hon. Gentleman had deprecated a merely theoretical policy in India, but was, in fact, himself a great theorist. He had set down the number of European troops necessary in India at 40,000, and no more, because that was the number in the country at the time of the mutiny; but it was notorious that the Sepoys had taken advantage of the small number of Europeans then in the country to try to upset our rule. He was far from sharing the opinion of the hon. gentleman on this point, and thought it was to be regretted that the right hon. Baronet had paid so little attention to the very earnest recommendation of Sir John Lawrence and his Council to raise a loan

Mr. Vansittart.

of ten millions in order to construct new barracks and other military works which were urgently required for our European troops, if we had the slightest regard for their health and safety. It appeared that, for several reasons, the Indian Government recommended that this outlay should not be charged to revenue. In the first place, they could hold out very little prospect of the revenue accounts for the next and following years being so elastic as in the current year, although there was a deficit of £375,000. In reality it was £665,690, but it had been reduced to £375,000 by the right hon. Baronet delaying the construction of the transports to be built at home for the conveyance of our troops. In the second place, the Indian Government represented that the Bhootan war might be prolonged to an indefinite period, owing to the difficulty in getting these savages to sue for peace; and, as everything connected with that war has to be conveyed from a distance, it must necessarily be a costly one. Then, again, they had sold Government estates in Bengal and confiscated estates in the North-Western Provinces, which would not be available as a source of revenue in future years; and, lastly, £1,200,000 had been given up by the total remission of the income tax. He was aware that the right hon. Baronet had expressed his dissatisfaction that this tax was not renewed at the same rate as last year, but the right hon. Baronet quite forgot that the Indian Government had no alternative, for, when Mr. Wilson imposed it, he was obliged to assure the people of India that it should cease in five years,—to the 31st of January 1865. Mr. Laing reiterated this, and Sir Charles Trevelyan very properly remarked that—

“At all hazards, we must try and keep faith with the people of India by not prolonging it, and the expiration of this tax will do more to secure the confidence of the people of India than anything else that could have happened.”

The Indian Government gave another reason against the impolicy of making no provision to meet the deficit, and that was the uncertainty of the opium sales. The revenue to be derived from this source had been put down at £7,723,600; but, during the last two years, it had largely fallen short of the estimates, and there was no security that this might not occur again. Further, the cash balances had fallen off from £19,000,000 to £11,000,000, notwithstanding the sale of a large amount of Government property. Probably English enterprise and capital had never been so profitably employed as at present. In proof of this it was only necessary to refer to the daily journals: scarcely a

Mr. Vansittart.

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Bhootan war.

Income Tax.

Opium sale
proceeds.

Employment
of English
capital.

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week elapsed without some new tea, coffee, or other scheme making its appearance. The remission, therefore, of the income tax would have been more than an equivalent, more than a compensation to the proprietors of those companies and the Indian public generally for the imposition of the export duties proposed to be levied by Sir Charles Trevelyan. Looking to these facts and the gloomy financial prospect before us, he was by no means disposed to think that the right hon. Baronet had acted wisely in reversing, in his usual summary off-hand manner, Sir Charles Trevelyan's financial arrangements,—arrangements which had received not only the approval of Sir John Lawrence and his Council, but which after all, with reference to the peculiar local circumstances of the case, were about the best that could have been framed, and, at all events, they possessed the merit of balancing the income and expenditure. The effect, moreover, of this perpetual interference and snubbing on the part of the right hon. Baronet, could not fail to be attended with the worst results, for it would end by no one of any rank or position condescending to accept the office of Governor Generalship with its large emoluments, if he was to be converted into a mere cipher. If report was to be believed, the evil had already shown itself, for it was said that Sir John Lawrence contemplated resigning. He complained, and justly so, that he possessed less independent authority now than when he was Lieutenant-Governor of the Punjab, and that, while all the responsibility and blame devolved upon him, the Secretary at Home gained all the credit and glory. It was also very generally believed that that enlightened Governor, Sir Bartle Frere, was so mortified by the snubbing he received from the right hon. Baronet for the introduction of his liberal measures that he had actually tendered his resignation. This was a most unsatisfactory state of affairs, and he hoped the new Parliament would, among its earliest acts, decide how India was to be governed in future,—namely, in India or in England. Before he resumed his seat, he begged to ask the right hon. Baronet if he had received Mr. Robert Cust's report, or the Indian Government's despatch on that report, relating to a scheme to reduce the salaries of the civilians of the North-Western Provinces. He could assure the right hon. Gentleman that that order had given rise to the same feeling of discontent as prevailed in the military and other services, and, it seemed, with great reason. The cost of the Indian Home Office amounted to £171,120 per annum. Every one connected with it, from the right hon. Baronet,

Interference
with Govern-
ment of India.

Mr. Cust's
report on
reduction of
civil salaries
in N. W.
Provinces.

Mr. Vansittart.

the members of his Council, secretaries, clerks, and even those fifty porters and hall-keepers required to be employed in that overgrown, unwieldy establishment, were, one and all, in the receipt of handsome salaries. A Bill was passing through Parliament for augmenting the salaries of our County Court Judges, and another Bill giving handsome retiring pensions to our Colonial Governors. The Civil Service at home was well paid and possessed a well-established superannuation system. The Government selected as their victims the actual rulers of India,—a body of men who were striving conscientiously and indefatigably to perform their duties in that distant, unhealthful, and even deadly climate. This was done, too, in the very teeth of the recommendation of Sir Bartle Frere, the Governor of Bombay, who had lately sent home a report that the cost of living in India was so enormous that it would be impossible for the officers, both civil and military, to continue on their present salaries.

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MR. BUXTON said he was sorry that the hon. Member for Poole (Mr. Henry Seymour) should have given countenance to the misapprehension which prevailed with regard to Sir Charles Trevelyan's proposals. The general idea appeared to be that Sir Charles Trevelyan had to deal with a failing income; that he nevertheless abolished the income tax, induced thereto by a supposed obstinate adherence to views expressed when he was Governor of Madras; and that, having created a deficiency, he sought to make it up by a loan and by the imposition of export duties on various Indian products. Nothing could be more unlike the truth than that representation. The fact was that the income of India for the ensuing year was calculated, after the abolition of the income tax, to be considerably greater than in the preceding year, and Sir Charles Trevelyan did not in his original scheme propose any export duties. The income of the ensuing year was calculated to produce more than the current expenditure, and but for the outlay on public works Sir Charles Trevelyan would have had a surplus. It was to meet the demand for public works that he proposed a loan, Sir Charles Trevelyan's view being that, for reproductive public works, it was right and wise, while paying the greater portion of the cost out of revenue, to meet some part of the expense by a small loan, and in his financial statement he observed—

Mr. Buxton.

Sir C.
Trevelyan's
proposed loan
for Public
Works.

"It is true that the ways and means of the year are, to the extent of £1,200,000, composed of borrowed money. But this loan has nothing in common with the shifts and expedients of insolvent or em-

Mr. Buxton.

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1865.

barrased States. It is the result of a discriminating policy which confines taxation to its just objects, and provides by loan for reproductive works, and for works of every kind which are on such a scale as would too severely strain the resources of a single generation. The best employment of money is that which the industrial classes make of their annual savings for their own sake, and it is no real advantage to the community to interfere seriously with this natural process, and to cause general harassment and discontent in order to accelerate the execution of public works. Even if the condition of the finances were all that could be desired, it would still be expedient to limit taxation to the proper business of Government, and to provide for reproductive works by means of specially appropriated funds."

Sir Charles Trevelyan justly decided that this was a case for raising money partly by loan, and that he could drop the income tax and substitute a loan. He therefore adopted the principle proposed by the Government in the case of dockyard fortifications. Lord Macaulay had made the observation that nothing was so essential as that faith should be kept with the people of India. It was the idea of the people of that country that Mr. Wilson had pledged the Government to the abolition of the income tax; and in such a country where the people were suspicious and jealous of the British tenure, it was of the highest importance that it should appear that the faith of the Government was maintained inviolate. There existed, then, a powerful inducement to do away with the income tax, which, besides, was demoralizing the people by causing them to resort to chicanery and cheating. Sir John Lawrence, disapproving the proposition to raise so much money as £1,200,000 by loan for public works, urged the imposition of export duties to the amount of £400,000 in order partly to recoup the temporary loss of the income tax, and his proposal was accepted by Sir Charles Trevelyan and the Council. These export duties had been much condemned in England, and he did not wish to defend them; but certainly in India they had not been looked upon as pernicious. There the whole scheme had been exceedingly approved, and especially by the Calcutta community; and it was thought they would operate only as a slight tax, falling principally on the European capitalists in that country, without interfering in any appreciable degree with the commerce of India. As to the army, he ventured, with the greatest diffidence, to think that we were keeping up an unnecessary amount of European force in that country. The late mutiny had been put down, as the hon. and gallant Member for Aberdeen (Colonel Sykes) had reminded him, by little more than 12,000 European troops in the field, and since that period the power of the Government had been enormously in-

Export duties.

European
force in India.

Mr. Buxton.

creased. The artillery had been transferred to our own hands; the fortresses and strong places were now held by European soldiers; we had greatly reduced the Native army,—the one enemy we had to fear; and railways, telegraphs, and an improved organization, all contributed to augment the strength of the Government as compared with that of the natives. The experience of the mutiny proved that we had no reason to apprehend a rising of the people, but only a revolt on the part of those whom we ourselves had armed. We had now, in fact, no enemy without, and none whom we need really dread within. We might, therefore, in his opinion, largely reduce our European force in India without endangering our power in that country, while we at the same time lessened the heavy drain upon the British army. In conclusion he would only add that he had observed with much regret the evident pain and difficulty under which his right hon. Friend (Sir Charles Wood) had made his statement,—a statement as interesting and gratifying as any that he had ever heard in that House.

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MR. BAZLEY said he wished, in common with every Member of the Committee, to express his regret at the indisposition of his right hon. Friend (Sir Charles Wood) and his desire for his speedy recovery. Passing to the subject of his statement, he sincerely trusted that, on another occasion, they would be furnished with the Indian accounts at the commencement, instead of at the end of the Session. The question involved the welfare of 150,000,000 people and the management of a revenue of £47,000,000, and, therefore, well deserved the earliest and most careful consideration of the House. There were many features of his right hon. Friend's statement which he could not regard with satisfaction. The financial affairs of India had not been placed before them in as clear and explicit a manner as could be wished. The revenue budget for 1865-6 amounted to £46,488,760, which, with the addition of the proposed loan of £1,200,000, made a total of £47,688,760. The estimated expenditure for the same year was stated thus:—In India, £40,469,540; in England, £6,717,390, making together £47,186,930; and then concluded with a surplus stated at £501,830, the total given being £47,688,760. Surely it was a gross inconsistency to be borrowing £1,200,000 with that apparent surplus of £501,830. He trusted that the Indian Department would direct its attention to that glaring discrepancy. The estimated sum required for the army and marine was £14,292,670; for public works for military purposes, £5,888,640; for law and

Mr. Bazley.

Indian
Accounts.

Mr. Bazley.

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justice, £4,942,650; for interest, £3,201,820; the total sum expended in England was £6,717,390; and the sum set down to meet treaty engagements was £1,682,900, making together an expenditure of £36,726,160 against a revenue of £47,688,760. But, in addition to that expenditure, there was an item of no less than £8,642,569 for what was called "collections," or, in other words, an expense of nearly 20 per cent., which he thought enormous, was incurred in collecting the revenue, while there was still a further outlay under the head of "sundries" of £2,320,031. Now, he maintained that, with prudent and economical management, it would be necessary neither to borrow money nor to weaken our means of defence, nor to impose export duties. A large sum might easily be saved in conducting the business of India without diminishing its efficiency, and, instead of requiring additional funds, a much smaller sum than the £6,000,000 now spent would amply suffice for all the public exigencies. They were about to build splendid offices in London at the cost of the people of India,—a very questionable proceeding indeed, and one that ought to be resisted. Something like £10,000,000 was proposed to be expended upon barracks and other conveniences for the army. That was an amount at the rate of £140 for every soldier, or, if divided also among the Native army and police, it would give £30 for each individual. That was obviously a most extravagant outlay. When the Government spoke of executing public works they contemplated barracks and other accommodation for the troops, but very little, indeed, that was of a truly reproductive character and calculated to benefit the great mass of the people of India. In his Minute of the 30th of March 1865, Sir John Lawrence said—

Public Works.

"India is a vast continent, in which the amount of capital hitherto expended on public works, however considerable in amount, is quite insignificant compared with its wants."

The right hon. Baronet (Sir Charles Wood) took credit for spending in six years £73,000,000 on public works in India, including railways; but, in the present Session alone, the Imperial Parliament had sanctioned undertakings the aggregate of whose capital was £126,000,000. Without more roads, railways, and means of irrigation, the trade and commerce of India must stagnate. The right hon. Gentleman had referred to the cultivation of cotton instead of grain in India, but there was much more land under cultivation there than would be required if it were only cultivated at all as it should be. Instead of causing the poor Hindoo to

Mr. Bazley.

starve, they should help to develop the resources of the soil. In the Marquess of Tweeddale's letter to Colonel Showers, dated June 21, 1865, which had been alluded to, there occurred this passage—

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1865.

“ If we must look to India as the principal source of supply for cotton wool, we find three years of great demand, accompanied by high prices, have not had the effect of improving the length of the fibre or its substance. I therefore presume that there is no one in India who is competent for the undertaking. . . . Surely in a country where no part of the produce of the soil is returned to the land, such as farm-yard manure, it is more necessary that agricultural chemistry should supply the want, as cow-dung is used for fuel, and few horses or sheep are kept. India, therefore, requires a gardener.”

Connected with the loan of £1,200,000 it was due to the Secretary of State for India to state that, on the 9th of May last, his right hon. Friend wrote in these terms—

“ You have not, however, continued the income tax producing upwards of £1,200,000 per annum, but you have proposed to raise a loan of precisely that amount, and to impose customs duties of a most objectionable nature.”

He was delighted with that statement, and he hoped it would be a motto in the India Office. He hoped that, for the future, the improvement of India would be carried out on *bond fide* capital, and that the country would be advanced by reproductive public works. He believed there was a great future for India; that she was capable of sending to this country comforts and raw materials which we needed; and that she might take in return those comforts with which England, better than any other country, could supply her. In conclusion, he wished his right hon. Friend health and strength to combat with the difficulties which he had to encounter in the administration of the affairs of India.

COLONEL SYKES said, he would be very glad if the prospects so satisfactory to his right hon. Friend should be realized, but, to his mind, matters did not look hopeful when he found that there was scarcely a charge on the expenditure side of the account which had not been increased. As to the estimate for 1865-6, he felt bound to say he did not place the slightest confidence in it. His right hon. Friend had given them ample proof that those prospective estimates were not worth a rush. They were completely *in nubibus*. Such estimates varied in a year, as had been proved that night, from a surplus to a deficiency of £800,000. Again, looking to some of the items of the increased revenue, he regarded them as anything but satisfactory: for instance, there was an increase of £212,000 from abkaree, or, in other words from the consumption of

Col. Sykes.

Objectionable
nature of some
items of
increased
revenue.

Colonel Sykes.

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1865.

Increased
expenditure in
every branch.

Armed Police.

spirits. Now, that was scarcely desirable. There had been a decrease on the assessed taxes that was not satisfactory. Next, there was an increase of £600,000 from salt. This article was positively necessary for the people of India. If they did not consume it, from their vegetable diet, they would be themselves consumed by worms. It was said that to tax beer in England was to tax the beverage of the working man, and certainly to tax salt in India was analogous to levying a tax on beer in England. Then, there was an increase on opium,—a drug which poisoned the people, and this was scarcely matter for congratulation. In Bengal the Government went the length of mixing itself up with the production of opium by making advances to the producers in the first instance, and afterwards buying up the article, and this brought us into much odium. The large surplus anticipated by his right hon. Friend for the year 1863-4 had come down to £78,000, and this year not only was that £78,000 absorbed, but, in addition, the increased revenue. The increased expenditure in India demanded the earnest attention of his right hon. Friend, for its progress would be most embarrassing. The difference between the expenditure last year and the year before was upwards of £2,225,000. There was an increase in the civil branch of the Indian service; there was an increase in the home charges; and, in fact, in every branch they found an increase, and the increase for the police was worthy of observation. The Native veteran army of India had been reduced 135,000 men with a view to economy, leaving only 130,000 armed men to be paid; but it appeared by a return to the House of Commons that the number of troops was 132,067, and of Native police 154,435, making a total of 286,502, so that there had actually been an increase of 165,000 armed men. And who were they? They consisted of undisciplined police, armed, dispersed throughout the country, having no European officers with the detached bodies, and at liberty to do just as they pleased. This had been the result of the reduction of the regular Native troops; they were increasing the number of armed men in the country,—men dangerous from their want of discipline and utterly useless in the field. He had received information from an officer of experience in Central India that, in several instances, it was suspected that atrocities had been committed by bands of police who were without the discipline and control of European officers. Under these circumstances he could not say that the state of things in India had been improved. In fact it was unsafe. A feeling was obtaining among those who were once Native regulars—

Colonel Sykes.

veterans—that their past services had been overlooked. Their old officers had been taken from them, and, with those who were placed over them, they had no sympathy, because they were strangers and had never served with them. The officers themselves were dissatisfied. Even the petted Staff Corps, the origin of all the confusion and wrong, were beginning to complain, and according to the testimony of a staff officer whose letter he held in his hand, and who spoke from personal experience, if some measures were not speedily adopted to remedy the present very unsatisfactory state of the service, it would become completely disorganized, and the administration of the country would be rendered difficult. He entirely approved the course which had been taken by Sir Charles Trevelyan with regard to the income tax. A pledge had been given on the part of the Government that the income tax should continue for only five years, and Sir Charles Trevelyan only acted in the spirit of an English gentleman in fulfilling that pledge,—not that he objected to an income tax which should touch the wealthy only. With respect to what had been said as to the zemindars being driven into beggary, he believed that many had fallen into difficulties by their foolish pride and pomp. They had got into debt, and the Government had sold their estates, because they did not pay the Government land tax. The result was beggary, but it did not arise from granting proprietary rights to the cultivators. There were several other topics on which he had intended to touch, but, in the absence of a quorum, he would not detain the Committee. He could not sit down, however, without entreating his right hon. Friend to look seriously on the state of feeling in India, and especially to reflect on the uncertainty of the opium revenue and the impolicy of any increase in the salt tax.

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1866.

Income Tax.

MR. KINNAIRD thought that the Secretary for India was placed in a most unenviable position: first, he was found fault with for not doing something; and then, when he had sought to remedy the evil complained of, he was abused and virtually told that he had better have done nothing. His hon. Friend who had just sat down complained of the increase of the police and of their being armed. Some years ago he remembered bringing before the House the need there was for an increase. With regard to their being armed, he believed, when they were so, it was exceptional, and that ordinarily they were not so. Again, an accusation had been brought against the Governor General, Sir John Lawrence, on account of the inquiry he had in-

Mr. Kinnaird.

Armed Police.

Inquiry in
Oude.

Mr. Kinnaird.

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1865.

stituted in Oude into the rights of the under-tenantry; and it was said that he wished to destroy the aristocracy as he had done in the Punjab. That he had not done anything to forfeit the confidence of the talookdars and other large landholders was evidenced by the late Durbar, the success of which was a sufficient reply to such accusations. Again, with regard to the army, one would have thought from the observations then made that there was a proposal greatly to increase it, whereas the fact was that the Secretary for India had reduced it by two regiments and a battery of artillery. He thought that the Government might be congratulated on the condition of India under many of its aspects, and he was glad that a policy of protection or restriction on trade had not been sanctioned. The testimony of facts proved that free trade was a permanent source of wealth, whatever apparent or temporary advantages might result to the revenue from an opposite course. He was also bound to express his satisfaction at the wise view adopted by the Government with respect to the land question, and that, while maintaining a native aristocracy as necessary for India, they at the same time were determined to uphold the rights of the peasantry, and give them that security of tenure which must be at the base of all improvement, social and moral. The more liberal construction placed upon the grant-in-aid system by which the cause of education had been advanced showed the progressive spirit that had animated the Councils and the legislation for India during the past year. He trusted that, by the development of public works, by the progress of enlightened education, India might rapidly advance both socially and morally; and that, by contact with the Christian faith of this land, the natives of India might be induced more and more to examine the foundations of that faith, so as to embrace it for themselves.

Mr. W. Ewart.

MR. W. EWART said, he thought that a printed statement of the affairs of India should be prepared annually, and placed in the hands of Members of that House.

Sir C. Wood.

SIR CHARLES WOOD said, with regard to the observations of the hon. Member for Poole on the disposition of troops in India, he could assure the hon. Gentleman that the subject of disposing the troops in such a manner that the smallest number could be made most available had been very seriously considered by the authorities in India for the last three or four years, and the position of the barracks in each Presidency had been determined partly by this consideration, and partly by that of the healthiness of the site.

Number of
troops.

Mr. W. Ewart—Sir C. Wood.

With regard to the reduction of troops, that was a subject on which the authorities in India were the best judges. As he was blamed by the hon. Gentleman, the Member for Poole, for having too many troops, and by the hon. Member for Windsor for having too few, probably he had hit somewhere about the happy medium. He was surprised to hear the hon. Member for Poole, who had been Secretary to the Board of Control, talk about our establishing an ecclesiastical establishment there. The hon. Gentleman must know that the principle on which clergymen were sent out to India was that of military chaplains. When a large body of servants of the State, whether civil or military, were sent out to a country where the whole population is Mahomedan, Hindoo, or heathen, it was not unreasonable that we should send out clergymen to minister to their spiritual wants, as we sent out medical men to administer to their bodily ailments. And when we sent out a number of clergymen we sent Bishops out to look after them, as when we sent out a number of surgeons a certain number of Inspectors General were sent to look after them. The hon. Gentleman opposite said that the Home Government had so constantly interfered with Sir John Lawrence that he had offered to resign. He did not know where the hon. Gentleman had got his information, and it was certainly a remarkable time to make the statement when the Home Government had been steadily supporting him against his Council. Sir John Lawrence had said that the income tax ought to have been continued, and the Home Government said he was quite right. He was glad to have the opportunity of contradicting the statement. He had no reason whatever to believe that Sir John Lawrence was anything but perfectly satisfied with his position in India, and he had received undeviating support from home. There was an advantage derived from the visits to Simla by the Governor General that they were less expensive and less inconvenient than the tours which it had been formerly the custom to make. The hon. Gentleman had said that Sir Bartle Frere was dissatisfied with his treatment, but that statement did not accord with what he had heard from a dear connection of his, who had been assured by an equally near connection of Sir Bartle Frere that he fully appreciated the kindness and courtesy he had received from himself. The hon. Gentleman also asked whether a memorandum had been received concerning a reduction of salaries. No such memorandum, he believed, had been received, although the subject had been referred to in a private letter from Sir John Lawrence. There was

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Ecclesiastical
establish-
ments.

Interference
with Indian
Government.

Memorandum
on reduction
of salaries.

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1866.

Expenses of
collection.

no intention of adopting so unfortunate a system as that of under-paying public servants in that distant country. The hon. Member for Manchester had referred to the expense of collecting the revenue in India, but if the hon. Gentleman had looked at the finance accounts which were on the table of the House, he would have seen that the expense of collection was, in the case of the land tax, 10 per cent.; assessed taxes, 3 per cent.; customs, 7 per cent.; salt duty, 6 per cent.; and stamps, 6 per cent. [Mr. BAZLEY: Opium.] No doubt upon opium the cost of collection was 33 per cent.; that tax was of an anomalous character, and ought not to be taken as an element of calculation in estimating the average cost of collection of other taxes. There were strong objections to the tax, but, unless any one could point to any other source whence £8,000,000 a year could be obtained, he feared the tax must be continued. The hon. Gentleman also referred to the £126,000,000 voted this year for new railways in this country, but probably all that amount would not be expended. Those railways were private undertakings, and he (Sir Charles Wood) had only referred to public works in India, and was unable to give an account of the works resulting from private enterprise in that country. The hon. Gentleman had also read a passage from a letter from the Marquess of Tweeddale referring to the want of manure. In India that was a great want, because the people in many parts of the country used for fuel the only manure they possessed. The hon. Member for Aberdeen had alluded to what he conceived to be the falling off in the proceeds from the land revenues and assessed taxes, but those apparent diminutions were the result of exceptional gains in former years. The increase in the amount derived from the salt tax was not a proof of additional burdens upon the people of India, but was evidence of increased comfort and wealth, and the greater quantity of salt carried up the country by the railroads. With respect to the additional number of armed men referred to by the hon. and gallant Gentleman, the answer was that the 231,000 men of the police thus referred to were not armed men. The police did not in most cases carry arms. They were scattered all over the country. There was a vast difference between a scattered unarmed body of police and a well-disciplined, well-armed Native army, and no danger could be apprehended from the former. In conclusion, the right hon. Baronet thanked the Committee for its consideration towards him, and hoped that the statement he had made would prove generally satisfactory.

Public Works.

Armed Police.

Sir C. Wood,

Resolutions *agreed to.*

1. *Resolved*, That the total net Revenues of the Territories and Departments under the immediate control of the Government of India for the year ended the 30th day of April 1864, amounted to £3,956,776 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £3,208,118 sterling.
2. *Resolved*, That the total net Revenues of the Bengal Presidency for the year ended the 30th day of April 1864 amounted to £11,662,738 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £2,513,263 sterling.
3. *Resolved*, That the total net Revenues of the North-Western Provinces for the year ended the 30th day of April 1864 amounted to £4,847,051 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,485,351 sterling.
4. *Resolved*, That the total net Revenues of the Punjab for the year ended on the 30th day of April 1864 amounted to £2,755,169 sterling, and the Charges thereof for the same period, other than Military Charges, amounted to £1,096,999 sterling.
5. *Resolved*, That the total net Revenues of the Territories and Departments under the immediate control of the Government of India, of the Bengal Presidency, of the North-Western Provinces, and of the Punjab, together, for the year ended the 30th day of April 1864, amounted to £23,221,794 sterling, and the Charges thereupon, including the Military Charges, amounted to £15,464,862 sterling, leaving a surplus available for the general Charges of India of £7,756,872 sterling.
6. *Resolved*, That the total net Revenues of the Madras Presidency (Fort St. George) for the year ended the 30th day of April 1864 amounted to £5,973,313 sterling, and the net Charges thereof for the same period amounted to £5,167,165 sterling, leaving a surplus available in the above Presidency for the general Charges of India of £806,148 sterling.
7. *Resolved*, That the total net Revenues of the Bombay Presidency for the year ended the 30th day of April 1864 amounted to £6,441,851 sterling, and the net Charges thereof for the same period amounted to £5,386,361 sterling, leaving a surplus available in the above Presidency for the general Charges of India of £1,055,490 sterling.
8. *Resolved*, That the total net Revenues of the several Presidencies for the year ended the 30th day of April 1864 amounted to £35,636,898 sterling, and the Charges thereof amounted to £26,018,388 sterling, leaving a surplus revenue of £9,618,510 sterling.
9. *Resolved*, That the Interest on the Registered Debt of India paid in the year ended the 30th day of April 1864 amounted to £3,093,250 sterling, and the Charges defrayed in England on account of the Indian Territory in the same period, including Interest on Debt incurred in England and Guaranteed Interest on the Capital of Railway and other Companies, after deducting net Traffic Receipts of Railways, amounted to £6,446,913 sterling, leaving a surplus of Indian Income for the year ended as aforesaid, after defraying the above Interest and Charges, of £78,347 sterling.

House resumed.

Resolutions to be reported *To-morrow.*

House adjourned at 9 o'clock.

VISCOUNT CRANBOURNE'S FINL. STATEMENT,

1866-67.

EAST INDIA REVENUE ACCOUNTS.

Considered in Committee.

(In the Committee.)

VISCOUNT CRANBOURNE: Sir, it is my misfortune, in moving the Resolution and introducing the financial statement of the East India Revenue, to follow a predecessor who probably, of all those who have ever governed the affairs of India, has had more experience than any other Minister. And, therefore, not only in respect to the great abilities of that noble Lord, but also in respect to the experience which he had a right to claim, I stand at a great disadvantage; and I think if the practice of moving the East India budgets continues for any considerable length of time, while Lord Halifax is placed on record as having moved the Indian budget with the largest amount of experience, I am afraid that I shall be placed on record as having moved it with the least. Under these circumstances, I wish by anticipation that I may be permitted to qualify any opinions, which, in the course of the remarks, I have to make. I shall express such opinions as seem to me to be justified; but I hope that the House will not think that I attribute to them more weight than they deserve. I make them, not in the least degree concealing my inexperience in the office, but for the purpose of raising discussion upon these important questions, and of eliciting the opinions of those hon. Members who will be far better worth listening to than I am. Sir, it is in the knowledge of the House that it is the practice of Indian finance to deal with three years at a time, whilst in English finance we deal with only two years. In dealing with Indian finance, in consequence of the difficulty of communication, and the length of time which elapses after the accounts are made up by the Indian

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Government before they come into our hands, for convenience sake it is the custom to take three years. The first year is the year of fact, in regard to which we are certain of the figures. The next year is the year of mixed estimate and fact, there being eight months of fact and four months of estimate; and the third year is the year of pure estimate. With regard to the first of those years with which I have to deal, I hope you will excuse me if I am short. The last year, 1864-5, which was brought to a close fifteen months ago, will have but limited interest for the House of Commons, and I shall therefore content myself with giving a mere summary of the financial results. The gross revenue for that year was £45,653,000; the gross expenditure £45,846,000, showing a deficit of £193,000. Sir Charles Trevelyan, in moving the budget which came to these results, estimated a surplus of £823,000. By adding to that the deficit of £193,000, it appears that he was about £1,000,000 wrong in his calculations. That error of calculation was due to a loss of £800,000 on the opium tax, and to a further loss on military expenditure caused partly by the expedition to Bhootan, and partly by the increased cost of the necessaries of life which was experienced in all parts of India. With these remarks I will pass by the financial year of 1864-5. I will now come to the year—a more important one—which closed on the 30th of April last—the year 1865-6. The gross revenue of that year was £47,041,000; the gross expenditure was £47,021,000; showing the small surplus of £20,000. On this occasion the Finance Minister was nearly as much wrong as he was on the previous one; only on this occasion he was wrong in the right direction. Instead of calculating on £1,000,000 more than he got, he calculated on £675,000 less than he got; and, again, the variation was due to one great variable element of Indian finance, the yield upon the opium crop. The opium crop recovered unexpectedly, and the result was that which I have stated. Now, I shall trouble the House with the details of that expenditure and revenue, and I do so the more that I find on looking back, that Lord Halifax has not for many years entered into the details of expenditure and receipts of the Indian budget; and although I am quite conscious of the reluctance with which the House listens to details so little affecting their own constituents, still as it has imposed on the Indian Minister the task of making the statement, I think it my duty to make it tolerably complete. Now, in the year 1865-6 the land and forest revenue was £20,480,000 against £20,439,000 of the

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previous year, which gives a gain of £41,000. With respect to land and forest revenue there is little to say. The House is aware that the authorities in India have lately been prosecuting a new settlement of land revenue, the object of which is in many parts of the country to give to it a more permanent character, and to a certain extent to cut off from the Government all the gain that would accrue from the increased value of the land. The forest revenue is a matter of comparatively recent institution. It began, like many other good things, with the administration of Lord Dalhousie. Great things are expected from it. It is hoped that it will furnish not only fuel for the railways, but also a great article for export in the commerce of India. But at present its financial result is not hopeful. It yields £414,000 and costs about £250,000 to collect, so that the net result is not at present very attractive. The next item of revenue is the excise, which yielded in 1865-6 £2,271,000, as against £2,224,000, showing a gain of £47,000. It struck me certainly with surprise, on first looking at these figures—as I think it will strike any one who is not accustomed to hear statements of Indian finance—that the duty on spirits, of which the excise mainly consists, should yield so small a revenue. The duty on spirits is 6s. a gallon. Now, a duty of 6s. a gallon on 130,000,000 of people is enough to make the mouth of an English Chancellor of the Exchequer water. If we could raise from the Hindoos a spirit duty at the rate at which we raise it from Englishmen, that amount of duty would yield about £26,000,000 a year. But in India it only brings in £2,200,000. [Colonel Sykes: Hear, hear!] The hon. and gallant Member for Aberdeen has expressed the opinion that the smaller the amount is, the better. [Colonel Sykes: Hear, hear!] But I think it is fair to say something in favor of the Indian Government. There is no Government in the world that is so pelted with moral admonitions as the Indian Government. Everybody regards it as the model of all that is atrocious, avaricious, and grasping. It may be so; but, at all events, in this matter of excise it is only right to do it justice. We know that there are some European countries in which the people are encouraged to drink for the sake of getting a revenue. No charge of that kind can be brought against us. I do not, however, think that we take much trouble to discourage drinking. I believe that we are well satisfied that Englishmen should drink up to the tune of £10,000,000 a year in the Excise, or £14,000,000 a year including Customs. The Indian Government are, I think, entitled to look down upon the Eng-

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lish Government from a pinnacle of moral elevation, because the Indian Government is content with that miserable contribution from its subjects in order to discourage the habit of drinking. The Indian Government actually does what I believe no other Government does—it so frames its Excise laws that its subjects may to the largest possible extent be discouraged from drinking. I confess I was surprised when I learned this, and I venture to record it as an instance of virtue rarely known in Governments. However, virtue is to a certain extent its own reward, and we have got £47,000 more under this head this year than we did last year. The next item to which I will allude is the income tax. The income tax is perhaps another case in which we may claim a certain amount of moral excellence for the Indian Government. We must recollect that when the income tax was first introduced into India it was stated to be for a period of five years only. This intelligence was received in England with a shout of derision. We said we knew what that meant. We had been accustomed to hear our own income tax imposed for a certain number of years only, but we have found it existing up to the present period. But it has actually turned out that the income tax which was imposed in India in 1860 for five years has only lasted five years. The income tax in India has ceased to exist. At the same time, I am bound to confess that this other exhibition of moral elevation may be explained by the fact that the income tax has proved a complete failure in India. Mr. Wilson, I think, went over to India just when the right hon. Gentleman opposite had induced us to bow our necks to an income tax of 10*d.* in the pound, and Mr. Wilson induced the Council of India to impose a tax of about 10*d.* in the pound in that country, and he appeared at first to be very confident of thus being enabled to relieve the finances of India. But his successor next year—and I know no higher authority existing in reference to India than Mr. Laing—said his first duty was to announce that the income tax had failed. Although the tax was 10*d.* in the pound, and though levied upon 130,000,000 of people, it never produced more than £2,000,000. And, accordingly, Mr. Laing reduced it in the course of three years. I am bound to add further circumstances showing its extreme stringency, it being imposed on incomes of from £50 to £20 a year at the rate of 2 per cent. Mr. Laing felt it his duty in the course of two years to abolish it on the lower income, and Sir Charles Trevelyan reduced it on the higher incomes from 4 to 3 per cent., and finally in 1865 the tax was allowed to

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lapse. It is worth while to give attention to the causes of that failure. I believe that the two most yielding schedules in our own income tax are Schedules A and B. Both of these schedules are crippled in India. The income under Schedule A is derived in this country chiefly from rents, but in India the land is the property of the Government, and the result is that that which is the subject of taxation in England is withdrawn from taxation in India. With regard to Schedule D there is another not so satisfactory a reason. I have already pointed out the superior moral elevation of the Indian Government; but I am compelled to admit that the same standard of moral elevation cannot be claimed for the Indian population. We are accustomed to look at Schedule D as showing the moral elevation of our own population. But everything of this kind is comparative, and we may refer to other nations to see how much lower their notions are in the scale of financial morality than our own. I find that in the North-Western provinces of India, of those who have sent in returns of their own incomes, only 6 per cent. were taxed upon their own returns. In other words, ninety-four out of every 100 were suspected of having told lies. The Government acted upon that suspicion, and on inquiry into the reality of their incomes they surcharged them at the rate of 300 per cent. It is obvious that in the face of those difficulties the income tax could not have succeeded in India. It is impossible to raise the tax but by self-assessment; and we know that if self-assessment fails it is impossible to raise it by inquisitorial proceedings. But still it must be noted that there is a serious blank in the financial system of India. There is no machinery for raising contributions from personal property, and only a very limited machinery for raising it out of that large amount of income which comes under the head of Schedule D—that is, from persons carrying on trades and professions. The consequence is that the revenue of India is at present mainly raised either from land or from the contributions of the poorer classes of the community in the shape of the salt tax. From the salt tax of last year we have experienced a considerable loss. In 1864-5 it was £5,523,000; in 1865-6 it was £5,396,000, being a loss of £127,000. This was due to two causes. It was partly due to the fact that a good deal of salt formerly was procured in the manufacture of saltpetre. But saltpetre being now greatly manufactured in Europe, the Indian saltpetre has lost its market. The consequence has been that less of it has been made. Another cause, perhaps, was that in consequence of the spread of

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Customs. railways the Bengal Government retired from the manufacture of salt—and now salt is admitted from other countries on payment of a Customs duty. The Customs showed a gain of £88,000, the figures being £2,296,000 in 1864-5, as against £2,384,000 in 1865-6. The opium yielded in 1864-5, £7,361,000, and in 1865-6, £8,638,000, showing an increase of £1,270,000. Public works in 1864-5 produced £588,000, and in 1865-6 £1,016,000, the excess, I believe, being partly owing to the sale of lands in Bombay. It is my duty now to turn to the expenditure of that year. The first item which will strike any one on examining the expenditure of the two years is the enormous amount which is required for the collection of the revenue. It is true that that collection includes what we may call the purchase money of our possessions in India—that is to say, the allowances and assignments under treaties and engagements—£2,000,000 is withdrawn from the whole amount for those purposes; but the whole amount of expenditure for collection of a revenue of £47,000,000 is no less than £8,774,000, which is a diminution of £204,000 on the cost of collection of the revenue of 1864-5, which was £8,978,000. But after deducting such exceptional items as allowances under treaty engagements, I find that the cost is still extraordinarily heavy. The cost, for instance, of collecting the tax upon land and forests is no less than 12 per cent. I have no doubt that a large economy will be ultimately effected in this respect. The army stands nearly at the point at which it was fixed last year—namely, at £13,494,000 in 1864-5, and £13,568,000 in the present year. During the last five years the cost had never exceeded £14,000,000, and had never been under £12,000,000, and as there has been a singular variety of circumstances during that period affecting its cost, we may infer that the average expenditure for the Indian army may be taken at £13,000,000. There are other items of expenditure which the House will hear with pleasure. The expenditure on public works in 1864-5 was £5,131,000, and in 1865-6 £5,352,000, and, if we include stores from England, £5,487,000. For law and justice there is an increase from £2,264,000 to £2,439,000. In police an increase from £2,361,000 to £2,398,000. There is still one more item I will mention, because it is an item to which all those who have taken an interest in the government of India attach the greatest importance. Some years ago there was scarcely anything given towards education, but since 1854 the sum given for that purpose has been constantly rising, and during the past year it has risen from

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£531,000 to £660,000. Now, that is the statement of figures for the year that has just passed. I will now give the estimate for the year to come. For this year, 1866-7, we are in a less favourable position than we were in last year, when there was a surplus of £20,000. This year we shall have, perhaps, a deficit of £72,800. The items of the expenditure I will briefly state to the House. There is an increase in the revenue from land of £188,000. An increase in the Excise of £220,000; in the Customs, £29,000; in Salt, £137,000. But then, on the other hand, there is a decrease in opium of £138,000; in stamps, of £24,000; and in public works of £37,000; and the consequence is, that we have the satisfaction of knowing that there is the moderate deficit of only £72,800. I wish, however, to draw the attention of the Committee, and those who take an interest in Indian finance and Indian affairs, to the fact that the balance for 1866-7 has been obtained by basing the sales of opium on an amount to which it has scarcely ever reached in any previous year. Last year there was the extraordinary yield of £8,600,000, and this year it is estimated at £8,500,000, Mr. Massey feeling confident, and no doubt he is justified in doing so, that the sales of opium will reach that amount. But we know by previous estimates that the yield of this uncertain drug has proved fallacious; and if we look to what opium has done in recent years we shall have reasonable grounds for concluding that the deficit of £72,000 may be increased to a much larger figure. £8,500,000 was a very exceptional yield for this article, which has only once exceeded that sum from 1856 to 1867. If opium should behave during the current year as it behaved two years ago, the deficit will be £1,200,000; if it should behave as it behaved three years ago, the deficit will be £1,740,000. I do not say this in the least degree for the purpose of questioning the discretion of Mr. Massey, or of the late Government in approving of what he did in refusing to raise the revenue of India by means of additional taxation; but to draw attention to the necessity of caution in dealing with this head of Indian finance. It is evident that the perfection of our Indian budget, and the attainment of a good balance sheet, depends on our rightly estimating the yield of opium. Some years ago the revenue derivable from opium was considered to be precarious, but since then certain high authorities have stated that it is as certain as the beer and spirit taxes raised in England. Mr. Laing and Sir Charles Trevelyan have so expressed themselves; but I cannot help thinking that these authorities omit, in the

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arguments they use in support of that opinion, the real danger of the opium trade, and overlook the real argument they have to deal with. They say that the opium revenue depends on popular taste, which is as stable as those in England for gin and beer, and upon which English Chancellors of the Exchequer have not the slightest fear of their anticipations being realized. It is true popular tastes do not speedily disappear, and if that was the whole of the argument I should be disposed to concur in opinion with the distinguished authorities I have named. So far as popular taste goes, probably the Chinese will continue to be as passionately fond of opium as the English will continue to be passionately fond of gin; but the point of danger is not that. If the opium were consumed in our own dominions the case would be exactly parallel, but the danger here is that we are dependent upon another locality. It would be a matter of indifference to an English Chancellor of the Exchequer where the beer and gin came from, provided it was consumed in this country. But it is not so with regard to opium; because if by any accident or change of circumstances the Chinese might be able to get their opium elsewhere, the Indian revenue from opium would be utterly ruined. I think the authorities I have mentioned, and the Indian Government generally, rely too confidently and too exclusively on a source of revenue which is not on a footing with similar English sources of revenue dependent on popular taste; and I look with some anxiety on the statement that the Indian budget depends on the yield of opium not falling far short of the highest rate it has ever yet attained. Another source of danger is, that opium being a monopoly it is subjected to those speculative operations which, in the vernacular, are known by the name of "a rig," large amounts being brought up for the purpose of influencing prices; and not only is this done by individual speculators, but something of the same kind is done by the Indian Government itself. Mr. Massey states that, as an unusually large quantity was for sale during the present year, the Indian Government resolved to limit the amount for the next year; and the result was that the price rose from 850 rupees per chest to 1,487 rupees per chest. It has been inferred that in the ensuing year the price will be about 1,300 rupees per chest. It must, therefore, be obvious that a revenue which is capable of being manipulated in this way—prices raised by holding back the supply—is always liable to accidental derangement from private speculation. I have made these observations in the hope

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of drawing attention to the state of our Indian revenue as regards its future prospect in connection with the opium trade. At present, it is upon this opium trade that the success of an Indian Chancellor of the Exchequer depends. If there is a good yield, he has a surplus; if there is a bad yield, he has a deficit. It has been said that this is merely a temporary state of things, and that, in course of time, the rising prosperity of other items of revenue will lift Indian finance above this dependence upon opium. I think it was Mr. Laing who in one of his budgets expressed the greatest confidence in the future of Indian finance. I do not say he was not justified on the facts before him in forming that opinion. Undoubtedly that Gentleman deserves great credit for having relieved Indian finance from its desperate condition. From the buoyancy Indian finance seemed to exhibit under his hand he was justified in drawing those favourable auguries, but they have not, as a matter of fact, been justified by the event. In 1861-2 Mr. Laing reduced the deficit to £50,000; in the next year there was a surplus, and in the following year there was a small surplus of £17,000, and there is now a deficit of £72,000, and, from some cause or another, we have not reached that satisfactory state of Indian finance which he foresaw. I will lay before the Committee the percentage of increase in some of the main articles of Indian revenue, to show that we cannot rely too confidently on the buoyancy of our Indian revenue, and that this absolute reliance on the opium tax is at least a measure of doubtful principle. The land tax in India had increased in the five years before Mr. Laing went to India at the rate of 10 per cent., which was an enormous increase, but for the five years since he left, it had only been at the rate 2 and 8-10th per cent. Again, the Customs in his time appeared to show an enormous elasticity, but that elasticity ceases to appear if the comparison is extended over a long series of years. I will take a period from 1858-9 to 1865-6, because in 1859 the Customs were enormously raised, but very much diminished afterwards. Up to 1858 there was a 5 per cent. *ad valorem* duty, but the following year it was raised to 20 per cent., and afterwards diminished to 7½ per cent. And what I want is for the Committee to compare the state of the Customs revenue when it was 5 per cent. and what is its yield now at 7½ per cent. In 1858-9 the yield was £1,987,000, and in 1865-6 it was £2,384,000; but there was an alteration in certain minor articles, from which was gained £100,000, and the result was £2,284,000 as against £1,987,000; or, in other words, the rate

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of duty had increased during seven years from 5 to 7½ per cent., whilst the gross return had only increased £300,000; the duty had increased 50 per cent., but the revenue only 14 per cent. These are not very encouraging figures, and I lay them before the Committee to show that they cannot rely, as in England, on the elasticity of the Indian Customs revenue. Turning to the Indian Excise revenue, we naturally come to the tax on salt. The consumption of wine, spirits, and tea generally increases with the wealth of the population, but I take it that few people consume more salt when they grow rich than they did before, and consequently we must not look upon salt as an article likely to produce any indefinite increase of revenue. The Committee will, no doubt, be inclined to think that I am making an opposition speech to Mr. Massey's budget rather than as Secretary of State for India; but I can assure you that I am not doing so, but putting the worst part of it first, as the fairest way, in my opinion, of dealing with it; and I invite the Committee to discuss the subject, because I want them to make up their minds whether the opium tax ought to be one of the main supports on which Indian finance should rest. There is, however, a very bright side to the question. We have, it is true, a very large expenditure, which we are scarcely able to meet with our income, but then that expenditure contains charges which are not, strictly speaking, within the proper limits of expenditure, because in the current year we have spent £6,394,000 on public works in India. No man who wished to make permanent improvements on his land would do it at the expense of one-seventh of his income, but would borrow the money and charge the estate. Now India does not do that, but spends what is required for public works out of her current revenue, and consequently it is only fair to credit that revenue with the portion so expended, and in that case we shall have not a miserable surplus but a very large one, which has been invested in the best possible manner for the future interest of the population. Probably £1,000,000 or £1,500,000 expended annually in repairs properly belongs to the revenue of the year. The remainder would properly be carried to capital. That is a consoling circumstance, because it is a large amount so expended. Mr. Laing has laid down that there should be large cash balances as part of the reserve. In his time the cash balances amounted to £17,000,000, and he has laid down that no Government ought to have less than £14,000,000. Now, I am sorry that I cannot claim such a balance, because Mr. Massey states that, at the close of the next financial year, he will not have

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more than £10,000,000 cash-balance, which is not more than is absolutely necessary to meet the working expenses of the Government. Another source of congratulation is the enormous success of railway extension in India, and nothing is more gratifying than the reports that our Indian railways are re-paying their expenditure with extraordinary rapidity. I find that the Great Indian Peninsular Railway, although not completed, is paying 7 per cent. on its capital, besides setting aside 50 per cent. with which to meet working expenses. The East Indian, which is not finished, but which has been so far constructed on a much more expensive principle than the former, having cost at the rate of £22,000 per mile, is already paying very nearly 5 per cent. Of course the Committee will bear in mind that these railways are not open to the full extent contemplated, and that they have at present to rely very much upon goods traffic; but when these great trunk lines are completed, it was reasonable to expect large returns both for passengers and goods traffic. These appear to me to be sources of great consolation, which ought to outweigh even a heavy deficit, and which certainly ought to tell against any uncertainty in the opium revenue which may cause us apprehension. There is in India an enormous amount of wealth which only awaits the opening of her communications, the increase of produce, the employment of industry. When you have done all that can be done in those matters, when the great arteries of communication in the lands have been brought into play, there need be no apprehensions as to the ability of India to pay her way. It has been the custom, Sir, of former Indian Ministers, on occasions such as this, to go not only into the financial subjects which are the special business of the budget, but also into those various questions affecting India in regard to which they might have anything to communicate to the House. In consequence, however, of the papers that my predecessor has prepared, and which I hold in my hand, I think it is unnecessary that I should address the House now upon those subjects. I have it here in my hand, but I hardly think it is the wish of the House that I should even dwell in summary upon the contents of this valuable but somewhat bulky mass of information. But at all events, without going into those details, I may take it that the present condition of India is one not of brilliant or rapid, but of steady and real progress. Education is progressing, and not only has the expenditure of the Government under this head been enlarged, but that of private individuals also, who have been ready to extend to

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others the education of which they have learnt to know the value themselves. As I have shown, public works have progressed, communication has been increased, education is improving, the navigation of the Godavery is progressing, and will be pushed forward to the utmost extent possible during the present year; the Ganges Canal has been subjected to a new survey, and additional means will be taken to make it more capable of performing its enormous office in fertilizing and increasing the communications of the North of India; the Doab Canal has been pushed forward; in short, everywhere in India we find a condition of continual progress which justifies us in believing that the labours and anxieties, and even the apprehensions of former years, have not been thrown away. Sir, it may be expected that I should say something as to what the policy of the Indian Government is to be. If I had no other apology for not doing that than the short period of my tenure of office, I think that would be quite apology enough. But in fact, our policy in India at the present moment cannot admit of doubt. India is now in a quiet pacific condition, and it is our happiness not to have to produce a policy. To keep peace, and to push on the public works—that is in brief the policy that we have to follow. If we can increase the immense means she possesses for the production of commodities; if we can draw forth the enormous elements of prosperity that lie in the richness of her soil and the teeming millions of her population; if we can impress upon the neighbouring Powers—whether they lie outside her borders or are included in her own dominions—if we can impress upon them that her rulers have renounced for ever the policy of annexation, of territorial aggrandisement, which formerly spread distrust and caused disturbance all around; if we do these things, and if we can spread to all the populations there under our charge the blessings of English civilization and English government; if we can give them the culture which will enable them to appreciate those blessings, and to take part in spreading them and in making them effectual; if these things can be done, then this present period of repose and of apparent stagnation will be put to the best use it possibly can be put to. We know that morally as well as physically, a tropical atmosphere is one of terrible uncertainty. We can never tell when the evil day may come, or when this peaceful state of things may be disturbed. Though we cannot see the cloud on the horizon, we cannot predict how far or how near it may be. We can only be assured that if we make the best use of our present oppor-

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tunities; if we push to the utmost of our power the moral and material improvement of that vast territory and of the teeming nations that people it, we shall then have placed our Empire upon foundations that cannot be shaken.

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MR. LAING, having listened to the very interesting statement that had just been made, said, he was sure that all those who were interested in India might well feel satisfied at the future prospects of that country under the administration of the noble Lord, who had dealt with the various questions affecting the Government and prosperity of that country in such a comprehensive manner. On such occasions as the present it would be useless for Members of that House to discuss an Indian budget with the same minuteness with which the provisions of the financial statements for England were criticized. The Indian budget was peculiar in its nature; it was agreed to in that country before the particulars of it were known here, and the financial responsibility of the Indian authorities ought to be duly respected and preserved. But, at the same time, it was desirable both for India and for this country that correct and comprehensive views of the real position of affairs over there should be entertained in this country, for her progress and prosperity were influenced, not inconsiderably, by the public opinion of England. The question, for instance, as to whether new and additional taxation ought to be imposed upon the inhabitants of India, or whether the public works ought to be aided by loans, depended upon the feeling that prevailed in England on the subject; and sound opinions could only be the result of accurate and ample knowledge. He might further add that, while deprecating any minute interference on the part of this country with the actions of the Governors of India, yet it might be useful to them to see whether their policy did or did not meet with approval in that House and in the country generally. For these reasons, he thought that the noble Lord had set a good example in inviting a fuller and somewhat more comprehensive discussion of Indian questions than was customary on this budget being brought forward. He personally felt considerable responsibility for the present state of the Indian finances, as it was upon his responsibility, in a great measure, that a great many of the taxes affecting the native population had been repealed during the last year of Lord Canning's administration, and thus the apparent deficit now existing was brought about. It was by his advice that the income tax had been reduced. He was also responsible for the licensing system of taxation, which would have affected

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several millions of the native population, not being carried into effect. At the time it was doubted whether the course taken by Lord Canning's Government on these points was prudent, and it was said that it was only to be justified by the result proving that the finances of India might be kept in a healthy condition without the aid of these taxes, in which case there could be no doubt upon the policy of repealing them. The real objection to the income or license tax in India was not only the miserable sum, comparatively speaking, that it realized, but the amount of extortion, and oppression, and irritation to which it necessarily gave rise in attempting to enforce it from the native population by means of such officials as they were compelled to employ in India. He had no hesitation in saying that for every rupee that might have been obtained by the operation of the license tax, another rupee would have been extorted from the population by the native officials employed in collecting it. He, therefore, considered it a point of first-rate importance that irritating and oppressive taxes of this description should be abolished, always providing that no financial exigencies made the continuance of them necessary; and he was convinced that Mr. Massey had exercised a very wise discretion in not reimposing them. He should not object to a moderate or modified income tax levied upon the merchants and traders and persons of that class, if Mr. Massey should find himself able at some future period to propose such a tax; but he did not consider that in the present posture of affairs there was any necessity for running the risk of attempting to impose anything like a general income tax. The force of this proposition, of course, depended mainly upon the view which was taken of the intrinsic soundness of Indian finances as they stood at present. On that point the opinion to which he had given expression had been challenged, and he was anxious, therefore, to take the opportunity of showing the Committee the real condition of Indian finance as regarded its past progress and future prospects. For that purpose it would be necessary for him to regard the mutiny as forming, as it did, the era in India of a new system of finance, as well as the beginning of an improved state of things in many other respects. Up to the time of the mutiny India had been engaged in a series of wars, brought upon it mainly by the necessity which existed for the extension of its frontiers to its natural limits. Whether those wars were altogether just or necessary he would not say; but the fact could not be disputed that from the time when our territory in India was confined to a single fort in Calcutta to the time

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when, under Lord Dalhousie, it obtained its natural frontiers—the Himalaya Mountains and the ocean—we had on our hands a continual succession of wars, which naturally also brought with them a continual succession of financial deficits. The administration of Lord Dalhousie, though brilliant, was remarkable for its wars and its deficits. They would find that during the twenty years preceding the mutiny, £50,000,000 were added to the National Debt of India. The mutiny, of course, added to the financial difficulties of the country, and from 1857-60 the annual deficit averaged £12,000,000, adding no less than £36,000,000 in the three years to the National Debt of India. This brought about such a degree of financial distress in India as had been truly said went to the verge of bankruptcy. It became necessary, in the last year of Lord Canning's administration, to adopt a most vigorous means of improving the revenue and reducing the expenditure, and for that purpose more sweeping measures were never, he believed, adopted in any country; for upon a total expenditure, open to revision, of scarcely £30,000,000, no less than £6,000,000 were struck off in the course of about twelve months. Thus the equilibrium of Indian finance was restored. The question, therefore, was whether the equilibrium had been so maintained since that period as to hold out a fair prospect for the future. Now, if they took the period which had elapsed since the financial year 1861-2, which was the first year in which the new financial measures were brought into operation, and the equilibrium established, they would find that the united surpluses of those six years amounted to £1,905,000, as compared with accumulated deficits amounting to £670,000, showing in the period of what might be called the new era of Indian finance an excess of surplus amounting to £1,235,000. He believed that the fairest way of arriving at an accurate opinion upon this subject was to take the figures for a series of years, because it must not be forgotten that the slightest fluctuation in the opium revenue was sufficient to change a small surplus into a small deficit. The gross revenue during the six years since 1861-2 had increased from £43,829,000 to £47,041,000 a year; and taking into account the surplus in the last year, the whole balance of surpluses over deficits during the six years amounted to £1,235,000, or an average of over £200,000 a year. But the noble Lord had pointed out to the Committee the reasons which, in the case of Indian finance, rendered a nominal deficit a real surplus. Since 1861-2 there had been a large outlay upon public works, and a large outlay for guaranteed interest on

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railway capital, which was as yet unproductive, because the lines being as yet unfinished, no return could be expected. The outlay in these directions had certainly not been less than £2,000,000 or £3,000,000 a year—an expenditure which in any other State in Europe, or in the accounts of any private company, would have been carried to the capital account, and not charged upon the revenue. In the last budget of 1866-7, Mr. Massey included an expenditure of £5,770,000 upon public works, a large portion of which would be unquestionably reproductive, though he was inclined to think that the noble Lord opposite had estimated a little too highly the reproductiveness of some of this outlay. But, at any rate, no one could doubt that at least half of this outlay would be really reproductive; and, in addition, it must be borne in mind that in these budgets the very cost of land for the railways was charged to the revenue, although it was beyond doubt one of the clearest charges upon capital that it was possible to conceive. In the same way they would find on the revenue side of the Indian budget of this year not less than £3,000,000 or £4,000,000, which, in any budget except an Indian one, would appear as charges upon capital, and hence the trifling deficit of £72,000 which appeared upon the estimate was clearly, in fact, a surplus of not less than £2,500,000, and possibly of £3,000,000. Now, to discover what was the natural elasticity of the Indian revenue, they ought also to look over a long period before they could arrive at any trustworthy results. In the three years 1854-7, before the disturbing causes of the mutiny came to be felt, the gross revenue of India amounted, in round figures, to £32,000,000. The revenue in 1861-2—the first year of the new *régime*—amounted to £43,829,000, and at the present period the last returns were, as near as possible, £47,000,000—for the estimate for the budget was £46,750,000, and budget estimates were always somewhat below the actual figures. The result, then, was that in the ten years preceding 1861-2, the gross increase on the revenue has amounted to £14,000,000, but of that amount £6,000,000 were due to new taxes and the acquisition of new territory; so that the increase ought to be regarded as £8,000,000, or a progressive increase at the rate of £800,000 a year. But since 1861-2 the revenue had increased from £43,829,000 to £46,752,000—an increase as nearly as possible of £3,000,000. But that £3,000,000 ought, in reality, to be increased by £2,000,000, the amount which was formerly derived from the income tax when it figured in the budget of 1861-2, but which had been

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since repealed. The real elasticity of the revenue, therefore, since 1861-2 amounted to £5,000,000, being at the average rate of £1,000,000 a year. The result thus came out as nearly as could be, that for the ten years before 1861-2 the average increase was at the rate of £800,000 per annum, and that for the last five years it had been at the rate of £1,000,000 per annum. Now, they might anticipate that this state of things would continue. It was a highly satisfactory rate of growth, and was certainly as high as he ever contemplated when he made the predictions which had been referred to. But, then, the important question arose, how far could the opium estimates in the Indian revenue be relied upon? Now no doubt the figures under the head of opium varied a good deal from year to year; but still on the average of the last twenty years, since opium had been an important part of the budget, the return on the whole had been steadily increasing. There had been no one year of total failure; but there had been variations in price, which had arisen by curtailing the production in order to obtain a higher price. When the price rose, then the native opium of China came into competition. But still the increase of the revenue had been steady on the whole. Taking the net returns, which was the proper course, from 1861-2, it appeared that the revenue from opium in that year was £4,910,000; in the next year it was £6,199,000; in 1863-4, £4,525,000; in 1864-5, £4,993,000; in 1865-6, £6,702,000; and the estimate for 1866-7 was £6,738,000—so that, taking the last six years, the average net revenue from opium had been £5,676,000, and the last two years had been the most productive. He believed that the opium revenue depended entirely upon the consumption in China, which tended steadily to increase. He had occasion some time ago to look into the figures, and he found that some fifteen years ago China was spending about £6,500,000 a year on Indian opium, while she was now spending no less than £13,000,000, or double the former amount. The calculations which gave that result might be relied on, because the number of chests and the price were known. That showed a steady progression in the taste for Indian opium in China. The noble Lord had expressed some apprehension that there might in future years be some loss of revenue under that head in consequence of other sources of supply being opened. That, he (Mr. Laing) believed, was a point upon which the noble Lord's apprehension would probably be corrected by experience. There was nothing more natural than such a supposition at first sight. If there was such an enormous

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profit from the sale of opium, was it not likely to be grown elsewhere, and how then could we retain the monopoly we possessed? But those who were practically acquainted with the subject were aware that opium was no more of uniform quality or flavour than claret. Several districts in India had a superiority in regard to opium, just like the superiority of Château Margaux and Lafitte with respect to claret. The best test was that of facts. About 1860-1 the production of opium had been greatly diminished, partly owing to the mutiny, and consequently the price ran up to an extravagant height—some 2,400 rupees per chest, about double the ordinary rate. Encouragement, of course, was given to any possible competition, and Native Chinese opium did enter more largely into the market. And here he would remark, in passing, that it would be a great mistake to suppose that no opium was grown in China, and that we were the only poisoners of the Celestials. On the contrary, the production of native opium in China was very considerable, but it was an inferior article. Whether owing to peculiarity of soil, climate, or cultivation, it never fetched above half the price of Indian opium in the same market, and nothing but the exorbitant price of the latter could bring the Chinese product into competition with ours. But the moment the price went down to a reasonable sum, Indian opium resumed its place, and had maintained it ever since. He believed, therefore, the opium revenue was as secure as the revenue from gin and whisky in this country, provided we followed a prudent course, and did not, by greatly limiting the production and forcing up the price, kill the goose that laid the golden eggs. It was always possible to make a single good financial year in India by adopting an imprudent policy. What we ought to keep in view was, during a series of years to get the largest possible revenue out of the article; and that would be done by such a production of opium as might keep the price varying from 1,000 to 1,200 rupees per chest; but if we went beyond that sum, there was danger of the Chinese product intervening. He would not enter into the moral aspect of the question, but he believed himself that the effects of opium were very analogous to those of gin and whisky. He believed that taken in excess it led to very deplorable results, but that the great bulk of it was consumed by the mass of the Chinese population with no greater injury than was done to our countrymen in Scotland and Ireland by the consumption of a good many gallons of whisky. He had shown the state of things to be an average progression of

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Indian revenue at the rate of £1,000,000 a year. The next great question was as to expenditure, because though the revenue might have increased at the rate of £1,000,000 a year, if there should be an unavoidable advance in expenditure at a higher rate, we should be in a bad state. Comparing the last year, respecting which we had full and complete Returns, 1865-6, with that of 1862-3, which might be taken as the model year, when the maximum of diminished expenditure in every department was reached, and the great reductions of the last years of Lord Canning's administration came into full play, and there was a surplus of £1,800,000, the total expenditure in 1862-3 was £43,316,000, and last year it was £47,377,000, or an increase of £4,000,000 in four years—that is, at the rate of £1,000,000 a year, or almost exactly at the same rate as the increase of revenue. Now, it was important to make some analysis of that increase in order to see how far it was unavoidable, and whether it depended upon causes which were likely to continue in the future. The noble Lord referred to the large amount of fixed charge in the cost of collection of revenue in India. It was quite true the amount was large, but it should be borne in mind that in the cost of that collection were to be included the charges for manufacturing such important articles as opium and salt, to which there was nothing of an analogous kind in the English budget, and which amounted to upwards of £2,000,000. Now, as to the fixed charges on the revenue. First, there was the dead-weight, including the interest of the debt, the allowances under treaties, and pensions and superannuations. These charges were fixed, and could not be touched. They amounted to £10,700,000 in 1862-3, and to £10,300,000 in 1865-6; so that it was nearly stationary. The saving arose from a decrease in the amount of railway guarantees, which more than balanced the increase in other directions. The manufacturing charges for salt, opium, post office, the mint, telegraphs, &c., had slightly diminished. They were £3,360,000 in 1862-3, and they had fallen to £3,200,000 in 1865-6. The cost of collection proper, for the land tax, customs, and such like, had increased within the two periods from £2,760,000 to £3,230,000. So that the dead-weight of fixed charges was nearly the same, having been £16,820,000 in 1862-3, and £16,830,000 in 1865-6. In each case it appeared that only about £30,000,000 out of £46,000,000 was susceptible of economy. The main items of increase were on the army and public works. The budget of 1866-7 gave the estimates for the army at £13,900,000, but the expenditure

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on stores was now entered separately. These, however, were military stores, and ought to be added to the cost of the army. The army expenditure had therefore really increased from £12,764,000 in 1862-3 to £14,640,000 in 1865-6—an increase of about £2,000,000. A great part of this increase might be accounted for by the fact that we had since been engaged in two small wars—the war on the North-West frontier, and the war in Bhootan. He had expressly guarded himself, in looking forward to the future income and expenditure of India, by the reservation that no wars should occur; but notwithstanding these two wars, the nominal balance was almost exactly equal, although £2,000,000 more were now spent upon the army. Some portion of this increase was inevitable, because the price of provisions and supplies had risen so much in India that the Government could not, in justice to the men, continue their allowances at the same standard. They were also obliged to make allowances in the shape of batta and otherwise to the officers of the Indian army. Still, he must express a hope that if a tight hand were kept over the military expenditure, the Government might be able to reduce the excess of £2,000,000 to an excess of £1,000,000. He should be satisfied if the increase over the military expenditure of 1862-3 did not exceed £1,000,000. It seemed to him that the “irregular” system, which practically meant having Sepoy regiments with very few European officers, was one that was fraught with very great danger. They had got on well at present, because they had a large reserve of Indian officers of the old army to fall back upon when they wanted them, and who could be added to any Native regiment going on service. But the authorities might find themselves in a position of great embarrassment and danger if they had no more European officers available for the Native army to fall back upon than were supplied by the “irregular” establishment. So long as we kept 70,000 European soldiers in the country we were tolerably safe; but the time would come when it would be impossible to keep that large European force, and then a great deal would depend on the organization which had been given to the Native regiments. Intimately connected with this subject was the constitution of the police force. The expenditure upon the police was, in 1862-3, £2,141,000; in 1865-6, £2,398,000; and by the budget, £2,435,000, being an increase of £300,000. He wished to advert, not so much to the question of increase in cost as to the danger that this force might become a military force. It was laid down by Lord Canning that any

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police force in India ought to be a mere constabulary with staves in their hands, and not soldiers with muskets. He (Mr. Laing) feared that this excellent rule was infringed upon in many cases, and the noble Lord would find that there was a great tendency in this direction, because the civil officer liked to have a little military force that he could lay his hands on, and such a force added to his importance. There were cases in which an armed police acted beneficially, because more promptly, than the regular army in the suppression of disturbances. The danger of arming these men was, that the number of Native police was so great, and the proportion of European officers was so small, that in case of insurrection they might become like Sepoy regiments with one European officer, and that was a most dangerous state of things. This was the opinion of Sir Bartle Frere—a member of the Council of Lord Canning, who had charge of this department, and directed his attention to the organization of the new police. Next to the increase of expenditure upon the army and police, came the increase on public works. The expenditure on public works in 1862-3 was £4,400,000; in 1865-6, £5,250,000. So far from complaining of this increase, he should be happy to see it even larger. He believed that the Government would do most unwisely to adhere to the rule to do nothing for public works except what they could effect out of surplus revenue. The increase under the items of law and justice had been from £2,074,000 in 1862-3 to £2,398,000 in 1865-6, and in the budget to £2,607,000. The outlay upon education had increased from £400,000 in 1862-3 to £660,000 in 1865-6, and in the budget to £763,000. The practical result of the whole budget was, that there had been for four years an average rate of increased expenditure of £1,100,000 a year, which about corresponded with the yearly average increase of revenue. He trusted that the whole of this increase would not be maintained, because the present military expenditure might, he thought, be reduced by about £1,000,000 a year. His object in these remarks was to endeavour to prove that the general state of the Indian finances, under the new system inaugurated after the mutiny, was on the whole not at all unsatisfactory. Even although there had been a large expenditure on public works, which had been charged to revenue and ought to have been charged to capital, the last six years showed a surplus of £200,000 a year. The revenue was still increasing, and the expenditure ought at least to be proportionate to that increase. He had arrived at the conclusion that Mr. Massey did quite right

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not to propose hastily the imposition of new taxes because there was a small nominal deficit this year; and we ought to be very cautious in this country of urging upon the authorities in India the imposition of new taxes which they did not quite see their way to adopting. At the same time he admitted that if they could advise a kind of modified income tax upon a fixed scale, something like our license taxes for attorneys and others, it might be desirable to adopt it. Whether that were done or not, there was nothing in the position of the finances of India that ought to interfere for a moment with the carrying out of great works of public importance. He agreed with the noble Lord that "Peace and Public Works" ought to be the words inscribed on the programme of the Government of India. The satisfactory results that had followed the construction of railways ought to be an encouragement to proceed further in that direction. Much remained to be done in the construction both of the arterial system and of branches.* Both on commercial and political grounds, the main line along the valley of the Indus ought to be completed so as to connect the Punjab with Kurrachee; and, this line meeting that from Calcutta at Lahore, the railway communication from east and west ought to be prolonged to Peshawur. A line of railway between Peshawur and Lahore might at some time be of as much importance to us as one to Sebastopol would have been to Russia during the Crimean War. Hyderabad and the Nizam's territory ought also to be opened up by a railway. There were other important provinces, such as Oude, in which railways would pay if they were economically constructed. There was, indeed, ample scope for the expenditure of £20,000,000 or £30,000,000 on Indian railways during the next few years. No time ought to be lost in placing the existing lines in a position to carry the immense traffic which was ready for them. Many of them required doubling and an increase of rolling-stock. The expenditure that was so imperatively required ought not to be delayed by taking time to consider whether it should be incurred by companies under a guarantee or directly by the Government. No doubt it might be cheaper in some instances for the Government to do the work, either by employing its own engineers, or directly entering into contracts; but if Government called for a large loan a good deal of the money was kept idle until it was expended, while a company, whose capital was in shares, could raise the money by calls as it was required. Although the guarantee system might have cost the Government something,

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it had been the salvation of Indian railway works, which must have been suspended or stopped if it had not been for that system. It might be adhered to in the main, and at the same time the Government could do something on its own account, either by constructing minor lines or undertaking portions of trunk lines. The same observations applied to works of irrigation, for which there was more urgent need. There was every inducement to proceed rapidly with public works, whether railways or works of irrigation. On the railway £60,000,000 had been expended; the guaranteed interest was only £500,000, and that charge was almost certain to disappear in two or three years. This was an encouragement to spend £30,000,000 or £40,000,000 more. In conclusion, he expressed his satisfaction that on this occasion there was a better opportunity than former years had presented for the full discussion of Indian questions.

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MR. STANSFELD said, that the House was bound to recognize the remarkable ability with which his successor, at such short notice, had submitted the Indian budget, involving as it did the complications of the accounts for 1864-5, the "regular Estimate" for 1865-6, and the budget Estimate for 1866-7, not to mention the comparison of the accounts for 1864-5 with what was laid before the House as the "regular Estimate" for that year. The accounts for 1864-5 showed a net deficit of £193,000, and the regular Estimate for last year a deficit of £263,000—a difference in favour of the accounts of £70,000. The difference was the result of the much larger difference on the side both of revenue and of expenditure. A comparison of the accounts with the regular Estimate showed a reduction of £631,000 in revenue and of £701,000 in expenditure. Even these amounts, large as they were, were the balances of larger differences both of increase and of diminution on both sides of the account. There was reason to expect that, owing to improvements made in keeping the accounts, these differences would not be repeated in future years. Having referred to the budgets, regular Estimates, and accounts of the last three years, the hon. Gentleman said that not only with regard to those three years, but to recent years generally, there were observable not only those characteristics to which his hon. Friend had alluded, but a gradual and unavoidable increase in what might be called the Civil Service Estimates of India—that was to say, in the expenditure upon good and improved government. But the question more particularly before the House that night was whether the budget which the noble Lord had brought under their

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attention and the budget which Mr. Massey a few months ago sent from Calcutta was to be received, on the whole, as a sound and satisfactory budget. It ended in a deficit of £72,000, although there was a high estimate taken for the opium revenue, and although in the expenditure for the army there might not be all the saving effected that was expected. Yet it did not follow that Mr. Massey's policy was not a sound policy; and, for his own part, he thought Mr. Massey's budget was a sound one and justified by the circumstances of the case. He did not think that it would have been advisable for Mr. Massey in the first year of his administration to enter upon any new or speculative system. Nor was it necessary for him to do so; for, on the one hand, he had provided for an increased expenditure of not less than £1,000,000 for public works, and on the other, he had, on his own estimate of the probable requirements of the Indian Treasury, an available excess of £2,000,000 of cash balances on which he could, if necessary, fall back. The growth of the revenue might, under judicious management, be made to keep pace with the growth of the expenditure. The income derived from opium was naturally watched with some anxiety, as it varied considerably from year to year, and was a rather precarious source of revenue; and he agreed with the noble Lord in not looking upon it with entire trust and confidence. Another disturbing element in Indian finance was the expenditure upon public works. The question had been mooted whether some of these works might not be carried out by private enterprise, or by means of loans; and the principle of a loan had, indeed, been accepted by Lord Halifax and some other authorities. It was almost impossible to exaggerate the importance of public works of a remunerative character. It might be doubtful whether by making roads, for example, and levying tolls upon them, they could obtain a good return upon their outlay; but still they could not on that ground alone say that road-making was necessarily an unproductive expenditure of public money. He (Mr. Stansfeld) did not object, therefore, to a loan; but before they entered upon financial operations of that kind they ought to look also at the condition of the revenue, and feel satisfied that it was likely to be sufficient to cover any portion of their outlay which could not, in the strictest acceptation of the term, be referred to a capital account. It was a very tempting thing to spend money that they raised on loan; but it was admitted on all hands that, however objectionable an income-tax might be in India, there were wealthy classes there who did not con-

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tribute their fair proportion to the public exchequer; and he was disposed to think that, if there was to be an extensive and vigorous prosecution of public works, it was desirable that it should be accompanied—and he imagined that Mr. Massey was not unlikely to attempt it in following years—by some well-devised financial scheme, which would add to the revenue of India, and place it on a sound footing. Adverting to the speech of the Secretary of State for India, he concurred with the noble Lord that the period of conquest and forcible annexation was passed, and that we had entered upon a totally different period which ought to be characterized by the improvement of civil government, and by efforts to promote the contentment, prosperity, and the material, moral, and intellectual progress of the people confided to our charge. If that were the policy of the present Administration, as the noble Lord had announced, it would lead to a two-fold financial result—namely, the keeping down of the military expenditure, and an increase in the Civil Service Estimate. Our old policy had been abandoned, and the time had arrived when we could and ought to concentrate all our energies on the Civil Government, and expend more money on law, justice, and education. He was delighted to find that that was the policy of the noble Lord, and felt certain he would be supported by the present Viceroy and the military and civil servants of the Crown. For his own part he should give his hearty and earnest support to such a policy, fully believing that it would gain for the present Government the gratitude of the people of India.

MR. SMOLLETT regretted that a little longer notice had not been given of the noble Lord's intention to bring forward his budget. He used formerly to say that the bringing forward of an Indian budget at the very fag end of the Session, and with the attendance of only eight or ten Members, was something like a solemn farce. That expression, however, could not be used this year, for the budget, in his opinion, had been brought forward in a very statesmanlike and judicious manner. A great deal of information had been given to the House, and the debate was calculated to do a considerable amount of good. It used to appear to him that hon. Members took less and less interest every year in the affairs of India, and that the incapacity of the House to discuss Indian matters was very conspicuous. The reason was, that most of the men who were able to supply the requisite information were excluded from the House. At the present time Members of the Council of India were disquali-

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fied from sitting in the House of Commons, though formerly many of the Gentlemen who formed the Board of Directors were also Members of the lower House of Parliament. These Gentlemen were fully qualified to discuss any question that might be brought forward on the subject of India. At the present day there was no one in the House, except the Secretary of State for India, and the Under Secretary, if he happened to sit in the House of Commons, who knew what was going on in India; and they were extremely reticent, and took care not to let anything ooze out which might lead to any troublesome result. Consequently the Secretary of State for India had become, as it were, an autocrat, and held in his hand the liberties of 150,000,000 of people. He could not give a more pregnant illustration of the ignorance prevailing in this country with reference to Indian affairs than by pointing out what had occurred during the present Session. Hon. Members had talked about the age of annexation having gone by, but he ventured to deny that. From papers which were placed upon the table of the House about a month ago, it appeared that during the last two or three years the Secretary of State had been conspiring to annex a principality in India. Everybody was aware that a proclamation under the Sign Manual was addressed to the people of India in 1858, when Lord Derby was in power, and when, he believed, Lord Stanley was Indian Secretary. That proclamation said—

“We hereby announce to the Native Princes of India that all treaties and engagements made by them with the authorities of the Hon. East India Company are by us accepted, and will be scrupulously maintained, and we look for a like observance on their part. We do not desire any extension of our present territorial possessions; and while we will not permit any aggression on our dominions or rights to be attempted with impunity, we shall sanction no encroachment on those of others.”

Now, there was in Madras a little principality called Mysore, which was held by the present Prince under the guarantee of two treaties. He had always been looked upon as the hereditary possessor of that territory; but the idea went abroad that he intended to bequeath his dominions to the British Government on his demise. The Rajah of Mysore, however, never had, he believed, any such intention. He had an adopted son and heir in accordance with vice-regal sanction and regal precedent in India, but he was at once informed by the Secretary of State for India that the Government would take no such circumstance into consideration at all. They at last made the discovery that the treaty was merely

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a personal treaty; that it was framed merely for temporary purposes; that those purposes had now been fulfilled; and it had been resolved accordingly to annex the territory as soon as the Prince should die. Now, the power of acting in that way was one which, in his opinion, no Secretary for India ought to possess, and he mentioned the fact to show that we had not yet done with the policy of annexation. It would be well, then, he thought, that there should be some Members of the Indian Council in that House, from whom information giving timely notice of such tricks might be obtained. As to the financial position of India, he must say he thought it was very satisfactory. The material comforts of its people were never, he was happy to say, greater than at the present moment. The reason was that the prices of all sorts of produce in India had been doubled or tripled within the last few years, while the rent of the land had remained stationary. The revenue which we derived from the land in that country was £23,000,000 sterling per annum, the entire revenue being £47,000,000. The expenditure, which kept pace with the revenue, was this year nearly £47,000,000, but in the last year of Lord Canning's administration it amounted only to £34,000,000; so that between 1856 and the present time the expenditure had increased by £13,000,000, and had more than kept pace with the revenue. We spent nearly £16,000,000 annually, including the charges in England, on our army; and £5,500,000 on public works, which were supposed to be neglected. Now £13,000,000 in ten years was a monstrous increase of expenditure, and we must, he thought, look not to income taxes or licenses in order to make the two ends meet at the close of the year. He had not the slightest doubt that the expenditure might be diminished to the extent of £2,000,000 or £3,000,000 annually, and he hoped economy would be the rule at the Indian Office. He should in the next place proceed, with the permission of the House, to say a few words with reference to reproductive works in India, although the views which he was about to advance would not, he was afraid, be palatable to some Gentlemen in that House. The subject of works called reproductive had received very little attention in that House until within the last ten years. In 1856 Mr. Vernon Smith, now Lord Lyveden, the Minister for India, noticed with great approbation in his Budget speech some reproductive works in the Madras Presidency. He stated that those works gave returns of from 50 to 700 per cent. per annum from irrigation alone, admitting at the same time that no works of irrigation in any other part of

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India produced anything like such results. There was no doubt that was the case, for the returns on which Mr. Vernon Smith relied were not true. The Presidency of Madras, however, which had attained such notoriety, had ever since been engaged in endeavouring to maintain that pre-eminence by manufacturing accounts and making imaginary profits. He could state that on his own authority, having been himself a collector of a district, and engaged in the species of manufacture to which he referred. He had not manufactured accounts of his own accord, for he had always dissented from the views of the Government on the point. He had acted under orders. Returns had been sent to him to fill up, and he had declared, in sending them back, that the profits were imaginary. He would briefly explain the way in which those profits were really made. Everybody was aware that land in India depended entirely in many instances for its productive power on irrigation. That irrigation frequently was procured from reservoirs, which, in all probability, cost a very large sum in the first instance to construct. Now, if one of those reservoirs happened to be breached owing to a tempest, and the water, as a consequence, escaped, the land was allowed to remain barren, and the loss of a revenue of £10,000 a year might be the result. A reservoir had, for example, been breached by a storm in 1850, and had continued in that helpless condition for two or three years, until the necessary repairs were effected. During those three years there was a loss of some £3,000 of current revenue in the aggregate; but in 1853 an engineer repaired the damage done to the reservoir, probably at a cost of £500. In a few years afterwards he prepared his accounts, and they were cooked thus:—The returns from irrigation in 1850, 1851, and 1852 were set down at nil, while the returns for 1853, 1854, and 1855 were set down at 10,000 rupees, as the result of a total expenditure of £500 in 1853, and the profits in that way calculated at 200 per cent. Profits made after that fashion were, however, merely imaginary gains; for in truth, by the outlay nothing had been obtained except the original rent of the soil; but it was in the manner which he described that accounts were cooked when he was in Madras, and they were, he believed, cooked in the same way up to the present moment. In 1851 the Government of India appointed Commissions for each Presidency in India to report on the state of public works in the several Presidencies. The Commission for Madras consisted of three persons. At its head was Mr. Bourdillon, a civilian, who was assisted by two military

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men. Mr. Bourdillon was a gentleman of considerable talent and a capital penman, and he wrote a most readable report, but one which he regretted to say was wholly unreliable. He and his brother Commissioners accepted as gospel all that was told them by the Engineer officers, and they inserted one chapter in their book to show that the works which had been devised by the Government Engineers' Department during the previous ten years—though some undertakings were acknowledged to have turned out failures—had each produced an aggregate profit of 100 per cent. per annum. Now, that was absolutely impossible. He would take the case of one great work of irrigation which was at the time being carried out by the Government for the purpose of watering part of the district of Rajahmundry. That undertaking had been in progress from 1848, some most expensive masonry work had to be constructed which occupied the Engineers for a period of two years, and the Commissioners declared in their report that the work already yielded 70 per cent. on the outlay. In 1854 the profit was represented to be 70 per cent., but the account was accompanied by a statement that such a dividend was only a small amount of profit, for in a few years the Commissioners asserted that the undertaking would yield a net return of £300,000 a year to Government, and a clear gain of £3,000,000 to the peasant proprietors. That statement was made by the Commissioners, and circulated over the world; and the Government allowed it to go forth as if it were true, though it was a perfect fabrication. Being on the spot, he set himself to work in order to discover whether there was the smallest ground for the statement of those imaginary profits—and he found that they were entirely fabulous—in point of fact, the weir across the river Godavery was only commenced in 1847. The channels and canals for irrigation were opened in 1851 and 1852: the profits could only commence from that date; and the public accounts proved that the rents in the district had not increased more than £4,000 a year in 1853 and 1854. There had been considerable inquiry into his charges; they were found to be true, and the facts were suppressed; but if any one doubted his statement he was ready to move for any inquiry as to whether those accounts had not been fabricated. In 1858 certain works were planned in connection with the Madras Presidency, of which Sir Arthur Cotton was the projecting engineer. A company was formed in London to carry them out, and it was proposed to raise £2,000,000 of capital, and to carry on the works on a great

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scale, solely on private account. A deputation from the company went to the India Office, then presided over by the noble Lord the Member for King's Lynn (Lord Stanley), who received them with great courtesy, and assured them that he felt a lively interest in the success of their suggestions. The noble Lord not only gave them a concession in India that they might have an opportunity of commencing their works, but he gave them a guarantee of 5 per cent. on £1,000,000 of their capital. On the faith of this guarantee they raised £1,000,000 of capital. In the years 1859, 1860, and 1861 money was plentiful and easily obtainable; the amount was paid at once into the Indian treasury, and £300,000 of interest had been paid under the guarantee, the works not yielding the smallest return. In 1866 the first £1,000,000 was expended and more money was wanted, but not 1s. could be got on the credit of the undertaking itself—and why? The reason was that the monied interests in England did not believe a word of the statements put forth by the projectors of cent. per cent. profits. Under these circumstances, the company had recently come forward as supplicants for a loan; they had recently asked the India Board to lend them £600,000, and he believed the Government would lend it. If so the money would be thrown away. The works would go on; for the directors received good salaries, and there was a profit to be got by employing their friends as engineers. In fact, the £600,000 would be good money thrown after bad. The same company in 1861 originated other public works. They obtained a concession to join the Mahanuddy river with Calcutta by means of a canal. The nominal capital was £3,000,000; they had raised a considerable sum of money under the representation that everything in India would yield cent per cent. But their shares were at £5 discount on £13 paid up, and he believed they would go down to zero: when that took place the company would get up complaints against the Government, and the Indian authorities would, to get rid of them, repay the whole outlay and take the works on public account. Such was the history of some of our public works. There was one more he would mention, the Great Ganges Canal. When in India he examined many of the great works, and found them to be great swindles. The engineer calculated on the works yielding 12½ per cent. Lord Dalhousie spoke of it in the highest terms as likely to be beneficial to the country, and he highly eulogized the engineer, who was made a Grand Cross of the Bath, and was provided with a seat in the Indian Council. Now the scheme was a

Canal from
the Mahanuddy
to Calcutta.

Ganges Canal.

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total failure. General Sir Arthur Cotton condemned the scheme, and proposed one of his own, which in turn was condemned by a body of engineers to whom it was referred. In the face of these enormous failures there was a plan in contemplation by the Indian Government of gigantic magnitude. Colonel Strachey had written to the Governor General, and proposed to make works for irrigation and navigation in all the Presidencies on a lavish scale. Sir John Lawrence approved the scheme; and asked the Government at home to borrow for it £20,000,000. Was this to be done? Were works of this costly nature to be entered upon while neither the Ganges Irrigation Company nor the Madras Irrigation Company yielded a profit? Colonel Strachey said he should not be surprised to see the works productive in ten years. Well, in ten years many of those now present would not be here to see whether the prophecy was fulfilled; and by that time also he was well assured the gallant projector would have retired from the service with a handsome competency. Did the Government mean to support this? If they did he would early next Session move an Address against any borrowing of money for these purposes, without the sanction of Parliament was first obtained.

MR. CRAWFORD said, that he would not occupy the attention of the House for any long time, because he thought the whole question of Indian finance had been explained to the House in a very clear manner by the noble Lord the Secretary for India (Viscount Cranbourne), by the hon. Member for Wick (Mr. Laing), and by the hon. Member for Halifax (Mr. Stansfeld), whose speech made one regret that the House had not long had the benefit of his talents in the transaction of Indian business. The hon. Member for Dumbartonshire (Mr. Smollett), who had just spoken, had told the House that he, as a Government officer in India, was engaged in cooking accounts.

Mr. Crawford.

MR. SMOLLETT said, that perhaps he had not fully explained himself. What he meant to say was, not that he had committed any fraud, but that the Returns to which he had referred were drawn up in a way to show a profit of 7 per cent., which, in his opinion, was not realized.

Mr. Smollett.

MR. CRAWFORD was glad that he had given to the hon. Member an opportunity of explaining, but he should rather be disposed to wait for the statements of others before he took for granted all that the hon. Member had asserted in disparagement of everything connected with the public accounts in India. He thought that the conclusion which every Member must come to was that the finances of India

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Advantages of
complete
system of
Railways.

were in a very satisfactory state. No doubt that, while the revenue of the country was flourishing, the charges were considerable; but, regard being had to the large amount of money expended on public works, it appeared that there was virtually a very considerable surplus for the public in India. The noble Lord hardly seemed to estimate sufficiently the advantages which would result to the public revenue from the completion of Indian railways, which he ventured to say would have the effect of causing no inconsiderable addition to the revenue of India. The two great Indian railways would connect one side with the other, from Bombay to Calcutta, with a communication from both places to Delhi. Before half-a-dozen years he anticipated an income of 10 per cent. on these lines. There was another point connected with the railways and the revenue of India. One effect of the increase of the railway communication in that country would be the greater consumption of salt. Now, the noble Lord when speaking of the falling off of the revenue had mixed up salt and saltpetre, which were two things having no relation one with the other. When the duty was placed upon saltpetre it was believed that the effect of this course would be to incite the inventive minds of the people in this country and various parts of Europe to discover a substitute; and already this had been done to a considerable extent. The noble Lord was also in error in regard to the public sales of opium in Calcutta. He spoke of private sales, but it should be understood that those sales were entirely in the hands of the Government, who put up such a quantity as they chose, the public having nothing to do with it. He entirely concurred in what had been said by the hon. Member for Wick (Mr. Laing), not fearing any considerable reduction in the revenue on account of the falling off of the sales of opium in Calcutta. It had been said that the Chinese were increasing their supply of this article, but they could only do so when prices were high, and then the taste of the opium of India was preferred to that of China. Reverting to the subject of railways in India, he wished to notice the statement of the noble Lord that the East India Railway had cost more per mile than the Great Indian Peninsula Railway itself. In the case of the latter line great natural difficulties had to be encountered in the shape of mountains to be traversed; but on the other hand, the East India Railway had to pass over several mighty rivers, and the bridges constructed for that purpose had cost more than the cutting through the mountain passes of the Great Indian Peninsula Railway. On the East India line there

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revenue.

Cost of East
Indian
Railway.

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were bridges approaching a mile in length, the materials of which had all been sent out from this country, and the whole of those structures had cost more than £1,000,000. The company had also suffered in various ways from the Indian mutiny, and the total loss they had incurred on that account was estimated at about £2,000,000. He mentioned those facts for the purpose of removing any impression which might prevail that the business of the East India Railway had been wastefully and imprudently conducted. He had every reason to believe that those Indian railways had been conducted in a manner which would do credit to any country in the world, and that they were in every respect equal, and in many respects superior, to our own first class railways. There was another point on which he should be glad to obtain some information from the noble Lord. It was understood that the introduction of a gold currency into India was exciting the attention of the Indian Government. He understood that a Commission had been sitting upon the subject, and that a Report had been already made to the Government. Now, it was a matter of considerable interest to the merchants of this country that the result of the inquiries of the Commissioners should be made known as soon as possible; and he hoped that if Parliament were not sitting at the time their Report arrived, the noble Lord would take care that the public should at once be made acquainted with its purport. The noble Lord would, perhaps, also inform them whether instructions had been sent out to India to send to this country the accumulations of gold which had taken place in the Indian Treasury. Those accumulations were suffered to amount to from £500,000 to £1,000,000, and the arrival of such an amount of bullion would, under present circumstances, be a matter of some importance in this country. He had to observe that he thought the hon. Member for Dumbartonshire (Mr. Smollett) had done some injustice to Colonel Strachey. That gentleman had for many years been connected with public works in India; and he (Mr. Crawford) believed that there was no other officer in that country to whom the Government, the public, and, in particular, all persons interested in railway enterprise, were under greater obligation.

LORD WILLIAM HAY said, that as he had spent many years in India he hoped he might be allowed to take an humble part in the discussion. The noble Lord the Secretary for India had expressed some surprise at the small amount of revenue yielded by the Excise duties in India; but the noble Lord seemed to have forgotten that, unlike

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Europeans, neither Mahommedans nor Hindoos drank intoxicating liquors of any kind; and, indeed, looked upon the tendency of our rule to give encouragement to the use of such drinks as one of the evils by which it was attended. As to the income tax it was most desirable that it should be abolished, not only because a distinct pledge had been given by the Government to that effect, but because it was a tax most unsuited to the country. The noble Lord referred to the excessive percentage of incorrect income tax returns furnished by the Natives of India, and said that they contrasted most unfavorably with similar returns in England. But he would suggest that if the returns obtained in England were scrutinized, as in India, by foreigners bent on realizing as much as possible, a very different view of their accuracy might be the result. The noble Lord had said that this was a time when peace and prosperity reigned throughout India, and that there was little to do but to develop the resources of the country, and raise the moral and intellectual character of the people. The great improvements which had taken place in the communications with India and in India, by means of railways, roads, and otherwise, had on the other hand not been altogether without danger to our rule, because they had made the Natives better acquainted, not with our strong points only, but also with our weak points, and it was a great mistake to suppose that either the Hindoo or Mahommedan would be content, without another struggle, to see the power which they once exercised pass away from them. Our obvious duty was, therefore, to take measures to render our position more secure, and that could only be done by placing our military defences on a proper footing. He would ask what had been done to protect the ports of Calcutta, Bombay, and Kurrachee? These important seats of commerce were undefended, and he did not believe there was a single gunboat on such rivers as the Ganges and Jumna. But the point he wished to draw particular attention to was the gradual increase of the force known as the police force, which the hon. Member for Aberdeen (Colonel Sykes) last year said amounted to no less than 154,000 men—an armed force, dispersed throughout the country, and at liberty to do what they pleased. Upon that the hon. Member for Perth (Mr. A. Kinnaird) remarked that if they were armed it was the exception, not the rule; and the Secretary for India said that the police did not in most cases carry arms. Now he (Lord William Hay) had himself seen so many of these men carrying arms that he could not place much confidence in these statements; and

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having written to a friend in India, an excellent authority on the subject, he could state that the account that he had received was totally inconsistent with these official denials. His correspondent—one of the most distinguished officers in India—said that the Indian police force was in reality a Native army in disguise, that they were constantly seen drilling with muskets in their hand, and that for the purposes of a police force they were quite a failure. If the police were unarmed and scattered through the country little danger could arise from them; but, believing that they were armed, he thought they were more dangerous scattered all over the country than if collected in regiments at stations, where they might be controlled by the European forces at our disposal. But the police was not only dangerous on account of its military character; it was also a very expensive body, and there was a most extraordinary difference in its cost in the different Presidencies. For instance in Bengal, with a population of about 40,000,000, the cost of the police was only £12,000 per 1,000,000. But in Burmah, with a population of 2,000,000, the cost was £119,000; whereas, in proportion to the population of Bengal, it should be £24,000. In Madras, the cost of the police was £353,000; but, according to the Bengal proportion, it should be no more than £276,000. In Bombay the contrast was still more striking, the cost of the police being £390,000; whereas, according to the Bengal proportion, it should be only £144,000. He thought the charge under the head of "Forests" required attention. In 1864-5 the expenditure was £187,000, whereas in 1865-6 it was £300,000. Some reason should be given for this. The increase in the revenue was very small, but the increase in establishment was very large. The hon. Member for London seemed to think that what are described in India as "forests" are tracts of land on which timber trees are exclusively grown; the fact being that in many forests nothing is grown except shrubs, low trees, and brushwood, fit only for fuel. The importance or rather the indispensable necessity of preserving these forests will be readily conceded when it is remembered that many thousands of people and many hundreds of miles of railway must for years to come depend for fuel on the wood grown in them. Hitherto there had been no system whatever in the management of these forests. For the most part they were intrusted to doctors having a knowledge of botany, or military men skilled in sporting; but no attempt was made to introduce a real system of forest management. In Germany, Switzerland, and France, forest manage-

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ment was reduced to system and taught in colleges. It would be the greatest possible benefit to India if persons so educated were sent to India and placed in charge of these forests, instead of their being left in the hands of amateurs. The increase of pauperism in India also demanded serious consideration. He referred to those European vagrants who were now found wandering all over India, many of whom had been soldiers, but whom their comrades were glad to get rid of—a set of ruffians whose violence and misconduct made them a terror to the population, and whose influence on the Natives was an especial source of danger. It would be interesting to know what steps had been or would be taken to remove this great and growing evil. With regard to the amount spent on public works of a remunerative character, there had been a good deal of exaggeration. Many of these works undertaken were indispensably necessary for the defence of the country against internal and external foes; and it would be found, if a calculation were made, that after all very little money had been spent on any other account. Nor did he regret this. It was certainly desirable that in improvement works the initiative should be taken, as far as possible, by the Government; but when they became remunerative Government should dis sever itself from them. It had been said that the annexation policy had resulted in the greatest harm to India, but his experience induced him to form a contrary opinion. When he went to India, more than twenty years ago, the Punjab had not been annexed; it was filled with native soldiers, armed and trained by Europeans—Frenchmen and Italians—of great energy and ability, and if it had not been taken possession of our position in India would, at this moment, be most insecure. Annexation was, in his opinion, a necessity; it was the policy of the late Lord Dalhousie, to whom England owed the security of her position in India. In conclusion, he would venture to express the opinion that if the Government of India would mainly devote its energies to strengthening the defences of the country, to placing the army and the police on a sound and well-organized basis, and to improving the means of communication both by land and water, the further development of the resources of India might safely be left to English capital and to private enterprise.

Sir J. Fer-
gusson.

SIR JAMES FERGUSSON said, the short time he had been in office, and the inferior knowledge he possessed on Indian subjects compared with other hon. Members in that House, made him somewhat delicate in expressing his opinions upon

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this question. Some things, however, had been said in the course of this debate which he thought ought not to be allowed to pass without some remark. The hon. Member for Wick (Mr. Laing) was one of the most friendly of critics, for he had taken a more favourable view of the financial prospects of India than even his noble Friend (Viscount Cranbourne) had done. He (Sir James Fergusson) should not have referred to the remarks of the hon. Member for Wick had he not fixed on the policy pursued since the year 1861 as the cause of India's prosperity. Those who were acquainted with the history of India must admit that its present increasing revenue, its improved condition, and its internal tranquillity were owing very much to the energy and money expended during the years preceding 1861. Though unproductive at the time, the policy pursued in those earlier years had resulted in present benefits in accordance with the expectations of its promoters. The vast drains upon the National Exchequer previous to 1861 were consequent upon the carrying out of great public works in India, rivalling, and in some cases exceeding, in greatness the works of the old Indian princes, and these until very recently had produced no return. As to the process of annexation which had been referred to, and which had, happily, been discontinued, he regarded it as having been forced upon us, and pursued from high and imperative motives if not in self-preservation. Then, the great work of uniting the various provinces of India produced its fruits in these later days; at our greatest need the greatest of our recent acquisitions had proved the means of recovering the rest; and in every direction they were reminded that, although the more recent policy pursued in India had been wise and fruitful, those who laboured there in former times should not be refused their meed of praise. The hon. Member for Wick referred to some of the public works that were going on in India of an unproductive character, and amongst those he had classed expenditure for barrack establishments. But though in one sense barracks were unproductive, there was no description of works by which a more desirable saving might be effected. One of the great expenses connected with the Government of India was occasioned by the large casualties among the British troops. It should be recollected that it cost the country £100 to place a soldier in India, and anything that tended to reduce the mortality of our troops there must be looked upon as a work of a reproductive character. Statistics showed that while ten years ago the mortality among European soldiers in India

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blishments.

reached 69 per 1,000, the ratio was reduced last year to 21 per 1,000. No better proof of the advantage of such expenditure could be given. The hon. Member for Wick referred to the police establishments in India, but the fact was that the substitution of a less disciplined force for the regular military was only the change of one army for another. In particular districts where there existed circumstances of peculiar danger the police were armed with muskets. But that state of things might be taken as an exception to the general rule. They were at first armed with cutlasses, but these weapons were being gradually substituted for batons, with which they were now generally armed. If they had been a great expense to the country, it would, at all events, be gratifying to know that good results had arisen from their maintenance. From papers which had been recently presented to hon. Gentlemen, it would be seen that in Bengal the police force numbered 26,591 men. That was doubtless a large number, but the returns stated that it was necessary, particularly in Calcutta, to increase it, inasmuch as it was found that the existing force was insufficient to hold the criminal and riotous Europeans in check. Great fault had been found with the old village police, and a disposition had been shown to substitute this more efficient and better disciplined body for the old and uncertain force. In the North-Western Provinces the new police force had already shown itself superior to the old force, and especially in what used to be its weak point—the detection of crime. It had also improved in its *morale*, the complaints of corruption being now exceedingly rare. Measures for the detection of crime were now more effectual, and numerous captures had been made. To whatever cause the increase of crime might be attributable it certainly did not arise from the insufficiency of or deterioration in the police. In the central provinces the number of convictions for burglary and ordinary theft had increased. The proportion of apprehensions and convictions, as compared with the number of cases charged, exhibited a great improvement, although the detective ability of the force seemed still to be rather deficient. The force was rather popular than otherwise among the people, and, with strict supervision, it proved a very valuable body. In British Burmah their discipline was improved and their conduct steady, and, on the whole, the police force of India was looking well, but it was necessary to have strict supervision over it. The hon. Member for Wick had referred to an important question—that of the army—and said that he looked upon the Indian army as containing one of the few

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elements of danger with which this country was threatened. He (Sir James Fergusson) would not enter into the question of the organization of the officers of the Indian army, which would have the serious attention of the Secretary of State, and no time would be lost in promulgating the result which might be arrived at. The question formed one of those difficulties the existence of which must involve many complaints; but he was convinced that there has always been a desire to deal fairly with the officers of the army, as with all ranks of the service, and one more attempt was being made to reconcile the differences which existed, and he hoped it would be attended by better results than those which had attended previous attempts. He felt sure—and that was his reason for touching upon this point—he felt sure that no complaints which the officers had made, and no discontent which they might feel with their lot, would ever cause one element of danger to Her Majesty's Indian Empire, or make them less ready than they had hitherto been to do their duty, or to enforce discipline and loyalty among their men. With regard to the question of public works, his hon. Friend the Member for Dumbartonshire (Mr. Smollett) had made statements which ought not to pass unchallenged, alleging that the public money had been expended upon unproductive works. It was not to be doubted, nor was it disputed, that in some cases the works had not realized the expectations of their projectors. In some cases they had been failures, and in some cases they were unfinished; but to say that the public works of India with regard to communication—the hon. Member had not, however, said anything against the railways—to say that those works had not conferred a great blessing upon our Indian Empire, was to say that which was entirely inconsistent with the facts of the case. The hon. Gentleman had referred to the Godavery River. In consequence of the allegation of his hon. Friend when resident in that country an inquiry had been held under the Board of Revenue with respect to the work done there, and one of the results of that inquiry had been that a picture had been drawn comparing the state of the country before those works commenced with the state in which it was placed after they were completed, showing that a district which was before a wilderness had grown into a garden. To procure the irrigation of this district a weir of 3,950 yards had been constructed. The hon. Member referred to that work, and seemed to think that the money expended might as well have been thrown into the river.

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The Army, and
complaints of
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Benefit of
Public Works.

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Mr. Smollett.

MR. SMOLLETT denied that he had said that. What he had said was, that up to the year 1855 that work, on which £300,000 had been expended, was said to have yielded 70 per. cent. of profit, and that in a few years it would yield £300,000 of profit, whereas up to the year 1855, it had never returned more than £204,000, and that was only £1,000 more than the amount of the permanent settlement fixed fifty years before.

Sir J.
Fergusson.

SIR JAMES FERGUSSON said, it was not his province to defend the Reports of 1855, but to show the state of the country at the present time. The district was intersected by canals, and altogether 780,000 acres of land were irrigated. As to the Ganges Canal, it was true that, on account of the channel having too great an inclination, the work had not fully realized the expectations that were entertained; but measures were determined on to remedy the defects of construction. It had conferred incalculable benefit on the country that was irrigated by it, as was proved by the revenue derived from it, which in last year alone increased by £21,000. The irrigation works on the Kistnah were in a forward state for a considerable distance. His hon. Friend laid great stress on the Madras Company having as yet got no return, though they constructed the work under the guarantee of the Government, but it would be very odd if they got any before it was completed. Bridges and other extensive operations were being carried out, and there was a provision in the agreement that, if not finished by 1871, the work should be made over to the Government, who would be able to make a good use of it, even if the Company did not previously do so. Her Majesty's Government had been blamed in past years for not having expended more money on such undertakings, but they were certainly not liable to this reproach now. Their grants, however, were made with due regard to economy, and the strictest supervision was exercised. He believed the works now in progress were not unworthy of a great nation, and would prove extremely beneficial to India. In reply to the question whether a loan of £20,000,000 was about to be opened by the Government, he was happy to say that there was not the slightest chance of the Secretary of State rushing into the market with any such alarming project. The policy pursued by the Government was to consider each measure by itself, and when one was determined on to take such steps as might be necessary to carry it out. With regard to road-making, he need hardly point out that this was perhaps the most remunerative of all public works in India, for the reason why the

Importance of
Roads.

Mr. Smollett—Sir James Fergusson.

traffic on some of the railways was insufficient to yield any return was that roads to communicate with them were not made fast enough. The noble Lord the Member for Taunton (Lord William Hay) had referred to the defences of India, and he could assure him that measures of defence for the harbours and rivers were being considered, and would, he hoped, be carried out. In conclusion, he defended the character of Colonel Strachey from some observations that had been made, remarking that that officer was devoted to his profession and to the public service, and that no works under his supervision could be either extravagant or ridiculous.

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MR. J. B. SMITH complimented the noble Lord the Secretary of State for India upon the able statement he had made to the Committee after only being a fortnight in office. He suggested the propriety of bringing forward the Indian budget earlier in the Session. He saw no reason why the accounts should not be presented to Parliament on the first day of the Session, so that there would be ample time for discussing their details before the pressure of business became too great to permit hon. Members to go minutely into them. It was a matter which had long engaged the attention of hon. Members interested in Indian affairs, and he hoped the noble Lord would adopt that course in future. He hoped this would be the last time they would see the affairs of India brought forward in that House on the eve of the whitebait dinner. It was a mistake to suppose that between three and four millions of money were expended annually on reproductive works in India. Out of the sum of £5,131,000 put down as expended for public works in 1865, he found that £1,358,000 only was for reproductive works—such as bridges and canals—all the rest being for military barracks and similar works. The erroneous and wasteful practice of the East India Company he regretted to see continued by the Government of India—namely, the execution of great public works out of surplus revenue only. A public work, when commenced, should be finished with as little delay as possible, but the Indian Government had a variety of works on hand to which annual grants were made out of surplus revenue, if any, and consequently they remained for years unfinished, in the end costing two or three times as much as they would have done if completed at once. He was glad to hear that the Government had at length decided upon opening out the river Godavery, a work which he had urged during the last ten years. This river is the Mississippi of India, and will become the highway to the

Mr. J. B. Smith.

Earlier production of Indian Budget.

Public Works.

Mr. J. B. Smith.

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riches of Central India. He hoped, in the execution of this work, there would not be a repetition of the folly of past times. As an example of the way in which public works were made, he would mention that in 1859 the engineer of the Godavery, being in England, obtained a grant of £7,000 for the purchase of tools; but when they arrived in India they were of no use, as he had no means to employ men to use them. It was not until November 1860 that he received a communication that £30,000 was granted to proceed with the works. It was difficult to meet with suitable workmen on the spot, and some had to be obtained from a distance of 200 miles. He had scarcely begun to set his men to work when an inquiry came from the Treasury whether he had spent the £30,000, and stating that the grant was only made for the financial year ending in April, and the balance unexpended must therefore be returned to the Treasury. He had spent in the five months only about £7,000, and the remainder he had to return: the consequence was, he had to dismiss the men he had with so much difficulty engaged. As soon as Lord Canning heard that the works were suspended, he ordered the grant to be renewed; but the engineer found great difficulty in engaging fresh workmen at 20 per cent. increased wages. If the Government will persist in the folly of executing public works out of the public revenue, it should finish one thing at a time, and not give a little to one and a little to another and be twenty years before the whole were finished. Public works ought to be executed by means of loans, and not out of revenue. From a return he had obtained, he found that some of the Madras irrigation public works had paid as much as 200 to 300 per cent. per annum, arising probably in these cases from the repair or the completion of old works; but the average return of all the works was 40 per cent. per annum on the whole sum expended. He thought that was an encouragement to proceed with others. It was now found that there were some defects in the engineering part of the Ganges Canal, but it was probable they might be remedied. It would appear that there were two schools of engineers in India pitted against each other—namely, the Madras and Bengal engineers. The Ganges Canal was constructed by the Bengal engineers, and a great controversy had taken place upon the subject. It appeared to him, from reading both sides, that Sir Arthur Cotton, one of the Madras engineers, had the best of the argument. Sir Arthur Cotton had been to the canal, and suggested certain means for remedying the defects, but the Bengal engineers

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demurred to it, and the Government appointed Major Crofton to decide between the rival engineers. Major Crofton and Sir Arthur Cotton also differed, and the Government then appointed a Commission composed of several other engineers to proceed to the works and report. Sir Arthur Cotton objected to this appointment, on the ground that where there was a difference of opinion it should be reported on by a superior engineer, and he contended that the persons who had been selected had never executed similar works themselves. Major Crofton was to accompany the Commission to the works, and point out what he considered was necessary to be done, and Sir Arthur Cotton complained that he also ought to have an opportunity of showing the Commission what he considered were the defects of construction. The matter was so important that he (Mr. J. B. Smith) suggested that a Royal Commission or a Committee of the House should be appointed to examine into all the circumstances out of which the dispute arose. He saw with regret that there was no decrease in the amount of the military expenditure, and he would suggest to the noble Lord that if the army were armed with breechloading weapons the number of soldiers might safely be materially reduced. It appeared to him that the best defence of India was founded upon a just government of that country, and he was glad to find that the noble Lord intended to base his rule upon the royal proclamation issued by the present Secretary of State for Foreign Affairs (Lord Stanley)—a proclamation which was received with acclamation by the people, and regarded by them as the Magna Charta of India.

Reduction
of military
expenditure.

COLONEL SYKES: Sir, at this late hour I will not discuss financial details; but, in the interest of England and India, I will make some observations on the military policy of the British Government since the extinction of the political authority of the East India Company. The East India Company had a local European army, of artillery, cavalry, and infantry, latterly exceeding 20,000 men; three of the infantry regiments had been continuously 100 years in India from the battle of Plassey, and the artillery of that army, whether in science or discipline, was equal to that of any western Government. Regimental reliefs were not required, and time-expired men very generally re-enlisted, owing to the prospects of employment in the civil branches of the ordnance, commissariat, or public works; influenced also very much by many having married native wives, and looking to a permanent residence in India. The native regiments were effective and sufficiently officered when they took the

Col. Sykes.

State of Army
in time of East
India Company
and since.*Colonel Sykes.*

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field; because at that time all staff officers were obliged temporarily to vacate their staff appointments and join their regiments while on the field. The officers and men were attached to each other from long association. Such was the system under the East India Company—efficient and comparatively inexpensive. And now, Sir, I will point out to the House the amalgamation military policy which, since February 1861, has been substituted for this system, and its effects. From a return which I hold in my hand, and which was ordered to be printed in February 1865, but a copy of which I only obtained yesterday, the number is shown of deaths, time-expired men, invalids, regiments relieved from India, recruits sent out annually, and the regiments sent to India as relief of the Royal troops, together with the cost of transit in the years 1860, 1861, 1862, 1863 and 1864. In those five years the total vacancies of officers and men from all causes have amounted to 40,523, inclusive of 1,041 officers, or at the rate of 8,105 annually; and the cost of the passage-money of the time-expired men and invalids (officers and men) has exceeded £500,000, and more than another £500,000—£526,485—has been spent in bringing entire regiments home, consisting of 848 officers, and 21,136 men. The cost of sending out 18,620 recruits and 525 officers was £232,845. Reliefs of regiments only commenced in 1863 and 1864, and in those two years 465 officers and 10,000 men were sent at a cost of £141,246. An important feature is developed in these two years. The vacancies by deaths, time-expired men, and invalids, amounted to 13,757, including 467 officers; and their places were only supplied by 5,812, including 217 officers. The deficiency in the supply of numbers by deaths and invalids of 7,945 men was partly made up by sending out stronger regiments than those relieved—namely, 10,465, including 465 officers, against 6,036, including 259 officers, leaving, however, 3,716 vacancies by deaths, &c., unfilled. Sir, I have brought the policy of maintaining an overwhelming European force in India to that point when it must be evident, if the official figures be trustworthy, that we do not supply the vacancies which annually occur in that force, and that it is highly impolitic to attempt to do so, as it is a dangerous drain upon the youthful blood and sinew of our people. In fact, we have 31,000 European troops in India more than the East India Company maintained, including the Royal Contingent before the Mutiny, and that number is more than our present relations with the people of India require. And now, Sir, a few words on the subject of our

Colonel Sykes.

military policy in respect to the Native troops in India. For 100 years past the three Native armies of India have fought our battles, with rare instances of defeat. Their regimental organization and discipline generally equalled that of European troops; and I speak from long experience as a Sepoy officer. The individual cost of the Sepoy was from one-eighth to one-fourth of the cost of the European soldier, including their pensions. They were contented, respectful, and efficient; and the command of a regiment occasioned less trouble than the command of a company of Europeans. Our fatal policy of 1861 has sadly altered this state of matters. Our folly in outraging the religious prejudices of the high caste veterans of the Bengal army, Brahmins and Rajpoots, and bigotted Pathan Mahomedans, occasioned the lamentable mutiny of six-eighths of the Bengal army; but the Native armies of Bombay and Madras remained loyal, and their loyalty saved us from being driven to the coast. The panic, however, occasioned by the Mutiny occasioned a general distrust of the Native soldiery. It was resolved to diminish their numbers and their efficiency. The veterans were degraded into irregulars, armed with the old musket; and an effectual mode was adopted of weakening the efficiency of Native troops in the field by limiting the number of European officers to each regiment to six instead of fifteen or twenty; for all officers who have served with Native troops know that their serviceableness in the field depends upon the number of their European leaders. The regimental organization of the European officers has been abolished, and they are posted to do duty with regiments with which they have never served, and with the men of which they therefore cannot have any community of interests or feeling. The result of this hasty and blind policy is universal discontent and distrust in the Government by officers and men, the more so as the loyal Native armies of Madras and Bombay feel themselves unjustly punished for the misconduct of the Bengal Native troops. Sir, I have felt it my duty to give this expression of my opinion of the military policy which has been adopted since 1860; and I feel assured that the noble Lord's means of reducing the present enormous military expenditure in India, and reviv-
ing the old attachment of the native soldiery, will only be in the ratio of his approximation to the successful system of the East India Company—namely, a local European force and a properly officered Native army.

MR. LIDDELL complained that though the Indian budget was not brought forward till so late a period of the

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Military
policy towards
native troops.

Mr. Liddell.

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Want of in-
formation of
Indian
subjects for
discussion.

Prosecution of
Public Works.

Session, the Department had not yet furnished Members of the House with the papers on the subject. The information they contained—to which his hon. Friend the Under Secretary of State for India had made so much reference—were really the only official sources of information open to hon. Members, and it was therefore a fair ground for complaint that the House should be called on to discuss the affairs of India, and to exercise its supervision upon the policy of the Indian Government before those papers had been distributed. He had heard with great pleasure the declaration of his noble Friend that evening that the policy of the Government would be to push forward the public works to the utmost, but he desired to ask his noble Friend an important question in reference to this subject. He held in his hand the opinion, signed by Sir John Lawrence and, he believed, by all the members of his Council, that “no reliance can be placed on the ordinary revenue of India for giving effect to this class of works (irrigation works) so essential to the well-being of the country.” His noble Friend had shown such ability and power in mastering details within a short period that a subject of this grave importance was not likely to have escaped him. If the ordinary revenue could not be relied on for carrying into effect a proper system of irrigation, what did he propose to do? One of these schemes of irrigation involved no less an ultimate expenditure than £29,000,000, and as much as £20,000,000 within the next ten years. This scheme had received the sanction of the Governor General and the greater part of his Council, and had been sanctioned also by Lord Halifax: it must be considered to have reached a certain degree of maturity, and it seemed to him that it was of so much importance that the House was called upon to express its opinion in reference to it, and not to leave it to be adopted or rejected by the Secretary of State for India. Still, he congratulated his noble Friend upon the success which had attended the inauguration of his policy in the House. He felt that, as an independent Member, he was justified in inquiring of his noble Friend in what way he contemplated carrying out that policy. A very significant speech had been made in the course of the debate by the noble Lord opposite (Lord William Hay), that as soon as the public works in India became remunerative the Government ought to abandon them. But that would be the strongest reason why the Government ought not to undertake them. India was often described as a great trust, and, undoubtedly, it was the greatest trust which Providence ever

Mr. Liddell.

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committed to one nation. It was on behalf of India, then, that he raised this question. While engineers were discussing the merits of schemes, and while Governments were hesitating, the people of India were starving. A remarkable illustration of this was furnished by the fate of the project for the irrigation of Behar. Lord Canning had before him a project for irrigation works in that province, and invited tenders for their construction. But the scheme fell through, and the province had since suffered severely from famine. In fulfilling, therefore, the trust which had been committed to us, these great and indispensable works must not be delayed. How did his noble Friend propose to push them on? By a loan, or out of the revenue of the year? This revenue was declared to be totally inadequate for the purpose, and it seemed to him, therefore, that there was no choice but to proceed by way of loan. The expense of permanent works ought not to be borne by the present generation. The benefit was a permanent one, and part of the cost should be borne by posterity. These works could not be carried out upon the scale and with the rapidity which was necessary, except by loans, and it would be requisite also that competent men should be provided in this country, seeing that in India the staff of engineers would not be sufficient to superintend the construction of such works. His noble Friend had shown such a capacity for mastering in a very short time the details of a difficult and complicated subject that he hoped he would be able to give an explanation on this subject, and that it had not escaped his attention, notwithstanding the brief period during which he had held office.

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MR. AYRTON said, that the great amount of mental labour which the Secretary for India had already bestowed upon this subject led to the hope that the noble Lord would not follow in the footsteps of his predecessor, and suppose that nothing should be done to improve the administration of India, and that that administration was perfect. He could not help inferring from an observation which had dropped from the noble Lord that he was about to enter upon a very useless proceeding—namely, to invite the House to put upon its journals the very dull and uninteresting historical fact that on the 30th of April 1865, the revenues of India amounted to a certain sum, the expenditure to another sum, leaving a certain balance. What was the use of the House of Commons resolving itself into a Committee about a state of things existing a year ago without expressing any opinion upon the subject? We had by law

Mr. Ayrton.

Mr. Ayrton

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Absence of
Financial
Statement
made in India.

transferred the administration of the finances of India to an authority there with power to legislate upon them, and in the early part of the year a financial statement was made in India. That statement was not laid upon the table of the House of Commons, and therefore the noble Lord had been quoting from a document of which they knew nothing. When we handed over Indian finance to an independent authority in India, we might very well dispense with all reference to the matter here. We might as well deal with the affairs of the reign of Queen Anne as with the Indian finances of 1864-5. What the House of Commons ought to deal with was a very grave matter—namely, that a Minister of the Crown should have power to expend millions without being under the control of that House. When he recollected the sort of contracts late Secretaries of State for India had been entering upon for the building of ships and other matters, he felt that it was high time to put an end to such a system. He ventured to submit to the noble Lord, who had taken up this business with ingenuousness and frankness, that it would be better to put an end to the farce of late years, and to submit to the House of Commons a statement of the finances for the ensuing year. In such a case as that they would be sitting there to some purpose, for the House would then be charged with a responsible duty; whereas under the present system, when hon. Gentlemen were called upon to attend to a mere historical fact, it was highly creditable to them that they declined to do so, and walked out of the House. A great part of this discussion had turned upon the proceedings of the Government in India with respect to public works. But that was a phrase which was evidently calculated to mislead those who were accustomed to a different state of things in this country. In India what were called “public works” included everything in the nature of expenditure. Now, there was no combined account of the whole income and expenditure of the different departments in India under the several heads. The consequence was there was no accurate statement of the financial condition of India, no correct balance-sheet. That circumstance had been admirably illustrated by the various statements that had been made in the course of the discussion of the military expenditure of India for the year. The noble Lord might say that there was at least a detailed account—that there was the expenditure of the army in India and the military charges connected with that army in England. And yet both together did not make up the whole. Though they might have £13,500,000 for the army

Correct
balance sheet.

Mr. Ayrton.

in India, and a certain specified sum for military expenses in England, there was £800,000 besides in another part of the account to be added for barracks and other military buildings. The noble Lord ought to consider whether he could not produce a complete balance-sheet showing the whole expenditure. It was in vain to discuss the expenditure on public works, for there was no organization at all in India with reference to those works. The whole state of affairs was a perfect chaos in that respect, and no one was responsible. The Council of India was originally of a limited character, and when its defects were brought under the notice of Parliament it was thought right first to appoint a person of legal attainments in connection with it, and afterwards a Minister of Finance. Two great departments were thus placed under the supervision of distinct members of the Council; but they had got no further. The want of responsibility was one of the main causes of that grievous misapplication of the public money which had been so often described, but which was only a small part of the blundering connected with the public works of India. Until they had in the Council of the Governor General persons specially charged with responsibility in reference to the duties of commerce, agriculture, and other particular interests of the country, they would have a repetition of the blundering which had been going on year after year, and which had wasted not merely hundreds of thousands, but millions in India. If the noble Lord wished to see a real improvement, he must begin by reorganizing the Indian Council, and placing it on a footing commensurate with the present condition of affairs. Another defect in the Indian Council was this—according to the law the Governor General was compelled to act by the decision of his whole Council, and everything was to be done with every member of it; but that had become an impossible mode of conducting the business of India which must be divided into distinct departments, so that the Governor General should have the power of acting with the person charged with each particular department. When the former Government of Lord Derby brought in a Bill putting an end to the old Court of Directors, it was not proposed that the members of the new Council should hold office for life; but, unfortunately, the Committee yielded to a suggestion of Lord John Russell, and appointed them for life; and the Government of Lord Derby, in the circumstances in which it was placed, was almost compelled to accept the suggestion. The noble Lord ought to review this matter, and if he would promise to legislate next Session so

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as to limit the office of Member of the Council of India, he would be certain to receive support from that side. The time had come for infusing new life and energy into the Council which was falling into decay from extreme old age. If new life were infused into it, he felt certain that, combined with the noble Lord's own energy, business would be conducted with much greater satisfaction to the people of India. At present it was deplorable to have to transact any business with the Secretary to the Council, or with the Indian Government. He had been told that it was impossible to get a letter answered by them under twelve months. At present vast resources in India were locked up from the incapacity of the Government. If they were opened up he expected to see a great and permanent increase in the agriculture and commerce of India; but until they struck at the root of the evil, things would go on as they had done for the last few years.

Mr. Seymour.

Indian
accounts made
up to
December.

Mode of
carrying on
Public Works.

MR. H. D. SEYMOUR must congratulate his noble Friend the Secretary for India upon the success which had attended his statement to-night, and also upon the liberal policy which he had announced on the part of the Government. He wished to ask him whether he had taken steps to have the Indian accounts made up at an earlier period—say the 31st of December—so that they might be printed in time for the meeting of Parliament. He was glad to hear from the noble Lord that the new Ministry were not in favor of the policy of annexation. He understood that an unquiet feeling existed in India on this subject, that there were officials in high places who had designs upon Scindia and Holkar, and that even the past services of the princes of the Rajpoot States were in danger of being forgotten. In Mr. Massey's able statement a doubt was expressed as to the best mode of carrying out public works—whether it should be by private or by public enterprise. It was said that the Indian Council were divided in opinion on that point, and that higher authorities were for doing away with private enterprise for such works. Yet these men had been themselves the servants of a joint-stock company which had first conquered and then governed India. There was no policy so dangerous as that of erecting a great bureaucracy in India for the exclusive execution of all the public works. He approved the expenditure for public works, but he was informed that the department was in a most disorganized condition. There was a want of supervision, and he doubted whether the sum of £5,000,000 or £6,000,000 was spent as profitably as if the same sum were employed by private

Mr. H. D. Seymour.

enterprise. The education department was increasing, but there was reason to believe that a large and increasing proportion went in high salaries to officers, and a very small proportion in the real education of the people. Could the noble Lord give the House any information about the department of public accounts? Lord Halifax told them that two gentlemen had been sent out from England to put the accounts in a better state. Unfortunately, they both succumbed to the climate, and died shortly after their arrival. He rejoiced to hear of the liberal policy of the Government. It was an ominous fact, and one that ought to be explained, that the revenue from Customs was not increasing, and there was reason to fear that in India, as was once the case in France, large masses of silver were buried in the earth. If the natives could be induced to invest their wealth in the development of agriculture, there was no reason why the progress of India should not equal that of the United States.

VISCOUNT CRANBOURNE acknowledged the friendly spirit in which his statement had been received by all who had taken part in the debate, and especially by the hon. Member for Halifax (Mr. Stansfeld); and said that so many questions had been addressed to him that it would be impossible for him to weld his replies into a consistent whole. He did not know how much harm might result if he were not to repudiate the terrible idea broached by the last speaker, that there was some notion of dethroning the rulers Scindia and Holkar; but he did not know what foundation there could be for it unless the hon. Member had received a private telegram from Sir John Lawrence. Towards all the Native princes with whom we were on terms of amity the Government earnestly desired to continue the moderate and friendly policy inaugurated by Canning. There was no foundation for the tragic tale that two Treasury officials who had gone out to India to arrange the accounts had died in the attempt. On the contrary, it appeared from the statement laid on the table of the House by his predecessor that the two gentlemen had returned, and presented their final report of the measures adopted. He sympathized with the complaints made as to the way the public works were entered in the accounts. It was impossible to determine with accuracy whether public works ought to be charged to capital account or to revenue account; but the alterations that were necessary for obviating this difficulty might easily be made. He would not renew the controversy as to the buoyancy of the Indian revenue, of which the hon. Member for Wick (Mr. Laing) was a better judge than himself; but

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Public
accounts.

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Cranbourne.

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the hon. Member misunderstood his argument, which was that the admitted increase arose from articles upon which we could not permanently rely. He sincerely hoped that the view of the hon. Member would prove to be the accurate one. He was anxious to correct the impression, not shared by the hon. Member for Halifax, that he censured the course Mr. Massey had taken. Under the circumstances he admitted that Mr. Massey had no choice but to refuse to raise any further taxes. It was obvious that the state of affairs in India and the condition of the money market would have made it exceedingly inexpedient to impose new taxes. Considering, too, the large amount he was placing to the credit of public works, there could be no doubt he would not have been justified in throwing additional burdens upon the inhabitants. No one could doubt that a railway to Peshawur was a necessity, but it was a question of money; it would cost five or six millions, which was not easily obtained. With respect to the questions whether he would carry on public works out of taxation or by loan, he would be sorry to pledge himself not to ask for a loan, or not to submit any scheme that Parliament would support and that ought to be adopted. At present, however, a loan was simply impossible, and would only damage the credit of the railway on account of which it was asked for. It seemed to be imagined that if money were found, public works would of course advance, but labour was not always to be had; for, large as the labour supply of India was, it had been taxed enormously, and in some places wages had been quadrupled. After such a rise it was clear that there must be a limit to the expenditure in labour. The difficulty in the way of concentrating expenditure was that labourers could not be brought together, and money was necessarily expended upon separate public works, because it was expedient to utilize the supply of labour which existed in different parts of the country. As far as he could ascertain, it was a mistake to suppose that the existing railway companies had not at their disposal sufficient means to provide the necessary rolling-stock. This was one of the first matters he inquired into, and he believed that the only limit to the supply was the ability of those from whom it was ordered to furnish it. He should have been thoroughly ashamed of the mistake imputed to him by the hon. Member for the City of London that he had confused salt with saltpetre; but the hon. Member himself could hardly be aware that a certain amount of chloride of sodium, or common salt, was produced in the manufacture of saltpetre; and, therefore, the

Saltpetre.

Viscount Cranborne.

production of saltpetre and the salt increased or diminished together, and the two trades were correspondingly affected. With regard to the question of a gold currency for India, it had been referred by the Governor General to a Committee, which had not yet made its Report; but when the Report came home he hoped it would be acted upon as rapidly as circumstances would permit. A good deal of anxiety had been expressed to have the financial statement for India made at an earlier period of the Session, and in India they had changed their financial year so that it should end on the same day as the financial year in England—namely, the 31st of March. That would enable the accounts to come home in the middle of April instead of May; and then it would be open to the Indian Minister, if he could secure a day for the purpose, to bring forward his budget when he pleased. But the difficulty as to making the Indian statement earlier in the Session did not arise with the Department but with that House. It was not easy to get the House of Commons to take an interest in Indian affairs, and when he heard the hon. Member for Stockport's complaint on that subject he could not help thinking of the epitaph to Sir Christopher Wren, *Si monumentum quaeris circumspice*. The array of green benches while that discussion was proceeding best explained the reason why the Indian budget was not brought on earlier in the year. If he were to ask the Leader of the House to grant him a much earlier day for that purpose, he was afraid his application would be futile; and he had rather that the hon. Member for Stockport himself should make such a request to his right hon. Friend. With respect to the suggestion of the hon. Member (Mr. Ayrton) for the immediate execution of the Indian Council, he confessed that he did not feel the moral courage requisite for the operation; and he was bound to add that he did not see the necessity for it. He did not himself admit that they were a decaying or stagnant body, but, as far as he had seen, they were an able and active body; and if the hon. Gentleman were only present at the Council tomorrow he would see a much more lively scene than was witnessed in that House that evening. Whether the entire Constitution under which India was now governed was one that was to be approved in all respects he would not then discuss; but he must protest against any proposal to alter that Constitution which was founded on any want of activity or of fitness on the part of the gentlemen forming the present Council. He had now only to thank the House for the indulgence it had extended to him.

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Gold currency.

Submission of
statement
earlier in the
session.

Indian
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Mr. Kinnaird.

Mr. KINNAIRD urged the propriety of making increased grants for education in India if we desired to leave behind some traces of our beneficent rule in that country.

Resolved, That the total Revenue of India for the year ending the 30th day of April 1865 was £45,652,897; the total of the direct claims and demands upon the Revenue, including charges of collection and cost of Salt and Opium, was £8,978,504; the charges in India, including interest on Debt and the value of Stores received from England, were £30,473,716; the charges in England were £4,302,401; the Guaranteed Interest on the Capital of Railway and other Companies in India and in England, deducting net Traffic Receipts, was £1,591,797,—making a total charge for the same year of £45,846,418; and there was an excess of Expenditure over Income in that year amounting to £193,521.

House resumed.

Resolution to be reported *To-morrow*.

Mr. Kinnaird.

SIR STAFFORD NORTHCOTE'S FINL. STATEMENT,

1867-68.

MR. AYRTON'S RESOLUTIONS.

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE.

Order for Committee read.

Motion made, and Question proposed, "That Mr. Speaker do now leave the Chair."

MR. AYRTON, in proposing a series of Resolutions of which he had given notice on the subject of Indian Administration, said it might appear somewhat inopportune to invite an expression of opinion by the House at so late a period of the Session, but it must be recollected that the present was the first occasion this Session on which the House had been asked in a formal manner to direct its attention to matters connected with the Government of India. One or two debates had taken place upon matters of detail, but there had been no opportunity for considering and dealing practically, as a whole, with the question of the organization and administration of the Government of India. Having had some little opportunity of seeing how the Government of India was carried on, he had been very much struck by what he considered the great defects of the system of the Governor General in Council. At present he believed that system to be wholly inefficient for its purpose. We seemed not to have made that progress which was to be expected in adapting the system established long ago to the great changes which had taken place in the condition of our Indian Empire. Originally, there had been a very loose Administration, marked by very great abuses, inasmuch as there was an unlimited number of Members of Council, and every Councillor thought it necessary to seek every opportunity for his own aggrandizement. A remedy

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Defects of
system of
Governor
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for this state of things was supposed to be found in vesting the whole power in the Governor General and a few select Councillors; the number chosen at first being four, a limit subsequently reduced to three Civil Members. A power was, moreover, conferred on the Governor General, after he had gone through the somewhat cumbrous process of exchanging opinions in writing with his Council, of acting upon his own authority in cases where the interest, or safety, or tranquillity of the British possessions in India was directly concerned. But in all the ordinary affairs of Government he had no power of acting alone, and was bound to consult every Member of his Council. At a time when British sway in India was very limited, it was easy to act with a small number of Councillors; but now that our Empire had enormously extended, the difficulties of administration were proportionately increased. In 1834 the attention of the House was called to the condition of affairs. After a long peace it was hoped that the Governor General would be able to facilitate the passing of good and useful laws for the people, a direction in which very little had been done for many years before; and, accordingly, an additional Councillor, who was to be a member of the legal profession, and hence likely to be versed in questions of jurisprudence, was appointed. In 1861 it was found that the financial affairs of India were more complicated than any one locally connected with that country was capable of managing, and it was thought that another Councillor might be usefully added, to be selected from gentlemen in this country well versed in questions of finance. Hence the Governor General found himself compelled by law to consult six gentlemen, and to be guided by their opinions upon all matters connected with the general affairs of the Government, though he might emancipate himself from this necessity, and depart from the opinion of the majority, by acting upon his own responsibility in all cases where the matter at issue was one affecting the security or tranquillity of the empire. If any one would reflect upon the limits which that Empire had now attained—1,900 miles from north to south by 1,500 from east to west—the number of States, the variety of languages, the differences of religion, and the multiplicity of sects comprehended in those territories, it must be admitted that it was almost impossible for the Governor General in Council, as at present constituted, to conduct the supreme direction of the affairs of India. It was said that in practice a system had grown up, of intrusting particular classes of duties to particular members of the

Law Member
of Council.

Finance
Member.

Mr. Agerton.

Council without the necessity of their being participated in by their colleagues. Whatever practical advantages such a system might be attended with, if it existed, it virtually ignored the contents of the statute book, and thereby showed how much the exigencies of public affairs in India had outstripped the regulations made at home. Was that a desirable state of things? Ought we to drive the Governor General into dealing with departments of the Government with the assistance only of a single Councillor, not in a manner authorized, but prohibited by the law? If he was asked in what respect the Government of India was deficient, he had no difficulty in answering that the greatest deficiency consisted in the absence of any Member of the Council charged with watching over the agricultural industry and commerce of the country. Other departments were sufficiently represented; but the superintendence of questions relating to industry and commerce appeared to him to require that there should be appointed to the office of Councillor a person of very different education, and very different attainments, from those of the class from whom the Civil Service in India was recruited. However intelligent and well-informed these gentlemen were, they had not that knowledge which would enable them to grapple with the questions which had arisen, and were constantly arising in India, with relation to industry and commerce. Therefore, while anxious that the Governor General should be enabled to transact business with the assistance of one Councillor, he was also anxious that he should have a Councillor to advise and assist him in reference to the matters to which he had just referred. At the risk of being obliged to go into a few details, he would call attention to one or two of the more prominent branches of the subject. When he was in Calcutta, during the time of Lord Dalhousie, he suggested that the telegraphic system would be better conducted by a company, than if taken up by the Government. But Lord Dalhousie was of a different opinion, and the telegraph became a Government undertaking. In 1862 he was anxious to know how far the Government had succeeded in the business, and he asked for an account. He thought if there was one general test better than another of the efficiency with which a great enterprise was conducted, that test was to be found in the fact that those who conducted the undertaking had an accurate account of what was going on—of what was the capital, and what the revenue, what the profit, or what the loss. But it was not until the 19th of May 1863, or fifteen months after he had asked for it, the Govern-

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Member for
Agriculture
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suggested.

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ment in London obtained an account from India of the administration of the telegraphs of that country. The account he had called for was then laid on the table. In 1865 he moved for another account. Again there was a long delay, and it was not till February 1866 he could get an account for the additional years following those included in the previous Return. And what was the result? The Indian Government had 11,700 miles of telegraph and 158 stations, on which they had spent £1,460,000, and on which, on the operations from year to year, they had lost £421,000. Well, that could not be said to be a very successful affair; but he did not wonder that it was not successful when its managers had no accounts made up, and when it took them fifteen months to be in a position to tell what was doing. He held in his hand the accounts of the administration of the telegraphs in Victoria by the Government of that colony. They had 2,500 miles of telegraph over a thinly-populated country; but, instead of having made a loss of £421,000, they were working at a profit equal to $3\frac{3}{4}$ per cent. on the whole of the capital. But mark the difference of administration. The account which he held in his hand was the one for 1866. It was dated the last day of January 1867, and it embraced the most minute details, even to every accident or interruption. If the Indian Government attempted to draw up a Report to include all the interruptions, they never would be able to finish it. The last account of the telegraphs in India, which was called "Statistics of the Telegraphs of India," just laid before the House, only came up to the end of 1864, and were those which he had extracted from the Government. Did not that show inefficiency in dealing with great industrial questions? The railway system was another instance in point. The Government no doubt had pressed the construction of these lines, but the administration of them was involved in the utmost perplexity; indeed, the wonder was that they could be worked at all, considering how they were burdened with superfluous supervision. There was the Board of Directors in London, superintended by the Government here. There was another authority superintending the railway in India, another authority superintending that one, and the whole nominally superintended by the Government in India; so that there were five superintendencies, while in reality there was no member whose duty it was to represent this department of business in the Council. One of the lines which went from Calcutta was named—he did not know whether ironically or otherwise—after the Governor General. On

Railway
system
another
instance.

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the working of that line there was a deficit of £1,700 a year after payment of expenses. There were two projects now talked of, one for a railway between Scinde and Peshawar, at a cost of £5,000,000, and another the Hindustani line, at a cost of £6,000,000. They were so assisted by the Governor General that perhaps they, too, would be called after him, and he ventured to predict that they too would be distinguished by an annual deficit. The first scheme was in connection with the Punjab line, which, on a cost of £2,500,000, yielded a revenue of £25,000 a year; and the Scinde Railway, constructed at a cost of £2,250,000, and yielding a revenue of £10,000 a year—the other project was in connection with the Bombay and Baroda Railway, which earned £114,000 net in the year on a capital expenditure exceeding £6,000,000—these were the plans talked of. When he was in India persons interested in the development of railways projected a line in Western India in connection with a line that yielded to the Treasury £683,000 upon an outlay of £15,000,000. Those who are interested in that enterprise had considered what would be the best course to take with respect to a further development of its system; and they came to the conclusion that the best line would be one to open up that vast country known—politically rather than geographically—as Central India. He felt a great interest in the undertaking, and with the concurrence of Lord Elgin, he negotiated with a Native Prince, the Maharajah of Holkar, an agreement by which that Prince was to grant a subvention, which would render a 5 per cent. guarantee from the British Government unnecessary. But that having been done, one of our old Indian political Governor Generals arrived in India. He set to work, and the Maharajah was obliged to abandon his engagement. He could refer to other lines which were not likely to be productive, in consequence of their being interesting to gentlemen connected with certain services. He thought that it was absolutely necessary that this great branch of industry should be supervised with an intelligence which was not at present displayed in the management of Indian affairs. This was the more necessary, inasmuch as the time was approaching when the Government would be called upon to revise the contracts which it had made, and it was necessary to have a department in India capable of grappling with the question on comprehensive principles—with a system involving a capital of £83,000,000 sterling. But he would pass to another subject, and one which had for some time been occupying public attention—the question of irrigation.

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Irrigation
projects.

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Expenses of
superinten-
dence.

The papers which had been produced on this subject contained the most abundant evidence that there was no mind in Calcutta applying itself steadily to the solution of this question. A despatch was sent home from India a few years ago, proposing that a loan should be raised, and that £29,000,000 should be spent on works of irrigation. Sir Charles Wood did perfectly right in treating that proposition with an answer which conveyed every feeling of amazement, indignation, and disgust at the extravagant manner in which the Government of India were dealing with that question. He declined to receive the despatch, and when another came, he treated it as indignantly as he had done the first. He believed that one of the proposals was that £6,750,000 should be expended in the irrigation of the North-Western Provinces, that the work should take ten to fifteen years in the completion, and that an establishment should be set up in connection with the affair to cost £170,000 a year. Now, the House knew that when two periods were mentioned in this way they were always safe in taking the longest of the two. He thought, therefore, that he might fairly assume that the work would not be completed in less than fifteen years, and £170,000 a year during that period would give no less than £2,250,000 as the sum which would be required to superintend an additional expenditure amounting together to £6,750,000. Indeed, that was the way in which the interests of the people of India were generally consulted—about one-third of the money expended upon any Government work was put into the pockets of the Europeans who were engaged in the superintendence. But the extravagance of such a proposal could best be understood by comparing it with what had been done in another direction. On the Madras Railway, which had occupied fourteen years in construction, £6,750,000 had been expended, and the amount devoted to superintendence and other similar expenses was £650,000, or £1,600,000 less than would in all probability have been incurred had the work been under the direction of the Government instead of a joint-stock company. This was a continuation of the old Indian system. Whenever any scheme was proposed, it was said, "Let us have a great establishment"—and one establishment was added to another showing how little the public money was spent for the advantage of the public. An event which occurred some little while since afforded a striking instance of the way in which things were managed. In the beginning of last year an irrigation company had completed their works for irrigating

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90,000 acres, sufficient for producing food for about 250,000 people. But the people would not take advantage of the opportunity, because they thought that although they might improve the land, they would be visited with an infliction of the Government for centuries in the shape of an addition to the annual land tax. The Government then issued a proclamation to induce the people to take up the scheme, but it was conceived in such extraordinary language that they became still more frightened, and would have nothing to do with the scheme. He felt convinced that with regard to the question of irrigation, unless the supervision was marked by an intelligence and sagacity which had not yet been seen, it would be useless to hope that we should realize those benefits which we had a right to expect from the intelligence, energy, and scientific skill of our engineers, both in India and in this country. So strongly had he been struck with the present state of things that he had advised an English engineer who had brought before him an admirable and well considered plan of irrigation not to have anything to do with the Government of India, because his efforts would lead to no good result, while they might end in his own ruin, and that advice he still regarded as sound. He had personally had some correspondence with the Government of India, and he had been thankful when he had obtained an answer in twelve months; and the house could easily understand that a correspondence which was carried on at the rate of a letter and answer every twelve months would inevitably be attended with destruction to the prospects of any professional or commercial man. There was another important matter which had come under his own observation, and that was the development of the great carboniferous district in the centre of India. Many years ago he had been struck with the magnitude of this question, and the advantages which would be conferred upon the country by having a supply of coal in the centre of India, as occasion might arise when it would be difficult, if not impossible, to obtain a supply from the coast. The Government of India, with a view to developing the coal, made a grant of 900 square miles to one man, inserting a clause, as a condition of the grant, that he should make 1,500 tons of iron—it being about as reasonable to insist on making a ton of iron there as for the Great Mogul to direct some one to grow pine apples in the fields of this country. But no condition about raising coal was mentioned in the grant. While in India he endeavoured to impress the importance of this subject by means of a

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Coal formation
in Central
India.

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letter to the Government, through a district officer, and being at Calcutta two or three months afterwards, he naturally desired to learn what had become of his communication. But no one had heard of it. Some people thought it was up the country, whilst others thought it was down the country. At last a gentleman got a copy of it from the officer to whom it was first sent, and it was brought under the consideration of the Government. To that letter, after the expiration of about twelve months, he got an answer; and ultimately found that it was useless to keep up any correspondence with the Government of India. The fact was that if anything was proposed, in India, the proposal was met by the principles of political economy—principles which the officials in India were always studying, but could never master or understand. The Government had guaranteed an interest of 5 or $4\frac{1}{2}$ per cent. on most costly machinery—that machinery being a railway—which could only be set in motion by fuel, the best of which was coal. But when they went to the Government to see if a supply of coal could not be obtained, they were told that it was contrary to the principles of political economy for a railway to have anything to do with coal. This was what was called the philosophical administration of affairs in Calcutta. Now if there was a real English statesman in Calcutta, such a course of proceeding would not be tolerated. He had now given his view of this question; but as the official mind always liked to have the official view, he might quote the opinion of Colonel Strachey, who was a great authority on this matter. He stated that on all questions relating to public works and industry, there was no guiding or superintending mind in the Government of India—nobody gave them a well-directed attention—they must take their chance amid the multiplicity of Indian affairs. The whole thing, in short, was a perfect chaos. The Government had appointed that gentleman to a responsible post in superintending irrigation works; but still, the superintending officers had no authority for grappling with the questions before them, or power of controlling the action of the local Government. What was the general result of the system of Government carried on in India? On comparing the productive industry of India with that of our Eastern colonies, it would be found that with a population approaching 200,000,000 the imports were only £64,000,000, and the exports only £69,000,000; whilst in our Australian colonies (adding Tasmania and New Zealand), with a population of 1,600,000, the imports were £34,000,000, and the exports £30,000,000. They were

Result of
Indian system
of Govern-
ment com-
pared with
the Eastern
Colonies.

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called upon imperatively to review the organization of the Supreme Government—to send to the aid of the Governor General a competent Administrator to superintend every question connected with agriculture, industry, and commerce, and thus to make our rule not only as just, but as useful as possible for the people of that country. This was the first proposition he had to make to the House. It was absolutely necessary to secure better government for the people of Bengal. It had been transferred to a Lieutenant Governor. It was thought by some that a person who had risen in the Indian service after a long career ought to be appointed Lieutenant Governor of Bengal; but Parliament had not been of that opinion. When it deliberately considered this question on the renewal of the Charter in 1834, it thought there should be a separate Government for Bengal, placed on the same footing as that for Bombay. But there had been some difficulty in so dealing with the subject under the old system. Then it was thought the Lieutenant Governor of Bengal might have a Legislative Council to work with, but not for administering affairs. The result of that imperfect change was this—that in practice they could not appoint a really efficient man to the office of Governor of Bengal; the system had been continued of appointing those who were unfit for the office they were called on to hold. He maintained that it was absolutely necessary for the efficient government of Bengal that an Englishman should be sent out from this country, quite independent of all local interests, prejudices, and trammels. Until they completed their organization in Bengal, and placed it on the same footing as the Government of Bombay, they could not accomplish this object. In 1861 he had pressed this view on Sir Charles Wood, who promised to consider it; but the thing was put off, and the question now was, whether this important matter should be left on its present footing. It was absolutely necessary that the Secretary of State for India should direct his attention to the question. The other evening, when the famine in Orissa was under discussion, the right hon. Gentleman intimated his desire that our energies should be directed to some means of preventing such calamities for the future. The first step to prevent the recurrence of such a calamity was to reform the Government of Bengal. It deserved notice that even the commissioners who were appointed to examine into the question, desiring to extenuate that great calamity, in effect came to the conclusion that the best remedy that could be found for the future was to improve the administration of the Bengal Government. It was due very much

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Requirements
of Indian
Government.

Separate
Government
for Bengal.

Famine in
Orissa.

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Bengal
Government
on same
footing with
Bombay and
Madras.

Constitution
of Home
Council.

History of its
appointment.

to the present condition of the Government of Bengal that the people of Orissa had been so much neglected. No one really inquired into the facts of the case which would at once have been investigated if there had been any master mind capable of dealing with them. While the lives of millions of people were in jeopardy, no one took the trouble to ascertain what ought to have been ascertained by direct searching inquiry. It was said, on speculative grounds, there were large stores of grain in the country, and it never occurred to the Lieutenant Governor and the Commissioners of Revenue to take the smallest trouble to ascertain the fact. They were content to speculate in their offices on the subject; and they only discovered the truth by the fact that the people were dying in thousands for want of grain. All this arose from the terrible complexity of the present state of things in Bengal. It was therefore necessary to place Bengal on the same footing as Bombay or Madras. He would pass from the subject of the constitution of the Government of Bengal to the next Amendment he should desire to see in the administration of our Indian affairs, which had reference to the constitution of the Council at home. This was a very delicate question for the Secretary of State to deal with, for, as the noble Lord opposite had told him last year, it did not do for the Secretary of State to call his Council round him, and ask them what proposition they had to make for their own extinction. Under these circumstances, it became the peculiar duty of independent Members to bring the subject forward, in order that the Secretary of State might be in a position to state that he had been forced to take action in the matter by the House of Commons, and not by any desire on his own part to subvert the comfortable position the members of the Council now occupied. The constitution of the council at home formed the subject of a very lively discussion in the House at the time of the passing of the India Bill, nine years ago, at which time very conflicting opinions were expressed with regard to it. Some persons thought that there ought to be an Executive Council, the members of which should act somewhat in the capacity of Under Secretaries of State, while others thought it should consist of persons holding most elevated positions. Lord Russell said they should be Privy Councillors, having large salaries, and holding office for life. He, however, and those who had a direct and immediate interest in Indian matters, thought that neither of these extremes was the right course to pursue, but that the affairs of India should

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be directed by a Minister of the Crown, aided by a consultative Council, the Councillors not being overshadowed by the Secretary, and the Secretary not being able to convert them into Ministerial officers of his own. This was the view which was adopted by Lord Derby, and which was embodied in the Bill as it originally stood. During the discussion that took place, Lord Palmerston suggested that the Councillors should be appointed for a period of ten years, and not for life. The then Government, finding themselves in a very delicate position, having to face a large majority on the Opposition side of the House, and having important vested interests to grapple with, proposed that the Councillors should be appointed during good behaviour. In consequence, however, of the great difference of opinion that existed, the Government at length, in deference to the general opinion of that House, proposed the compromise which was embodied in the Bill by which the Council was established. It was desirable that he should read the language of that compromise, because upon it turned very important questions. It was provided by the Bill that Councillors should hold their offices during good behaviour, and unless removed in conformity with an Address from both Houses of Parliament; but it was further provided that if at any time thereafter it should appear to Parliament expedient to reduce the number of Councillors, or otherwise deal with the constitution of the Council, no member of the Council who had not served in his office for more than ten years should be entitled to claim any compensation for the loss of his office, or by reason of any alteration that might be made in the constitution of the Council; so that the whole question of the composition of the Council might be re-opened, if Parliament, considered it desirable, within a period of ten years from that date. Now, next year was the last of the term allotted to Parliament for a reconsideration of the question. It was felt at the time the Bill passed that the question could not be satisfactorily settled then, and now that Lord Derby's Government was again in office, and was likely to remain so until the expiration of the ten years, the time was most opportune for a reconsideration of the question in a calm and temperate manner. In the interval afforded by the approaching recess the Government would have the opportunity of discussing it, and he held it to be their duty to bring it before the House for consideration next Session. No one could doubt that it was not a proper state of things to set up a Council in this country, the members of which were to remain within it,

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Introduction
of new men
with new
ideas.

Retirement
by rotation
after 6 or 7
years.

Annual
Resolutions on
Indian
Accounts two
years old.

even though they might be tottering to the India Office, when they ought to be thinking on their relations with the other side of the grave. That was not a mode of administering effectively and energetically the government of a great Empire. It was entirely contrary to the whole policy of our administration, especially as regarded our Colonial and Indian Empire. That policy was not one of convulsive and violent change, but one of the gradual circulation of new ideas and of new men. Throughout the discussions that had taken place upon this subject he had always expressed an opinion that the Council assisting the Secretary of State should be continually reinforced by new men, new information, and new energy. Men who had left India thirty or forty years ago could not know anything about the persons now engaged in conducting affairs there, or the present state of things in India. There should be men constantly entering the Council who knew personally the leading civilians and officers in India and the qualities they possessed, and who could give the Secretary of State confidential advice in the exercise of the most difficult, delicate, and responsible duty which he had to perform, that of selecting military men and civilians for the performance of the very highest duties which public servants in India were intrusted with. If the Council consisted of none but old gentlemen who left India ages ago, how was the Secretary to get that advice? Then there were many men who had recently returned from India who might make most useful members of Council, but they would have to be passed over until some of those wonderful constitutions, often seen amongst retired Indians, passed to their last account. There should be a gradual change, so as not to produce any sudden revulsion of views and opinions, and that change should take place under such conditions as would not lead to jobbing or intrigue. The change should be prescribed by law, and should take effect by the operation of law, the members not being put out of the Council as for any wrongdoing or want of capacity, but each retiring by rotation. The practical part of the plan he proposed was, that members of the Council should only hold office for seven or, perhaps, six years, a term quite sufficient to finish the career of gentlemen who had held public offices in India for many years. There was only one other Resolution which he had to offer the House, and that was to get rid of the solemn and extraordinary farce of the House of Commons sitting annually in Committee to declare that certain things had taken place two years previously. The House

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was not called upon to express any opinion as to whether those things had rightly or wisely taken place, but they had simply to say, as a matter of fact, that the Government of India had received so much money, and had spent so much two years ago. In order not to stultify their proceedings and convert this House into a debating society about matters of history, they should come to some practical conclusion, either of praise or censure, regarding the present or regarding the future. The best course to be adopted was for Parliament to have the Estimates for the ensuing year before them, and that they should pass a Resolution whether or not they were satisfactory. In doing that they would be called upon to consider whether the administration of affairs in India was satisfactory, and whether that which was the complement of that administration—the financial system in England—was deserving of their confidence. They would thus have an opportunity of passing a real Resolution upon the subject, and would have an opportunity of discussing every important subject connected with the administration of affairs in India. The House must have perceived that during the last two or three years there had been a growing disposition, and he might add, a growing requirement to mix up the English finances with those of India. He would mention one great illustration of this—the question of the transport of troops from England to India. There was a kind of partnership undertaken, and large ships were built. It became a joint transaction, and he did not complain of that, because it was evident that with the rapidity of communication, it was necessary for the sake of economy, expedition and efficiency, that there should be a large amount of united exertion, involving important questions of finance between the Government of England and India. At the same time it was highly undesirable that only one portion of such joint transactions should come under the notice of that House. Again, there was the question of the post office which occurred the other day, and certainly it was most desirable that there should be a complete partnership between the two Governments in regard to the general postal service of India and the East. When, however, this question was recently discussed, the House was placed in a position of great embarrassment, because there was on the one hand the Exchequer here, which was under the most stringent rules, and, on the other, the Exchequer of the Secretary of State for India, which was under no rules whatever as regarded Parliament. The consequence was that they were waiting to see how they

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Resolution of
estimates of
ensuing year.

Disposition to
mix up
English and
Indian
finance
illustrated in
the transport
of troops.

Postal service
another
instance.

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Estimates for
Indian service
for approval
of House of
Commons.

could get out of the complications in which they had been involved. In his opinion, the best way to deal with matters of this kind would be to lay the Estimates for the Indian service on the table, not to be dealt with to the full extent, like the English Estimates, but merely with the view of obtaining a vote of the House approving the expenditure proposed by the Secretary of State for India, for the same period of time as the English Estimates related to. The House would then be able to take a comprehensive view of the Indian finances, and would no doubt arrive at a satisfactory result. If there should be any discontent about any particular details, they would have the whole thing before them, and that discontent could be expressed in an intelligible form. He viewed with some concern the fact that the Secretary for India had under his control the expenditure of so vast a sum of money, and he thought that expenditure should be under the same general supervision as was that of Her Majesty's Government in this country. He trusted that this suggestion would receive the sanction of the House, and that the Secretary of State would give the House an assurance that he would apply his mind to a practical examination of the condition of the Government of India. For his own part he was strongly impressed with the conviction that the condition of the Government of India with respect to those matters which he had referred to was in the highest degree unsatisfactory; and he believed that we were not doing justice to the people of that country. Year by year we were imposing enormous burdens upon them in the shape of taxes; but while we were exhibiting great intelligence and capacity in that respect, we were not exhibiting a like intelligence and capacity in developing the industry of the people, and in doing that which would tend more than anything else to reconcile them to a Government which was alien to their feelings and their religion. He hoped the next Session would not be allowed to pass away without the matter being brought under the notice of Parliament. The hon. and learned Gentleman concluded by moving the Resolutions of which he had given notice.

Resolutions
moved,

Amendment
proposed.

Amendment proposed,

To leave out from the word "That" to the end of the Question, in order to add the words "the Governor General of India should be empowered, with the sanction of Her Majesty's Secretary of State for India, to conduct the business of each Department of Government in concert with one or more members of his Council instead of the whole Council:—That, in order to insure better attention to the affairs of

Mr. Aglion.

Trade and Agriculture, an additional member of the Governor General's Council in India should be appointed to superintend those affairs:—That the Government of Bengal should be placed upon the same footing as the Government of Bombay:—That one nominated and one elected member of the Council of the Secretary of State for India should cease to hold office at the end of each year:—That the members of the Council should retire in rotation according to their length of service, whether as members of the Council or as East India Directors:—and, That the existing practice of recording by Resolutions of this House certain financial facts relating to India should be discontinued; and that instead thereof, the Estimates for all Expenditure in Europe of Her Majesty's Secretary of State for India in Council should be approved by a vote of this House before the same is incurred,"—

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—instead thereof.

Question proposed, "That the words proposed to be left out stand part of the Question." Question.

MR. KINNAIRD, on rising to second the Amendment, said he would not follow his hon. Friend through the whole of the matter which he had laid before the House, though he thought they ought not to shrink from the consideration of all the propositions submitted to them. At all events, the subject would be discussed in the newspapers during recess, and thus the people of India would perceive that their interests were not overlooked in the House of Commons. There was, however, one point to which his hon. Friend had alluded on which he was anxious to say a few words—namely, the important question of irrigation. It was impossible to reflect on the terrible calamity which had recently occurred in Orissa and other parts of the Bengal Presidency, without coming to the conclusion that, by prudent foresight, it might have been to a considerable extent mitigated: If we wished to avert famine in the future we ought to cultivate the vast water resources of the country, which were amply sufficient, if the water, instead of being allowed to run away into the ocean, was everywhere made available for irrigation. And if, in addition to this, the canals were made navigable for steamers, and an inland system of water communication was established throughout the whole of India, then the deficiency of one province would be easily met by the redundancy of another, and thus a famine, such as we have lately witnessed, be rendered impossible. His hon. Friend had alluded to a company which had large works in Orissa—the East India Irrigation Company. In 1861, plans in reference to that very district were submitted to the Government, and obtained the sanction of Lord Canning. They were then sent to the Home Government, and for fifteen long months were hung up in the office in London. He would

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and Irrigation.

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now read an extract from the Commissioners' Report which would show that some of the responsibility of delay rested on the authorities at home who were, in fact, supreme. The Report stated that—

“At Cuttack the East India Irrigation Company have large establishments. They had undertaken some years before a great scheme for the irrigation of the delta of the Mahanuddee and the adjoining country, and their works had progressed almost, but unfortunately not quite, to the point when they might have been brought into partial use at the moment when the famine commenced.”

This was in great measure owing to the delay of fifteen months. But the value of the works even as far as they did extend was illustrated by the following testimonies in the Report:—

“They had spent and were spending large sums of money in payment of labour, but their operations in Orissa had been confined almost entirely to the neighbourhood of Cuttack, where their principal head works are; only one canal having been carried thence to a considerable distance in the direction of Kendraparah. It was probably in a very great measure due to their past and present expenditure, and to their provident provision of grain for the payment of their work-people, that actual starvation occurred much later in and about Cuttack than in other parts of Orissa; but the consequence was that the intensity of the calamity came to the immediate sight of the principal European community (in and out of the service of the Government) in the province comparatively late.”

Then, again, it was reported—

“Up to this time there were no Government relief works in the Cuttack district, but the works of the Irrigation Company afforded employment to vastly greater numbers than did the Government works in Pooree. We cannot speak too highly of the humane endeavours of the officers of this company to render their works beneficial to the destitute. In January, when rice was procurable, the numbers were at their highest; and from that month till June, employment being freely offered and more and more needed, the decrease in numbers was, we understand, solely due to the scarcity of rice.”

He must, however, say that the noble Lord opposite had from the time he accepted office taken great interest in these works, and done all he could to further them. He had read these extracts, however, in order to impress upon the House that it was sound policy to encourage English capitalists to embark in undertakings of this nature. Again, the Commissioners said—

“There can be no doubt of the great advantage of the measures of precaution in regard to public works recommended by General Cotton. But it so happened that the great roads running through the length of Orissa had been long ago designed, and useful employment for almost any quantity of labour might have been found on them, in raising great embankments, collecting metal, and such-like works, eminently suited to

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Encourage-
ment to
English
capitalists.

famine relief. Superintendence and other means might probably have also been found sufficient to enable the Government to employ all who would come upon the works: food only was wanting;²⁸

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He hoped, therefore, that the late sad events would draw the attention of the Government to this very important question of irrigation, and especially as works of irrigation are more than amply remunerative, if thoroughly carried out. Had those works been in full operation in Orissa, the lives of hundreds of thousands of human beings might have been saved.

He had heard with pain the allusion made by the hon. Member for Halifax (Mr. Stansfeld) to the supposed feebleness manifested by Sir John Lawrence, contrasted with his former vigour, and he regretted that he was not in his place, or he would assure him that Sir John Lawrence had been advocating works of irrigation ever since his appointment as Governor General. Such remarks were injurious to one who of all others had the best interests of the natives of India at heart; and he only needed scope for his great energies to inaugurate measures adapted to the present exigency.

SIR STAFFORD NORTHCOTE: Although the course which the hon. Gentleman has adopted upon this occasion is not in accordance with precedent, yet it is one of which I am not disposed to complain, inasmuch as the speech which the hon. Member has just delivered, like almost every speech he addresses to this House, is full of interest and information, while the points to which he draws our attention are in themselves undoubtedly of very considerable importance. I hope, however, the House will not permit itself to be led at this moment into a general discussion of the many subjects which the hon. and learned Member has brought under our notice, but will assent to the Motion that the Speaker should now leave the Chair for the consideration of the financial condition of India, which is the special object of our assembling this evening. It is, no doubt, usual, after the Financial Statement had been made, for hon. Members to draw attention to various subjects connected with the Indian Administration, and perhaps the discussion of those subjects would lead to better results if raised by a formal Motion; but I am afraid that if we were to take up even one of the points which has been introduced by the hon. and learned Member, and to discuss it thoroughly, very little time would be left for the transaction of the business which has immediately brought us together, and I hope that, although I shall feel it my duty to offer a few observations upon the questions which have been raised by the hon. and learned Gentleman, they will not be

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made the subject of any general and prolonged discussion. I will take these questions in the order in which they have been brought forward by the hon. and learned Gentleman himself. In the first place, the hon. and learned Member suggested a different mode of conducting the business in the Council of the Governor General. On that point I need say very little, because the hon. and learned Member is obviously aware that, whatever the law, the practice is very much as he wishes. Improvements might probably be made, and no doubt the law and practice should conform to each other. The six members of the Council are each charged with a department; one takes the financial, another judicial business, a third home, and a fourth military affairs, and so forth. The secretaries of each department refer matters to those members of the Council at the head of their particular departments, and, if unimportant, they are disposed of without further consultation. More important matters are referred to the Governor General, and questions of such importance as to warrant the description "Cabinet questions" are referred to the Council. That is a reasonable way of doing business, but, perhaps, it should be put upon a more regular footing, and the custom of all the members of the Council signing a despatch, whether they have been present at the discussion of it or not, is certainly absurd and inconvenient; it is a remnant of the old system, and might well be done away with. The suggestion of the hon. and learned Member that an additional Councillor should be appointed to superintend trade and agriculture is worthy of consideration. It is true, as he says, that there is a want of organization in certain departments partly consequent on the absence of a leading mind. With regard to the question of irrigation there is no doubt matters are mending, and we may hope for much advantage from the appointment of Colonel Strachey as Commissioner for the general irrigation service of India. Colonel Strachey's duties are not yet exactly fixed; but by the last mail a proposal had been received at the India Office from the Governor General containing definite regulations upon that subject. Colonel Strachey has been visiting Madras and Bombay and other parts of India, and has now come to Calcutta; and a regular system of irrigation, to be conducted by him, has been proposed by the Indian Government, and is now under the consideration of the Secretary of State. No doubt the change proposed will materially improve and concentrate the organization of that important branch of the public service. With regard to the hon. and learned Member's complaint that the first thing the Indian

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Government does in time of need is to establish a well-paid department, and incur great expense quite out of proportion to the amount of work to be done—at the first blush, the hon. and learned Member's own remedy seems to be devised on the homœopathic principle; for his proposal is that we should have an additional, and, of course, a well-paid Officer to administer these matters, which he says require putting on another footing—it appears to me that it is open to consideration whether we ought, at present, to make any addition to the Council of India, and whether it will not be better that we should confine ourselves to an alteration in the distribution of the duties allotted to the members of that body. I agree, however, with the hon. Gentleman that it is most important that a more continuous and more careful attention than has hitherto been given should be applied to those branches of industry to which he has called attention. The third suggestion made by the hon. and learned Member was that the Government of Bengal should be placed on the same footing as the Government of Bombay. Without at the present moment accepting that proposal in its entirety, I am ready to go nearly the whole length with the hon. and learned Member in the comments he has made with respect to the footing on which the Government of Bengal is at present placed. I believe it is an unsatisfactory footing, or that, at all events, it will be unsatisfactory if the Presidency of Bengal is to remain as at present, and include, besides Bengal Proper, the provinces of Assam and Orissa, as well as other outlying districts, where the people are unaccustomed to be governed by the mere operation of law, and where the administration of the law is in the hands of those who are unaccustomed to the ways of the people, and who, fresh from the desk in the Secretary's Office in Calcutta, have not the advantage of those who have been trained by personal contact with the people, nor that of those who go out to India with the training of English statesmen. This question, however, mixes itself up with the question as to what are to be the relations, under the system he proposes, existing between the Lieutenant Governor of Bengal and the Governor General of India, and it raises, also, the very difficult question as to the site of the Government of India and the true position of the capital. It cannot be expected at this period of the Session that we should enter into a deliberate discussion upon questions of this sort. I would also plead, on my own behalf, that although I have now been for several months in my present position, I should require more time, and certainly a great deal more consultation with the authorities in India,

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in England.

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before entering upon a discussion of these matters. But they have engaged our attention. I am in correspondence with the Governor General and other members of the public service on the several points that have been raised, and I can promise the hon. and learned Member that when we meet next Session he will find that I have not neglected the subject; and I shall then be prepared to discuss the matter with him, if he thinks fit to bring it under the notice of the House. There is another question of a different character which the hon. and learned Member has raised, and that is with regard to the constitution of the Council for the Government of India in this country. I can only say that this proposal raises the whole question of the Government of India, and I think it would not be convenient that we should enter upon that subject now. But the time is approaching when we may expect that by the natural course of events vacancies will arise from time to time in the Council for India. It must be recollected that although the Councillors are appointed for life, there is a provision enabling any member who has held office for ten years to quit office on a fair retiring allowance. These ten years have not yet expired; but when the time is reached, it is not improbable that there may be members of Council wishing to retire, and thus we shall have from time to time persons brought in to supply their places. The question whether the period of appointment should in future be ten years or any shorter time instead of for life, is one that must require very careful discussion, and no doubt there are arguments on both sides. The argument of the hon. and learned Member is that it is desirable to introduce fresh blood, which I entirely admit; but, on the other hand, by appointing Councillors for life, it is said that you render them more independent and give them greater authority than they would otherwise possess. It is a question, however, upon which I would ask the House not at present to come to any determination. Lastly, there is a Resolution, and one more directly germane to the business of the evening, which the hon. and learned Member proposes, in perfect consistency with the remarks which he has made on former occasions, to the effect that we ought not to take up the time of this House merely by asking it to put on record certain facts, but that we ought to introduce some system of voting upon the whole expenditure of India. That, again, is a question of great importance, and one in which I fully admit the hon. and learned Member has a good deal of right on his side in what he has said. But I do not think it can be the wish of the House to take

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on itself the control of the expenditure of India; that would be rather a delicate task; and in carrying out any such design as appeared to be first pointed at—that of voting the money for carrying on the Home Government—it must be remembered that the money comes from Indian, and not from English sources, and hence there would be considerable difficulty in drawing the line between expenditure which properly would come under the direct control of this House, and expenditure with which this House could not properly deal. I think, however, there would be great advantage in bringing the whole accounts under the more direct supervision and criticism of this House. I am not quite satisfied with the form in which these accounts are drawn up, and I propose, in concert with the Council, to introduce certain alterations, and to lay them before the House of Commons in a shape more easily intelligible. In the first place, I think it desirable that there should be more formality in the way the Estimate of the expenditure for the coming year is prepared. I am about to propose, when the next Estimate is framed, that a statement shall be laid before the Secretary of State in Council, showing in detail the differences between the last year and the coming year, with an explanation of the reasons for the differences; and that the Secretary of State shall authorize or object to the different proposals that are made. When the year has expired and the auditor audits the accounts, I think it would be desirable that he should not only give a certificate of the money expended with proper authority, but should draw attention, as in the English accounts, to the difference between the sum estimated and the sum expended; because it might happen that an estimate of expenditure having been fixed at £120,000, the Secretary of State would give orders to increase the amount to £130,000; and the attention of the House would not be drawn to it unless some one took the trouble of comparing the accounts for the two successive years, and even then it would require a good deal of information and experience to do so. If upon reflection the House should deem it desirable to go further, and, either by a vote or by referring the matter to the Committee of Public Accounts upstairs, desired to look into these matters, that would be a course which might very fairly be considered. I would rather not invite any discussion or decision upon it now, but I mention these things to show that I am attending to the subject, and am of opinion that there is an advantage in having public criticism brought to bear upon expenditure. I believe the Council for India do their duty thoroughly well; and I was sorry that

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some observations which fell from the hon. and learned Gentleman seemed to imply that the Council are to some extent composed of gentlemen who are past their work, and who are not really doing their duty to India. As far as my experience goes, I can most emphatically contradict that statement or that impression. As far as I have any opportunity of observation, I believe every member of the Council is doing his duty conscientiously and very efficiently. But on the question of expenditure, I quite feel that, however excellent may be the intention of the members of the Council, it is desirable that something in the nature of public discussion should from time to time take place, and in that way those who advocate economy would feel themselves backed up by public support. I have made these observations because I think anything that falls from the hon. and learned Member on Indian questions is deserving of respect. But I hope the House will not pursue the matter, or enter upon a general discussion, but will go into Committee and allow me to make a statement of the usual financial character, upon which any observations can then be offered that hon. Members may be desirous of making.

Mr. Laing.

MR. LAING said, it appeared to him that the questions which had been raised by the hon. and learned Member for the Tower Hamlets were of so important a character, that it was very desirable that those Members who had formed any decided opinions with respect to them should make those opinions known to the House generally, and to the Members of Her Majesty's Government. In addressing himself to those topics, he should, in the first place, observe that he did not share the belief which the hon. and learned Member seemed to entertain, that our whole system of Indian administration was radically bad, and that it ought completely to be swept away. Of course, he could not deny the existence of defects in the Government of India, such, for instance, as had led to such a calamity as had occurred in Orissa; but he thought they should start with the belief that our government of India had, on the whole, been a great and splendid success. Our Indian Empire had endured for little more than two generations, and yet it now extended from the Himalayas to Cape Comorin, and it contained three times the population of the largest Empires in Europe. Since the termination of the mutiny, India had made greater and more rapid progress in commerce and industry than had perhaps been made within so short a period by any other country. Throughout that extensive area of land, containing about 200,000,000 of souls, the average rate of wages, and the

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average price of landed property of all kinds had, since the extinction of the mutiny, increased between 25 and 30 per cent. He was certainly within the mark when he said that Indian property and labour had risen a third or a fourth in value during the short period he was referring to, and the commerce of the country had also reached a figure which was almost unparalleled in its history. The cases of Canada and Australia were cited; but there was really no comparison between the British miner working at the goldfields, and living in a fertile country, under a British form of government transplanted there, and the poor Ryot, who, from time immemorial, long before our empire was founded in India, worked for a miserable pittance, receiving not so much per month as the lowest paid European labourer received in a week. [Colonel SYKES: Or a day.] The career of improvement was only at its commencement in India. Railways, telegraphs, and irrigation had been referred to. He thought the manner in which railways had been carried out reflected the very highest credit upon the administration of Lord Dalhousie, who inaugurated the system. If he took the construction of railways in India, and contrasted it with the formation of the same means of communication in Russia, both of which Empires in this matter offered points of similarity, he would find the contrast altogether in favour of India. In each case there was a difficulty in the construction of railways without the assistance of Government money; there were immense tracks of country to be travelled over, and the advantages, both political and commercial, resulting from the formation of a great arterial system of railroads were alike striking in both countries: but, as he had said, the balance of progress was in favour of India. Many years ago, the Government, under the wise inspiration of Lord Dalhousie, concluded that it was of the most absolute importance that railways should be constructed in that country, and capital for that purpose was found by giving the absolute guarantee of the Government. The consequence was that a great system of railway communication had been carried out with a result which was, upon the whole, most signally successful. Great commercial profit had arisen, and would still further arise, from these railways; but it was to be borne in mind that there were questions in India of even greater importance than those of commercial profit. As an illustration, he might cite the case of the extension of the railway from Lahore to Peshawur. That line, as a mere commercial speculation, would not pay; but it was of enormous importance, in a political point of

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view. He was not one of those who was over-alarmed at the prospect of Russian progress in Central Asia; but at the same time he could not shut his eyes to the fact that, if we did not take the precaution of securing our military communications with the frontier, a panic might some day arise; and that we might, as happened in other panics, do foolish things that might cost us in one or two years far more than the entire expense of making the railway. He trusted the right hon. Baronet would take advantage of the present cheapness of money in the market to raise the requisite amount of capital for completing the extension of that line, and such other lines as were necessary for the completion of political communications. With regard to telegraphs, he was afraid they could hardly be quoted as a success in India, for the simple reason that they were carried out under Lord Dalhousie, not from commercial but political considerations; and it was notorious that they saved India at the time of the mutiny. There was, therefore, no comparison between the system of telegraphy in India and that of Australia or the United States, where the telegraphs were purely worked as commercial undertakings. The time would undoubtedly shortly come when lines of telegraph for commercial purposes would be instituted between Bombay and Calcutta; but in the meantime they must look upon the network of Indian telegraphs as being employed strictly for political objects. Having said this much upon the railways and telegraphs, he desired to make some observations upon the present state of our political government in India. He could not help thinking that it was exposed to considerable danger from changes which had recently been pursued, arising partly from the abolition of the old East India Company, and still more from changes inevitable in themselves—namely, the approximation of India to London caused by rapid steam communication and the establishment of the telegraph. The result had been greatly to diminish the authority of the Governor General—in fact, it had inaugurated a tendency to reduce his position to that of a chief clerk charged with the duty of enforcing the orders of the Secretary of State and his Council. That was a source of very considerable danger; and it was right that they should fully investigate whether such a tendency was or was not desirable. Before discussing that point he would refer to the special question which had been raised about the Government of Bengal, because he thought that the question raised by a consideration of the local government of Bengal would throw light upon the principles which ought to be observed in the larger matter of the general gov-

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ernment of India. In Bengal they had had a grievous break-down in the case of the Orissa famine; nor had the failure of the Government of Bengal to give satisfaction been confined to this occasion alone; but comparing it with other Governments they could not fail to observe that there had been on the whole something slack and unsatisfactory in the Bengal Administration. He was aware that in the Bengal service there were a great many distinguished officers; and there was no reason to suppose that the Civil Service in the Bengal Presidency was worse than in the other provinces. If, therefore, the system had not worked well, they must look for its cause, not in the men, but in the system of government pursued. If they considered the matter thoroughly, they would agree with him that an Indian Government, to be successful, must be as far as possible a personal government. As soon as they inaugurated a system of cumbrous routine and red tape, instead of dealing with the men individually—when they came to deal with Councils and Commissions, they would find such a form of government radically unsuited for such a class of people as their Indian subjects. In every Indian province that had come under British sway in India there had been three kinds of rule established—the gold, the bronze, and the iron. They all began with the gold. Where a province had been previously misgoverned by Native rulers, and was brought under English sway, the best man that could be procured from one of the old provinces was sent to govern the new; and he there introduced a system of government which practically amounted to a personal or patriarchal form of rule. A Chief Commissioner was appointed, who was vested with supreme powers, and the province was partitioned out to other officers—after a fashion similar to that of the prefects in France—who administered justice according to their English notions of what was right to be done. Under that system, order and justice were introduced into all the relations of life, and general prosperity of the country increased. This state was that which the Punjab, Oude, Nagpore, British Burmah, and many other provinces now enjoyed, and under which they were rapidly acquiring habits of peaceful industry. After two or three years had passed over, and the provinces had tasted the advantages of British rule, the communities became more prosperous, and complicated interests arose, so that it was not so easy to continue to govern them upon the personal system. Then came the bronze stage, partly personal, but hampered with rules and regulations, which, having served its time, succumbed finally into the iron stage,

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which was a system somewhat similar to that which now existed in Bengal. The personal system of government had never existed to such an extent in that province as it had in the other provinces he had enumerated; partly because, the revenue having been collected through the Zemindars, the Ryots had never been brought into so close a connection with the British officers as had been the case elsewhere. The Bengal Government was not so good a form as had prevailed in the provinces, because the Governor General of India resided at Calcutta, and Bengal being also the residence of a Lieutenant Governor, the same amount of independence could not be exercised by the Lieutenant Governor living next door to the Governor General as was, for instance, exercised by Sir John Lawrence in the Punjab thousands of miles away from head-quarters. A system of red-tapism had consequently grown up in Bengal unknown in other parts of India, and a most cumbrous machinery had to be set in motion when any action of importance required to be taken. If local disturbances arose in Oude or the Punjab (the indigo riots, for instance) an officer of the Government would mount his horse, and ride thirty or forty miles in a single night, to see what was going on with his own eyes, and would probably take active and effectual means for their suppression. But in Bengal, if such disturbances took place, the officer would report to the Board of Revenue, who, in their turn, would probably report to the Lieutenant Governor, and the despatch, after being bandied backwards and forwards between three or four parties, would very likely finally be sent to the Home Government; and instead of immediate action, the question would be hopelessly buried in foolscap and red tape, an urgent problem in the meantime remaining unsolved. That, he believed, was very much what had occurred in the lamentable Orissa famine. Without casting particular blame upon the officers on the spot, he could not conceal from himself that if they had been more intimate with the people, as they would have been under a personal form of government, they would have arrived at the actual knowledge of things much sooner than they did. He could not, moreover, help feeling that much evil would have been averted if Sir Cecil Beadon had known the people better. That gentleman he desired to speak of with the greatest respect, for he was a conscientious and intelligent man; but all the last years of his life were spent in the *bureaux* of Calcutta; he had not that experience of the people which he ought to have had, and his health was very considerably impaired when he went to Orissa. The consequence was that he came away from

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that country with a wrong impression of the state of things. He (Mr. Laing) thought the Governor General (Sir John Lawrence) must be exonerated from any blame in this occurrence; because Sir Cecil Beadon, who had a high character and occupied a high position, was sent to Orissa to investigate affairs on the spot, and came back and reported to Sir John that no extreme famine need be apprehended. Sir John was consequently, as it were, compelled to take for granted what was told him by his emissary, and could not be blamed for the mistake. But what they wanted now was not to repine over the past, but to draw practical conclusions for the future; and the conclusion he drew was that everything should be done to establish a system of personal responsibility in the Government of Bengal. The case of Sir Cecil Beadon also taught them that they should institute some improved mode of retirement for officers holding important stations, whose health was not sufficiently good to enable them energetically to discharge their duties, but which was good enough to justify them hanging on. Some system of honourable retirement in the shape of increased pension was a desideratum much needed in connection with the Government of India. He believed, moreover, that the Board of Revenue in Bengal should be suppressed. He had the highest respect for some of the gentlemen forming the Board, but during his own short experience in India, he arrived at the conclusion that that Board was an encumbrance, and, as such, mischievous. Had he been a member of Lord Canning's Council six months longer than he was, he should certainly have recommended his Lordship to abolish the Board of Revenue. He could not conceive of a single argument that could be adduced in favour of its existence any longer. The question of the assimilation of the Government of Bengal to that of Bombay and Madras was one of great difficulty. It meant the appointing of an English statesman of considerable rank and position to take up a position similar to that held by Lord Napier at Madras. As long as the Governor General resided at Calcutta he foresaw the greatest difficulty in an English statesman occupying the same independent position in Bengal as was occupied by the Governor of Madras, for the Lieutenant-Governor at Bengal must necessarily be subordinate to the Governor General at Calcutta, because he was so close to him. The more practical plan would be, as far as possible, to sever the outlying provinces from the Government of Bengal, and place them under a Chief Commissioner. The only question requiring solution was whether

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tion of subor-
dinate.

they were not too extensive for the jurisdiction of one Chief Commissioner. As regarded the province of Bengal Proper, he thought it would be wiser to go on under the present system as long as the Governor General resided at Calcutta, doing all that could be done, at the same time, to introduce more of personal responsibility, so that when wrong was committed the party who was to blame might be made amenable. Above all, they should strive in the appointment of a Lieutenant-Governor for Bengal to send out a man in the prime of life, possessed of sufficient activity to move about and visit the different parts of the extensive dominions intrusted to him, and see what was going on with his own eyes. As a general rule, no one was fit to be the governor of a district who could not live under canvas the greater part of the cold season. The remarks which we had made with respect to Bengal were applicable, in his opinion, to the general government of India. They should seek, as far as possible, to carry out personal responsibility. What was wanted was a good Governor General. They wanted the very best man that could be got—a man of the greatest weight, standing, and authority; for the post of governing a country like India demanded higher qualities than were required by the man who held the highest position in the Cabinet at home. Especially was a man required who had a thorough knowledge of mankind, and who was perfectly qualified to select well his instruments and subordinates. That was the great function of a Governor General. If he selected good men, all would go well; but if he selected bad men, the worst results would follow. What they wanted was a Governor General who had a knowledge of mankind, and could pick out the right man for the right place without fear or favour. On this point he thought that Lord Dalhousie was the model of a Governor General. Whatever difference of opinion there might be as to the merits of Lord Dalhousie's policy, there could be none as to the school of statesmen he formed, the tact with which he selected first-rate men, and the firmness with which he upheld his own policy among them. If there was any error in the policy of Lord Canning, it was his tendency to an undue centralization. That was a mischievous thing whether exercised in Calcutta or in Downing Street. What they wanted was a man who would act upon his own responsibility, under the consciousness that he would be supported by the central authority when he was right, and even when he was wrong, unless the wrong was so glaring that it required him to be superseded. The great danger in this age of steam communication and tele-

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graph was that men would become afraid of responsibility, or of being hauled over the coals, as it was termed; and thus they would refer every question to a superior, instead of deciding upon it themselves. The great duty, both of the Governor General and of the Secretary of State for India, was to set their face resolutely against all shirking of responsibility, and to encourage their subordinates rather to act for themselves than to check and reprove them for everything. Of course he did not mean to say that if they committed themselves in any way, they would be supported in wrong-doing; but if they acted according to the best of their judgment, and in accordance with justice, they would be pretty sure of the support of their superiors. As to the Resolutions of the hon. and learned Gentleman with respect to the conduct of business, the first proposed that the Governor General should consult one Councillor of State upon one special department rather than the whole Council. But he (Mr. Laing) believed that, practically, this was the case at present. He was certainly shocked, when he first went to India, at the piles of notes and despatches on trifling subjects that were sent for the decision of the Governor General. But Lord Canning consulted him on the point, and it was agreed that the business should be conducted much as it was done in the English Cabinet, each Councillor taking a department, and settling by himself all minor questions, taking the opinion of the Governor General on those that were more important, and only bringing before the whole Council those that were of Imperial interest. With respect to the appointment of an additional Councillor as Minister of Trade and Agriculture, he doubted its expediency, and thought that it would be better to leave trade and agriculture alone. So far as trade and agriculture came within the general scope of the Government, as it would in reference to all questions of taxation, trade, and import duties, it would be under the control of the Minister of Finance, who, if he were worth his salt, would be perfectly competent to manage them. The only other matter in which the Government might usefully interfere was that of intercommunication, which required the special knowledge of a Member of Council, who would stand in the position of Minister of Public Works. With regard to irrigation in particular, it was necessary to have a man well acquainted with the conduct of public works in this country, who should be sent out to India in some important capacity; and although no doubt the work would be continued to be carried out chiefly by military engineers, and there were many in India of high talent and great capacity, yet

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those great works ought not to be left entirely to them. Lord Canning told him that he had often felt the want of such an official, when the Government of India were about to raise £10,000,000 or £12,000,000, perhaps at a higher rate of interest, for the purpose of spending in public works. The great difficulty in dealing with irrigation was the formation of water reservoirs by means of weirs and dams; because it often happened that what in the dry season was a mere thread meandering through the valleys, was in the rainy season a mighty rushing torrent, sweeping away all weirs, and very often changing the course of the stream altogether by seeking out new channels. Under those circumstances it was exceedingly difficult to carry out works of irrigation properly and effectually. At all events such works ought to be placed under the general command of a competent engineer. With respect to the Resolution for altering the composition of the Council at home, he could only say that he always considered a permanent Council highly objectionable. He did not know how it might be now; but he knew that when he was in India they caused great obstruction to business under Lord Canning. If ever they had a weak Governor General and a strong Council, they would find that all questions would be referred from India to Downing Street, and nothing would be done till after two or three letters had passed backwards and forwards on the subject. The Government of India, in his opinion, should partake more of the character of personal government; and the relation of the Secretary of State to the Governor General should, as he had said, be habitually one of support and deference on matters which did not involve large questions of policy, upon which opinions could be formed in England as well as in India. He knew the difficulty in which a governor was placed who had to sit at the same table with ten or twelve councillors, and the danger there was of being drawn into a position of hostility to them. His feeling then was to diminish as much as possible the influence of the Council in India; and as respected that at home, he thought it would be far better if they could, by giving increased pensions and marks of honour, secure the services of a number of distinguished Indian officers, who had returned home full of honours, who should constitute as it were a body of Privy Councillors for India, to whom the Secretary of State for India might resort for advice upon all points upon which he required it. He thought that such a body would act far better than a permanent Board, which was very apt to thwart and annoy the Secretary of State. The subject was one

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which it was not easy to exhaust, and he could not help thinking that the hon. and learned Member for the Tower Hamlets had done essential service in bringing it forward.

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MR. HENRY SCYMOUR said, he congratulated the House, and that portion of the public who took an interest in Indian affairs, on the manner in which the Secretary of State had received the remarks of the hon. and learned Member for the Tower Hamlets. The right hon. Gentleman had shown a willingness to listen to suggestions with regard to reforming the system under which our great Indian Empire was conducted which promised the best results, and he was sure the speech of the right hon. Gentleman would be received with the greatest satisfaction in India as well as in this country. We must not forget that all the nations of the world envied us our great Indian Empire, and that in most of them the greatest astonishment was expressed that the interests of this vast mass of population who were the subjects of the British Crown should receive so small a share of the attention of the House of Commons and of the English people. He thought, however, that foreigners were somewhat mistaken upon this point, because although the attendance in that House, when Indian subjects came before it, was thin in consequence of but few persons being intimately acquainted with the details of Indian affairs, yet when any subject of importance in connection with that country arose, the press of England took the matter up, while the people of this country showed an increasing interest in the welfare of the millions who were subject to our rule. Turning to the suggestion that had been made upon this subject in the course of the debate, he would ask what had been the end of the long line of Viceroys who had been referred to so favourably by some hon. Members? Why, the last of them left India, in 1857, in a state of rebellion. Not that he regarded the present state of apparent peace as being indicative of good government. Nothing could be more fallacious than the results which were produced by what the hon. Member for Wick (Mr. Laing) called personal government. Of course, a man of extraordinary genius could make any system work well under his personal supervision. But what was required for India was good laws that could be administered by ordinary mortals, and could be understood by everybody. He was not at all afraid of Russia if we acted wisely, but he should be very much afraid of her if we acted unwisely. The Government of Russia had of late years made considerable, but slow, quiet, and silent advances towards India by pushing forward her posts of Cossacks, and it was in the

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newspapers of only last week that the creation of two new Russian Governor Generalships in Turkistan was announced. The people of India had year by year a better opportunity of comparing the English with the Russian system, and they could not fail to perceive that while by our system natives were excluded from all high official places, the natives of the countries conquered by Russia were able to rise to the highest military and civil dignities in the Empire. The great defect in our system was this exclusion from office of the Natives, and he thought the Government had made a great mistake in instituting the Order of the Star of India, instead of permitting the Natives to attain English Orders. It was to the remarkable difference between the policy of Russia and England that he would call attention, because no doubt the Indians much preferred the Russian system, and herein lay our danger. In the time of the Crimean war it was said that Georgians, Caucasians, and the Mussulman countries under her sway would rise against Russia, but they did not; and at the very time the command of the trans-Caucasian army was intrusted to an Armenian, they could not fail to see in the newspapers, and in the discussions in the East Indian Association, how greatly the Natives preferred the Russian system. It was incumbent upon us to consider whether we had adopted the best system, and not to be deluded by the treacherous calm which might exist. With regard, first of all, to the Governor General, he had sufficient power over the whole of India, and was he assisted by an efficient Council? He would suggest some reforms, which were applicable not only to the Supreme Council, but also to the Councils of the other Presidencies. He had long entertained an opinion that those Councils were not founded upon a right principle. In the first place, they ought not to be composed of gentlemen who were at the end of their service; who took no interest in the future of India; who were afraid of responsibility; who had no fame to gain; and whose chief endeavour was, by a judicious calm and quietness, to get out of the Council and return to their native country. The Governor General wanted men to advise him who were full of vigour, and able to do a vast amount of work. Besides that, the members of the Council ought to have some definite occupation. With respect to the Executive Council, which he would now speak of specially, he might remark that we ought to regard India as a separate empire, and govern it as empires and kingdoms were governed in all parts of the world where there was anything like a free Government. The members of the Council which

Council of
Governor
General.

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assisted the Governor General should form a Cabinet Council for the Indian Empire, and assume the names usually given to Ministers in Europe. He would have no general adviser without any special functions to perform. This plan he would follow in the construction of the Executive Councils at Madras and Bombay, as well as that at Calcutta. Upon the Legislative Councils the Natives ought to be more fully represented than they were at present. The whole system of the Governorships needed revision. The Punjab ought to be joined with Scinde, and we ought to have separate Governors for the trans-Indus provinces and Central India. All these alterations had, at various times, been recommended by able men, and should at once be carried out. Then would arise the question as to where the seat of government for the whole country should be placed? It ought to be located somewhere where Europeans could enjoy good health. In his opinion it should be upon the sea-coast, and he had no doubt that the proper place was Bombay, which, in addition to many other advantages, had Poona immediately adjoining it. A Government established at the latter place would be virtually at Bombay. He did not understand why Burmah was ever annexed to India, and recommended that it should at once be placed under the control of the Colonial Office. The changes which he had suggested, especially the introduction of Natives into the Councils, would increase the independence and strength of the Indian Government, and would diminish the danger which the hon. Member for Wick had foreseen, that India might come to be too much governed from this country. It was of great importance to establish one sound and well-defined law which should be supreme in India, and to provide for the education of Natives as lawyers, so that the country might not be entirely dependent upon Europeans. He had always thought that the Council of India consisted of too many members. They ought not to be appointed for life, but after a short time they should give place to others, who might bring into the Council the latest experience from India. Two members from each Presidency would give eight or ten members, an ample number for assisting the Secretary of State in the management of Indian affairs. He agreed with the hon. and learned Gentleman the Member for the Tower Hamlets that the Estimates for the expenditure of the Home Government of India should be submitted to the House. This would give satisfaction to the Natives of India. England should not require any tribute from India, but should be content to govern her as cheaply as possible.

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Legislative
Councils.

Separate
Governors for
the Punjab
with Scinde
and Central
India.

Seat of
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Council in
England.

Estimates of
expenditure
of Home
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Col. Sykes.

COLONEL SYKES said, he presumed that the Resolutions of his hon. and learned Friend (Mr. Ayrton) were to be taken as suggestions, and not as proposals on which he intended to take the opinion of the House. Sir Cecil Beadon was no doubt to blame, to a considerable extent, for the lamentable occurrences in Orissa, because he ought to have adopted such vigorous measures as would have mitigated the evil. But the main fault lay with the local collectors and magistrates, who could not but know that the market rates for grain were rising to famine prices. He regretted to observe in the despatch of the right hon. Gentleman an intimation of some want of energy on the part of the Governor General. It should be remembered that his situation was one of excessive delicacy with regard to interference with local Governors, who were very susceptible of such interference, and he was sorry that any imputation upon the judgment of the Governor General should be conveyed by the Secretary of State. [Sir STAFFORD NORTHCOTE: There was no such imputation, as far as I was concerned.] Personal responsibility ought to be secured, and the government of the non-regulation provinces, under men of experience and reputation, had been more successful in this respect than in the regulation provinces, where the judicial forms involved great delay, if nothing worse. On the question raised by the hon. and learned Member for the Tower Hamlets, whether governors should or should not be assisted by councils, he would remind the House of the opinion of Dr. Johnson, a great Tory, who laid it down as an axiom that the best form of government would be an autocracy, provided only we had angels as governors. But as angels were scarce in these days he would be sorry to have a Secretary of State for India or a Governor General an autocrat, and rejoiced they had the benefit of the advice of men of Indian experience. The hon. Member for Wick (Mr. Laing) had complained that the servants of the Crown in India were allowed to remain there after their faculties had become worn out; but he forgot that by recent regulation thirty-five years was the utmost term of their service, so that if a gentleman went out at eighteen years of age he could not, under any circumstances, continue in the service of the Government, after he was fifty-three years old, an age at which temperate men are usually vigorous, mentally and physically. With regard to the Home Government, the Secretary of State could not spend any of the revenues of India without the consent of his Council, while in other matters he was uncontrolled; and, as in the case of Mysore, for which he applauded him, some-

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General's
Council.

Secretary of
State's
Council.

Colonel Sykes.

times acted in opposition to his Council. The restriction as to money matters was highly essential, for otherwise a Secretary might indulge his crotchets in the expenditure of large sums of money, and might even apply money for political purposes in this country. While, however, approving the existence of a Council, he agreed in the objection to appointments for life. The Directors of the East India Company used to retire every four years, and were ineligible for re-election until after twelve months' interval. Although generally, they were not always re-elected—this *régime* worked well for more than 100 years; and he believed that had it been continued, a better feeling would now prevail in India, both amongst the servants of the State and the population of India. The hon. Member for Wick had spoken of the splendid success of the present system, and he would not deny that great material progress had been made, at least so far as was indicated by an increased revenue; but much discontent existed among the Native troops of Madras and Bombay on account of their degradation from regular to irregular troops, notwithstanding their tried loyalty during the mutiny of the Bengal Army. One word with respect to the future of education. The Indian Colleges were now turning out men equal to those who took a double first at Oxford or a senior wranglership at Cambridge; and it was absurd to suppose that such men, so endowed and so fitted for functions of importance, would be content to stand by with folded arms, while all the posts of dignity or emolument were in the exclusive possession of Englishmen. The Mahomedan conquerors of India always associated Natives with them in the government, and some of the most distinguished financiers of Akbar and Aurungzebe were Hindoos. Although India as a whole, owing to its division into twenty-one nations and languages, and with no common sympathies, had always been, and would continue to be, ruled by foreigners, it behoved us as a matter of policy to associate duly qualified Natives with us in the government of the country wherever we had an opportunity of doing so.

VISCOUNT CRANBOURNE: I should not detain the House from going into Committee but for the observations of the hon. and learned Gentleman (Mr. Ayrton) on the part taken by the Governor General as to schemes for railways in the North West of India—observations that contain serious, though I am sure quite unintentional inaccuracies. The hon. and learned Gentleman has stated that Sir John Lawrence had pressed somewhat unduly the railway schemes in the

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North West of India. If it were true that Sir John Lawrence had pressed forward those schemes, I hardly think it would be a matter of reproach to him, for, in my opinion, whenever the financial condition of the country renders it possible to complete them, they will be of the greatest public benefit. When I was in office I was in close correspondence with Sir John Lawrence on this subject, and I am bound to say, as a matter of fact, that on financial grounds Sir John Lawrence was exceedingly adverse to those schemes being proceeded with at present. With reference to the general character of the Motion before us, I agree with the hon. Member for Wick (Mr. Laing) that we should carefully avoid language of exaggeration in respect of this matter, and to say that the Indian Government has egregiously failed in any considerable affairs it has undertaken would be a very great exaggeration. On the whole, without reference to such miserable matters as the Orissa famine, which we discussed the other day, it has been brilliantly successful; and I certainly should not have selected the railway system as its vulnerable point. My hon. Friend (Mr. Laing) said it would compare well with the experience of Russia. I might go further and say—though it might be a delicate thing to do so—that it would compare well with the experience of England. Then, as regards the complaint made by my hon. and learned Friend (Mr. Ayrton) that a railway which was guaranteed, or could have been guaranteed, by a certain Native Prince, had not been carried out, my impression is that this is not a solitary case, but that, in one or two instances, there had been a desire to construct railways in the territories of Native Princes; but that had not been acceded to owing to considerations of policy, the force of which even my hon. and learned Friend will hardly be disposed to deny. Those railways, as a rule, do not pay; they are only constructed from considerations of the prosperity they are calculated to bring to the people through whose territory they pass; and obviously it is the first duty of the Government that money paid out of the Exchequer for this purpose shall be spent in the construction of lines through the territory under our immediate rule. When this end has been accomplished, we must then turn our thoughts to the assistance of railway projects in the territory of the Nizam or of the Maharajah Holkar. There is another point in which the Indian Government has been deficient, and that is the point of irrigation. We are blamed—and in that lies one of the mysteries of the India Office which I have not been able to fathom, and which I do not believe anybody

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else will—for not having done as much as we ought in the way of irrigation. There certainly was a misunderstanding on the subject. Sir Charles Wood was, I believe, very anxious about irrigation, and I know Sir John Lawrence was; but, however, neither could convince the other that he was anxious about it, and it is impossible to say how the misunderstanding arose. But in reference to the smaller works of irrigation, the cause of delay in these cases is, I believe, the disposition of officials to refer everything, however insignificant, to the authorities at Calcutta, occasioning thereby a large amount, not only of delay, but of unnecessary irritation. The evil is a growing one, and it prevails now to a terrible extent, and when I say this I am breaking no official confidence, for I have received information on the subject since I left office. I have heard of cases in which the imperial Government has been worried about an expenditure of £18 or £20. The very smallest matters are referred to them—even such as the erection of a sentry-box outside the Government House. I believe a great deal of the delay and inefficiency of which the hon. and learned Gentleman complains is due to the extreme and exaggerated centralization which prevails at Calcutta. My right hon. Friend (Sir Stafford Northcote) could do no better service to India than by restricting, as far as possible, the powers of the Central Government to matters of large importance. Divide the territory of India as much as you can, place areas of small extent under the Governors, and then let the Central Government find out how much money it can spare to each, and give them the liberty to spend it as they think best. It is not merely the waste of time that must take place, or the ignorance that must be shown by officials at Calcutta of the affairs throughout the rest of India that is so important; but it is this—that unless you give free action to carry out the work to which they are devoted to the men whose business it is to do so, their spirits sink, the work is done in a perfunctory manner, and you can never replace that zeal which enthusiasm alone can give. I believe that to be the secret of the failure in carrying out the small public works in India. With reference to the other subjects which have been discussed, I cannot hope to rival the clearness of expression of my hon. Friend the Member for Wick, who has so admirably laid down the principle of personal responsibility—a principle that ought to be deeply graven on the heart of every one connected with the Government of India. There is one subject, however, upon which I wish to say a few words, and that is the question of the position of

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smaller works.*Vicount Cranbourne.*

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in England.

the Indian Council, and the amount of power to be entrusted to it. We all know that this Council was constituted at a time of considerable difficulty, and that it was the result of Parliamentary compromise; therefore *à priori*, we cannot expect that it will work as well as a scheme matured under better auspices. That it has worked as well as it has done is due not only to the very great ability of the individuals who compose the Council, but to the singular and marvellous reserve with which they have exercised the powers which Parliament has placed in their hands. You cannot always expect, if you choose to place extravagant powers in a particular body, that those powers will not be sometimes misused. I do not deny that there must be a control over the Secretary of State, who is under the temptation to spend money improperly in two ways. In the first place he is under the pressure to make India pay for what England ought properly to pay. In the next place he is under the pressure of hon. Gentlemen, whom I very much respect—such as the hon. Member for Perth (Mr. Kinnaird), the hon. and learned Member for the Tower Hamlets (Mr. Ayrton), and the hon. Member for the City of London (Mr. Crawford)—Gentlemen connected with very great industrial undertakings in India—undertakings which are worthy of every protection and encouragement. But Gentlemen take a partial view of the special affairs with which they are connected, and if they had entirely their own way, they might perhaps sometimes get more money out of the Secretary of State than they ought; and there is also the danger, which has been referred to, that the Secretary of State for India might spend money out of the revenues of India for the purpose indirectly of obtaining political support at home. I think, therefore, the protection of a Council which has power to limit the expenditure is desirable, and should be sustained; but the point to which I take exception is that the responsibility for that expenditure is not thrown on the Council. I will take an instance which will bring my meaning home. We had lately a discussion about the irrigation works, and we did not know whom to blame. One hon. Gentleman concluded that the hon. Member for Halifax (Mr. Stansfeld) was to blame, another that Sir Charles Wood was to blame, or Sir John Lawrence. But nobody suggested that it might possibly be the Indian Council. I do not say it was; I only speak hypothetically, and have no knowledge on the subject. But remember that the Council have every item of expenditure, large and small, under their control, and every act of the Government which can involve expenditure—that is to

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say, the vast majority of its acts. But you never blame the Council if the Government of India goes wrong. You blame the Secretary of State; he is the figure that stands before Parliament. You find irrigation works not carried on, you find a great province starving, and for all you know it may be the Council which prevents the Secretary of State from taking any measures at all. [Colonel SYKES: The Council have the control of pecuniary measures?] Yes, of everything which involves expenditure, directly or indirectly. When I was in office I took the best opinion on the subject. Now, these are hypothetical suggestions which I have made; what I wish to do is to impress upon the House that you hold the Secretary of State responsible for a policy in India and what it produces; but you never know whether he carries out his own policy, or a policy imposed upon him, either by the absolute votes of his Council or by a clear indication of their will. It seems to me that if the Council is to control the Secretary of State, the Council ought to bear the responsibility. Let every man bear his own burden. If the Secretary of State approve a certain policy, let him embody it in a despatch, and send it out, without any questions as to whether the Council approved of it or not before it was written; and if the Council thinks him wrong, let them write a despatch which shall arrest that policy. It is not fair to hold the Secretary of State responsible and keep him in the foreground, while they lie in the background and really control the Indian policy. It seems a small matter, and until hon. Gentlemen have thought it over, I fear it is impossible to impress on them its importance. As the case stands at present, the policy which governs India has no distinct authorship or parent; it is a joint product, and the Secretary of State is responsible for it only in this sense, that he is "the whipping-boy" on whom the blows must fall if that policy fails. I do not believe you will ever have any wide, general principles applied to the Government of India so long as there is that indistinct and confused apportionment of responsibility and power. I quite agree with the hon. and learned Gentleman that a shorter tenure of office might be desirable in the case of the members of the Council; but only on the understanding that a thoroughly good retiring pension is given to those who go out, because unless you make some provision of that kind you will not, in the first instance, get the best men to sit upon the Council. But all these matters must come under the review of the Government, and therefore although we have kept my right hon. Friend (Sir Stafford Northcote) for some time from his Financial Statement,

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I shall not be sorry if we have thereby been able to direct his mind to the importance of overhauling, both here and in India, the machinery by which that great dependency is governed, so that he may present to us, if possible, next year some scheme which shall correct the errors signalized in the debate to-night—a scheme which shall carry out in England and in India more completely the great principle laid down by the hon. Member for Wick—that personal responsibility is the thing requisite in the government of India.

Mr J. S. MILL.

MR. J. STUART MILL said, that as the House, notwithstanding the deprecation of the Minister for India, had drifted into a debate on general policy, and as the right hon. Gentleman would be expected next year to bring forward a measure which might effect changes in the machinery of government, he could not help expressing his fear lest some of the changes which had been recommended would make the administration of India worse than it was at present. The use and importance of Councils had, in particular, been undervalued. No doubt it was a most important principle of representation that responsibility should rest as far as possible on one person, and that that person should not be screened by a Board or Council. But he apprehended that this principle applied only to one department of the Government—the Executive. Now, the work of Government was two-fold; it was executive and deliberative: and in the Indian Government the deliberative was quite as extensive as the executive work, and even more important. As was stated by the hon. Member for Wick, there was no place in the world where so much depended on the personal qualities of the particular officer who was entrusted with power in all the important appointments. Upon the person who was at the head of the administration in any one district of India, the prosperity of that district, to a very large extent, depended. But it did not follow that you had only to choose the best man, and then leave him to do as he liked. You should not rely solely upon the policy of one man, and *that* a man who filled office only for a brief period. Before any important act was done in India, there should be a full and complete statement, as far as possible, of the different sides of the question; the *pros* and *cons* should be brought forward by different people, and not solely by the particular officer concerned. Especially should this be so in the case of the Governor General. He perfectly agreed in the opinion that those who were entrusted with the chief power in India should not in general be persons who had passed their lives there. India ought to furnish knowledge of detail; but knowledge of principles and

Importance
of Councils.

Office of
Governor
General.

Mr. J. Stuart Mill.

general statesmanship should be found more easily and in greater abundance in England, and here it should be sought. But when this officer went out to India, however able he might be, he rarely knew anything of his business. 'No doubt an able man would learn his business quicker than another man; but meanwhile he must be more or less dependent on the opinion of other people. That opinion, if he had not a well-chosen and sufficiently numerous Council, must be the opinion of the executive officers under him. Such opinions were often very valuable, but those who gave them were under no responsibility for the advice thus given. Now, if there was one thing more than another to which the great success of our Indian administration was due—for notwithstanding many defects it was on the whole a successful administration—it was to the fact that the Government had, to so large an extent, been carried on in writing; that no important act had been done the reasons for which had not been fully stated on paper, so that those at a distance were able to study them, and to decide upon the validity of the arguments by which the responsible officers justified their acts. It was not enough to trust to one despatch from the one officer who was so responsible; there should be a substantial discussion in the place itself, so that if different opinions were held on the subject, all of them should be placed before the functionary who was to decide in the last resort. It was this necessity which justified not only the existence of Councils, but of numerous Councils. He did not agree with his hon. and learned Friend (Mr. Ayrton) that the Government of Bengal had been a Government of inefficient, superannuated people. He did not wish to say anything of Sir Cecil Beadon, whose conduct had been so much canvassed of late, because he did not know much of that gentleman; but those who preceded him were, first, Mr. Halliday, and then Sir J. P. Grant, and two more efficient, enlightened administrators than those gentlemen were, it would be difficult to find in any service. Like all the great officers in India, these men were overworked; and this was the great excuse for their shortcomings. The Governor of Bengal had never had the benefit of a Council. He (Mr. Stuart Mill) thought it was desirable that he should have one. If that Governor had had the benefit of an efficient Council, perhaps that great calamity which had lately occurred in a particular district of India would have been averted. One reason the more for a Council in Bengal would be supplied if it were determined that a member of the Civil Service should not be at the head of

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and Bombay.

this Government, and that Bengal should be put on the same footing in this respect as Bombay and Madras. In that case it would be all the more necessary that the Governor should have some members of the Civil Service to assist him. He believed that such a Council would have been created in Bengal if it had not been for the expense. It was from motives of economy that a Council had not hitherto been appointed. As the Governor General and his Council were nearer to the Lieutenant Governor of Bengal than to the Governments of Bombay and Madras, it was thought that in Bengal a local Council could be dispensed with. But he was afraid that this would be found, and had, indeed, been found, a mistake. In appointing to the great office of Governor General or Viceroy, it might be said with truth that every Government had, as a general rule, chosen one of the best of themselves—a man who might aspire to a high or even to the highest office in this country. In that respect there had been no failure of duty, though mistakes had now and then been made. But his experience did not tell him that the same care and conscientiousness had been shown in England in choosing men to be the Governors of the minor Presidencies. He had known stupid men, careless, frivolous men, idle men, appointed to both the minor Presidencies—men so little fitted for the business of government that if it had not been for their Councils he did not know how the government of those Presidencies would have gone on. It seemed to him, therefore, that if instead of a Lieutenant Governor there was to be a Governor of Bengal and a Governor of the North-Western Provinces, it was more important than ever that each of them should have a Council. One word now as to the Council of India in this country. The difficulty raised by the noble Lord opposite was real, and required serious consideration. On the one hand, it was of the highest importance to have a Council which should be a check upon the Secretary of State in matters of expense. On the other hand, it was true, as the noble Lord said, that the Secretary of State was in some degree compelled to bear a responsibility which might not be his own. How this difficulty should be overcome—if it could be overcome—was a matter well deserving the consideration of the House. But with regard to the necessity of a Council, and even of a numerous Council, not only to prevent the waste of the money of India, but also for the purpose of enlightening the Secretary of State on the general affairs of India, it appeared to him (Mr. Stuart Mill) to be clearer than many hon. Gentlemen seemed to think. He believed that many persons looked at

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it as if the question was, whether the Secretary of State should prevail or the Council, overlooking the fact that the Council would most probably not be all of one mind. The great advantage of a Council was that it represented many minds, that it embodied many of the opinions existing among public men. This was the case in the Court of Directors of the East India Company. They comprised permanent settlement men, village settlement men, and Ryotwar men : and again, in judicial matters, men who were for the regulation system, men who were for the non-regulation system, and men who were for the Native system. Indeed, every variety of Indian policy was there represented. There was no leading variety of Indian policy, the reasons for and against which were not certain to be stated very strongly by persons who had studied the subject, and were capable of urging the best arguments in favour of the views they advocated. It was surely an advantage to the Secretary of State, who could seldom know much about India when he took office for the first time, to obtain on the best authority that various knowledge which the great diversities of people and civilization rendered necessary. When he (Mr. Stuart Mill) was concerned, in a subordinate capacity, in the administration of India, he found that those who were at the centre of government in England really knew India, as a whole, better than those who were in India. Gentlemen knew their own Presidencies, and those who were concerned in the administration of one had more or less of prejudice against the system which prevailed in another. Those who were resident in Bengal knew less of Madras and Bombay, and *vice versa*, than those who had access to the records of all the Presidencies, and were accustomed to deliberate upon and discuss them, and to write about them ; and so with regard to each of the Presidencies. He believed that a much more unprejudiced view of Indian affairs would be found in a Council than in any one of the local Governments, or even in the Governor General, if he were not acting with a Central Board. He thought that no Secretary of State who was aware of the imperfection of his own knowledge when he entered office, would wish to deprive himself of the advantage which he was likely to derive from an experienced Council. It was, however, another question whether the members of that Council should hold their office for life. It would be better, in his opinion, that they should give up office at intervals, but, nevertheless, he thought that they should be eligible for re-election ; and therefore power should be given to the Council to re-elect, and to the Crown to re-appoint any mem-

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Indian
accounts to an
earlier period.

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ber who was still in the vigour of his intellect and capable of rendering good service to the country. Those were the observations he was desirous of making.

MR. J. B. SMITH said, the House was indebted to the notice of his hon. and learned Friend the Member for the Tower Hamlets (Mr. Ayrton) for this interesting debate on Indian affairs. It was disgraceful to the country and insulting to our fellow-subjects in India, that the important questions which had been discussed this evening should have been delayed to the last week in the Session; and he desired to give notice that he should early in the ensuing Session, unless in the meantime something was done in the matter, call the attention of the House to the importance of making up the Indian accounts to such a period as would enable the Secretary of State for India to bring forward his Budget at the beginning instead of the end of the Session, as had become his custom, and thus afford the opportunity of more frequently and more fully discussing Indian questions. There could be no doubt that India had made great material progress within the last few years since the partial opening out of roads, railways, and water communications, which had enabled her more fully to develop her vast resources. The results thus obtained were a great encouragement to proceed in the same direction. The civil war in the United States had led to an enormous increase of our trade with India for cotton. In 1856 the value of our imports of cotton from India amounted only to £3,500,000; last year we imported from thence to the value of £25,000,000. It was the extraordinary influx of the precious metals into that country in payment for cotton, and the large profits on its cultivation, that had enabled the poor Ryots to free themselves from debt, and to rise from a position of absolute poverty to comparative independence. The extreme high prices for cotton ceased with the American war, and henceforth India will have to compete with that country, and unless she can produce cotton as good and as cheap as America, she will lose that trade. Twenty years ago his hon. Friend the Member for Birmingham obtained the appointment of a Committee of this House to inquire into the question of the growth of cotton in India, with the view of rendering this country more independent of supplies from the United States, which were always precarious from the existence of slavery there. Results have proved the wisdom of that step; but although the Committee reported that the cultivation of cotton in India might be greatly improved, and rendered a valuable article for our manufac-

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turers, strange to say every effort in that direction had been discouraged by the Government who had actually employed persons to write books to show the impossibility of improving the growth of cotton in India. True, the East India Company had tried the cultivation by American planters with little success; but Mr. Shaw, their Collector at Dharwar, in spite of the difficulties thrown in his way, had, by his dogged perseverance, proved that India was capable of producing cotton from American seed, equal in quality to common American cotton. That gentleman at length succeeded in persuading the Government to allow him to purchase 500 bales of cotton grown from Indian seed, and the same quantity grown in Dharwar from American seed, with the view of testing the value of each by selling them by public auction at Bombay. The American planters employed by the East India Company pronounced the cotton grown from Indian seed to be the best, and the merchants at Bombay concurred in that opinion by giving a higher price for it by public auction than for that grown from American seed. When, however, this cotton found its way to Liverpool, that grown from Indian seed sold for $3\frac{1}{2}d.$ per lb. only, while that grown from American seed sold for $6\frac{1}{2}d.$ per lb. He (Mr. Smith) had for years past, year by year, accompanied deputations from the Chamber of Commerce and from the Cotton Supply Association of Manchester to lay these facts before the Government of India without effect, and also to impress upon it that it was necessary to the improvement of the quality of any Indian produce to combine European skill with Indian labour, as had been successfully done in the cases of indigo, silk, sugar, and other articles. It was necessary to the improved cultivation of cotton in India that an European agency should be established, and that it should be supported by the influence of the Government. At length, with great difficulty, the Government had been induced to try the experiment of appointing a special agent in the province of Kandeish; and mark the extraordinary results. Mr. Ashburner, the Collector of Kandeish, persuaded the people to change their seed, and to sow Oomrawattie instead of Kandeish seed; the result was that the value of the crop grown from the new seed was more by £569,000 than that of the indigenous seed—that is to say, the introduction of Berar seed into Kandeish has been equivalent to a remission of the whole land revenue amounting to £324,283, with a bonus added of upwards of £240,000, which is left in the hands of the Ryots and local dealers. What has been done in Kandeish may be done elsewhere; and the time has arrived

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when every facility should be given to the Indian grower of cotton to enable him fairly to compete with the American. At present the best quality of Indian cotton is grown in Berar, 500 miles from Bombay, the port of shipment, and the cost of carriage even by railway would not be less than 1*d.* per lb.; whereas, if the water communication by the Godavery River to Coringa were opened out, it might be conveyed to a port of shipment for half a farthing per lb.; thus enabling the Indian growers of cotton to compete with the American planters, who get their cotton carried 1,000 miles down the Mississippi to New Orleans for that sum. It was of the greatest importance to secure to India our market for the sale of their cotton; and he hoped this question would seriously engage the attention of the Indian Government.

Mr. Ayrton.

MR. AYRTON said, that after having received an assurance from the Secretary of State for India that the subjects which he had introduced to the House had engaged his attention, and would continue to do so during the recess, and that the House should have an opportunity of maturely considering the whole subject during the next Session, he felt that the only course open to him was to ask leave to withdraw his Motion.

Amendment
withdrawn.

Amendment, by leave, *withdrawn*.

EAST INDIA REVENUE ACCOUNTS *considered* in Committee.

(In the Committee.)

Sir S. Northcote.

SIR STAFFORD NORTHCOTE said: I hope the long and interesting discussion which has taken place on Indian affairs, will not have so completely exhausted the attention and energies of hon. Members as to prevent them from giving a few minutes' attention to the question of the financial position of that country. I rise under considerable disadvantage, after the more interesting and general discussion which has taken place, in order to make what is comparatively a dry and uninteresting statement. But hon. Gentlemen will remember that there is nothing so essential to the prosperity of any country, or certainly nothing more essential, than that its finances should be in good order; and therefore I trust hon. Gentlemen who have shown an interest in the previous discussion, will allow me to state, as briefly as I can, the financial position of India. As hon. Members are aware, the ordinary method of stating the Indian Budget is, first of all, to speak, not of the year just expired, but of the year before it, of which we have what is called the actual account. The last actual account we have received is for the year 1865-6, terminating on the 30th of April, 1866. With re-

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gard to that, it can hardly be necessary that I should enter into any very lengthened statement, because the time is so far gone past that the interest that might be felt in the finances of the period must nearly have passed away. In fact, I do not think I should have found it necessary to say anything of the finances of that year but for the remarkable statement with which Mr. Massey opened his Budget in March last. Mr. Massey said—speaking of 1865-6—that whereas about four months before the termination of the year he had estimated for a deficiency of £300,000, he found that the result showed not only no deficiency, but a surplus of £2,740,000. That certainly appears rather remarkable; but when you come to look into it more closely the wonder is very much diminished, and it resolves itself into a question of the manner in which the Indian accounts have been kept. In the first place, the surplus in part arose from the transfer of the loan account from the Treasury to the Bank of Bengal. These accounts had been kept in a rather loose manner; the money advanced on loan was paid into the Treasury, and after a time application was made for securities to be issued in respect of it; but the securities were often not issued for a considerable time after the money had been lodged; and when it was thought desirable to transfer the accounts from the Government Treasuries to the Banks, and to enter them according to the new system of accounting in the Government books, it so happened that the amount which had been received at that particular time was somewhat more than £1,000,000 above what appeared on the other side as the amount of securities issued, and consequently the year's receipts were made to appear to be upwards of £1,000,000 more than was really the case. We must therefore set that amount aside as having nothing to do with the finance of the country. Another case in which the surplus mentioned in Mr. Massey's statement was founded upon an error of computation, arose in the matter of stores. Mr. Massey stated that there had been a saving of something like £500,000 in the stores passed from England; but there was no real saving at all. Instead of there having been £500,000 less spent, the expenditure had been £15,000 more; because certain sums had been charged in the accounts here, and had not been transferred into Mr. Massey's account. Then there was a very large sum brought into the revenue of 1865-6 which did not properly belong to it. A large balance had been kept at the private banks on account of the railway companies; these balances should not have been kept there; they were trans-

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Cause of
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ferred to the Government account, and so came in aid of the revenue of 1865-6, but though they certainly came in aid of the finances of that year they did not belong to it, and this was an accidental advantage which should not be accepted as indicative of an improvement in the resources of India. Then there was a sum of £300,000 on account of land revenue, properly belonging to the following year, which came into that year by anticipation, swelling the receipts, and diminishing the receipts of the next year. These receipts all helped entirely to alter the nature of the financial balance at the end of 1865-6; but of course it is necessary to do no more than mention the facts; they do not call for discussion. With regard to the year 1866-7, the Budget Estimate was originally framed with the anticipation that there would be a tolerably even balance of receipts and expenditure. It was estimated that the receipts would be £46,752,800, and that the expenditure would be £46,825,600, so that it would be necessary to provide for the deficit of £72,800. We will now compare the actual results with the Budget estimate. The year 1866-7 was curtailed by one month for the purpose of enabling the Secretary of State to bring forward the Budget sooner; but I am afraid, so far as this year is concerned, the experiment has not been brilliantly successful. In bringing forward the Indian Budget, however, much more depends upon the pressure of public business in this country, than upon the time at which the information comes from India, which is usually much earlier than is convenient for its discussion in this House. Some observations fell from the hon. Member opposite (Mr. J. B. Smith) as to the period of the present debate; but I am sure that, late in the Session as it may be, there is now a more attentive and efficient audience than there would have been at any earlier season. I regret myself that when they were changing the financial year the time was not carried further back, so as to make the year close on the 31st of December. I have not yet been able to ascertain why this cannot be done, though probably it is my own fault, for everybody else says it is out of the question. At all events, the change having been made, it would be unadvisable now, without some strong ground, to disturb the present arrangement, under which the year closes at the same time as the English financial year—namely, on the 31st of March. In consequence of the change actually made we are unable to make a very fair comparison between the receipts and expenditure of the eleven months of 1866-7 and the Estimate formed for the whole twelve months? but we know the general result,

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and I am sorry to say that it is unsatisfactory. According to the Budget Estimate, for twelve months, the deficiency should have been £70,000, but the regular Estimate for eleven months shows a deficiency of £2,400,000. That deficit is due to several circumstances, and, in the first place, to the deficiency of the revenue. In opium the deficiency, after allowing for the month which was not brought into the fiscal year, was £952,000. There was a deficiency of £140,000 in the mint receipts, owing to the small amount of silver and copper coinage; and a further deficiency under the head of receipts for public works to the extent of £524,000, caused by the failure of the land sales in Bombay. Hon. Gentlemen are aware that very considerable works of reclamation and improvement were lately in progress in Bombay, and it was anticipated that large sales of the reclaimed land would be made at high prices, so as to pay for the works done; but the year 1866-7 was one, as we all know, of great commercial distress, which specially affected Bombay, and consequently the receipts from these sales fell very far short of the anticipations which had been formed. These three heads of deficiency affect the revenue to the extent of £1,600,000; and then, again, there are two items of excess of expenditure on the railway account amounting to about £400,000. When I say excess of expenditure, I ought properly to call it deficiency of revenue, for the net payment on account of the railways was greater by £400,000 than it was expected to be, not because of the charge for interest being higher, but because of the traffic receipts being less. The year was one of considerable physical as well as commercial trouble; floods and other circumstances interrupted the traffic, and from one cause or other the receipts fell short. Another, and a very heavy, item of expenditure comes upon the home charges for the year; £580,000 for the new transports provided for the troop service between this country and India. Taking these items, the deficiency of revenue and the excess of expenditure together, they will more than account for the figures which I have already given. On the other hand, there are some important items of improvement. There is one that I notice with particular pleasure, because it shows that although the year was, as we know, an unfortunate one, yet there was a considerable amount of comfort, of affluence even, among the labouring classes of India. The item is that of the revenue from salt; and I am happy to say that the revenue from salt in eleven months exceeded the amount that had been estimated for the entire year by no less than

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Deficit and
its causes.

Items of
improvement
in revenue.

Salt revenue.

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£279,000, and if the entire twelve months had been run out the excess would have been £330,000. This shows that there is a great consuming power among the labouring classes. In this country we look to the revenue from customs and excise as a test of the condition of the country; in India the revenue from salt is that which we look upon as a test of the well-being of the labouring classes. That is the result, generally speaking, of the finances of the year 1866-7. Of course, we are now speaking of what is called the regular Estimate, and it is possible that when we get the finally completed account it may turn out that there will be some difference between what I have stated and the actual sums; but it is not probable, that you will have again such great differences as marked the year 1865-6. The year has been one of deficiency. Some of the causes of the deficiency are of a temporary character, and we may hope that when we have to deal with a year of a more regular and average character, we shall not have the recurrence of such a deficiency. At the same time, the fact of so large a deficiency does give us cause to look with some anxiety at the state of our accounts, and naturally and necessarily to consider whether there are any measures which can be taken to bring about a better condition of our finances. The first question, of course, is whether it is impossible to reduce the expenditure of the country. I desired that an account might be made out of the expenditure of India, taking the year 1865-6 of which we had the latest complete accounts, and dividing the expenditure into two or three large heads, so that we might compare them with the expenditure of the United Kingdom, and ascertain the proportion which they bear. These heads are necessarily very rough, but some points of the comparison are interesting. The Indian expenditure upon the army, adding to this the cost of the marine and transport services, appears to be about 39 per cent. of the whole expenditure in 1865-6, whereas in the United Kingdom for the same year the whole military expenditure, including the army and the navy, amounted only to about 37 per cent. It appears, therefore, that the military expenditure of India somewhat exceeds the proportion of the military expenditure of the United Kingdom. That is a little startling at first, because we must remember that India does not keep up a navy, or hardly anything in the shape of a marine, except a few transport vessels. But when we come to consider whether anything can be done in the way of reducing this large head of expenditure, I am bound to say that I am not very sanguine of being able to bring about any

Indian
expenditure
and that of
the United
Kingdom.

Army, marine
and transport
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large reduction. Of course, there are only two ways in which reductions can be effected. Either we must reduce the amount of our forces, or we must in some way economize in the mode of paying and maintaining them. I do not feel that I can hold out to the House or to the country any very great hopes that it would be safe or possible largely to reduce our force. I do not mean to say that there might not be reductions here and there; but when we consider the nature of our tenure of India, and see how much depends, not only on our being strong, but on our being thought to be strong, and what serious consequences might follow from any unwise reductions, either by the encouragement of domestic troubles or anything in the nature of troubles from without, it is a very serious question whether we ought to attempt any diminution of our strength. I do not rest this matter on my own opinion merely, which I should give with extreme diffidence, but I rely greatly on the opinion of the Governor General, to which, under all the circumstances, we ought peculiarly to trust. The Governor General, who is personally responsible for maintaining the peace of India, and who, from his position, can form an opinion far better than we are capable of doing, must at all times be regarded as a very high authority. And Sir John Lawrence is a man whose opinion upon such a question ought to weigh very greatly indeed. In the first place Sir John Lawrence is a man of large Indian experience. He knows what both the domestic—if I may use the term—necessities of India are, and what are her wants in respect of security against her border neighbours. Then, he is a man who is by no means chargeable with having an extravagant turn of mind. If there is a fault charged against him in matters of expenditure, it is much more commonly said that he is disposed to be too critical and economical than that his tendency is towards extravagance. Again, if you look to his foreign policy, I think you will find it difficult to point to any Governor General who has been more opposed to aggression and to foreign war than Sir John Lawrence. Well, then, finding, as I do find—I will not say as regards some minor points, but taking the matter broadly—that Sir John Lawrence is against any material reduction in the army, I do not feel justified in looking to such a reduction for a decrease in our Indian expenditure. Then comes the question whether, if we are to maintain the same force, we can reduce the cost of the establishment? There, again, I am sorry to say, my ideas are anything but encouraging. We must bear in mind that the cost of living and all other expenses are largely

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expenditure.
Reduction in
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Transport of
troops—
Railways.

increasing in India, and, consequently, we can scarcely expect that any establishment, whether civil or military, can be kept up at a less cost than heretofore. Even in this country you have found it necessary to increase the pay of our soldiers; and though what you have done in that respect does not directly involve an increase to our troops in India, there is no doubt that we shall have to do the same thing in the case of the European soldiers in India; so that there is the likelihood of an increase rather than of a diminution in the cost of the establishment in our Indian Empire. Then there are those sanitary questions which are most important, and which are in a true sense economical. I believe it is true economy to spend money wisely to improve the health and the accommodation of your troops; but I cannot say that it is likely to enable you to reduce the amount of the expenditure which you must be prepared to make. Something has been said to-night on the subject of the railways which are in contemplation for the North-West Provinces. I must entirely and cordially endorse the opinion which has been expressed that it is of the highest importance we should, as far as possible, strengthen those provinces by pushing those railways on; but, in reference to what fell from the hon. and learned Member for the Tower Hamlets, I think I may assure the hon. Gentleman that, owing to other works which have to be carried on, especially with regard to the Indus Valley and the Rajpootana lines, there is no danger of that hurry which he seems to apprehend in the case of those railways. At the same time, I repeat that the Government are quite alive to the importance of doing all in their power to facilitate the transport of troops, because by this means we economize, as we enable a smaller number of men to do the work of a greater number. It is for this reason our new transports, and our lines of telegraph, by bringing India practically nearer to London, are of a very great importance in an economical, as well as in a political, sense. Though we may not be able to reduce the cost of our military service, we may be able by degrees to improve and increase its efficiency very materially. I believe myself that we have nothing to fear from foreign aggression; but, at the same time, the more we strengthen ourselves and husband our resources, the greater will be the security of our Indian Empire. Our army and marine service in India is not costing much more now than it did before the mutiny, and nothing like so much as when the expenditure for this branch was at its highest. In 1856-7 the army and marine cost £12,400,000; in 1858-9 it was £22,000,000; for

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the last year it was £13,207,000, with some addition for stores and new transports. The next item of expenditure is the collection of the revenue which amounts to 18 per cent. That appears large, because in the United Kingdom the cost is only 9 per cent.; but the collection of the revenue in India is something very different from the collection of the revenue in England; because, in the former case, the collection of the taxes on opium and salt comprises in some places the cultivation of the opium and the manufacture of the salt. Then in the collection of the land revenue there is expenditure which ought not properly to come under that head. With regard to all those services which may be put together under the head "Law, Police, Education, &c., Civil Service, and Miscellaneous," while the expenditure in the United Kingdom is 14 per cent., in India it amounts to 20 per cent.; but here a great deal is charged on local taxation, which in India falls on the Government. As it is with regard to the military service, so it is with the civil. The expense is increasing. Great demands are made in consequence of the improvements in your system of government. You cannot carry on those improvements without enlarging your establishments; and though you may revise here and there, and lop off superfluous Commissioners and Boards, yet, if you carry out law, justice, education, and sanitary measures, to which an enormous importance attaches, properly, you must be prepared to extend your establishments liberally; and, in order to make your servants do your work satisfactorily, you must pay them adequately; so that neither in this department do I see any great prospect of a reduction of the expenditure. The total amount of salaries and expenses of the Public Department was, in 1860-1, £3,900,000; last year it was £3,824,000. A considerable addition has, however, been made within the last few months owing to an increase in the salaries. I have had a statement made out which I think shows that the additions to salaries made since the Budget statement of last year come to something like £200,000. I may observe that all these matters are closely scrutinized by the Government of India. For the most part, the additions are made by the local Government. They are then revised, and, it is said, rather rigorously, by the supreme Government of India, and subsequently they are sent home for the opinion of the Secretary of State in England. I do not think that as they pass through the mill in this way any great extravagance can prevail. Under another head of expenditure—the interest of debt—India compares more favourably with England. The interest on the

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Cost of
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revenue.

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expenditure.

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debt.

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debt of the United Kingdom is 39 per cent. on the expenditure. The interest on the debt of India is only 11 per cent. on the expenditure. It is true that the debt has been increasing of late years; but I do not think it has been increasing in greater proportion than the revenue; and we see satisfactorily in one point how liabilities which rose some years ago are now falling again. I refer to the guaranteed interest upon railways, on which, in 1863-4 the net amount paid was £1,669,000; in 1867-8 it was only* £580,000. The hon. Member for Wick says it is not of very much importance that the debt of a country is increasing if her revenue is increasing at the same time. Now, while I do not admit that as a rule of general application, I do not think that, in India, where the debt only bears a moderate proportion to the resources of the country, and where the latter are largely developing, there is any reason to be alarmed at the advance which the debt has made. I observe that the public are not alarmed, because the prices of Indian securities keep their position extremely well in comparison with Consols. I have taken Consols as the standard in our public credit, and compared with them the Indian Rupee Paper—a security in which there has been no change, no alteration of the rate of interest, and no postponement or other dealing which would affect the price of the stock. I found that in January, 1861, the price of Consols was $92\frac{3}{4}$; the price of Indian Rupee Paper 95. Last January Consols stood at $90\frac{1}{4}$, or more than 2 per cent. below what they were in January, 1861; but Indian Rupee Paper brought 101, or 6 per cent. more than it stood at in January, 1861. In the same way the relative value of British and Indian securities shows that the Indian credit is by no means overstrained. The only other head of expenditure to which I shall refer is that for public works. In 1865-6 it was in India 12 per cent., while in the United Kingdom it was set down at 1 per cent. I inquired what particular items of expenditure were taken into account in England, and was informed that the only item was that for fortifications. There is, however, as we all know, other expenditure in England on public works. There is a great amount of expenditure in England for the maintenance of bridges and public buildings in various localities. There is also much money expended by private companies and railway companies, with which the State has nothing to do; and we know that, to a considerable extent, the expenditure of private individuals and private companies is aided by the State in the shape of loans, such as, for instance, the Drainage loans, and the annual loans from the Exchequer Loan Commis-

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sioners. But in India the large expenditure for public works is nearly all conducted by the Government of India, and by the Home Government. This is an important distinction, but as it is a matter on which a good deal has already been said, I shall pass it over more briefly than I otherwise would. I endorse, however, what has been said by my noble Friend (Viscount Cranbourne) with regard to the difficulties and hesitations which have occurred in carrying out that policy, which everyone would acknowledge to be a right policy—namely, a fair and liberal development of the resources of India by a great extension of public works, and especially of irrigation. I am sure that upon this head there is no one to whom India owes a greater debt of gratitude than to my noble Friend, for during his short tenure of office, he gave an impulse to public works generally, and to the irrigation service in particular; and though it would be ungenerous to throw any slur on the Government in India, or to suppose that they were not earnest, and anxious to push this matter forward, and to carry out the policy in a manner adequate to the wants of the country, yet all who have read the documents on the table, and who know what has taken place, will admit that the impulse which my noble Friend gave to the execution of public works is likely to produce excellent results. All have seen, no doubt, serious difficulties in carrying out irrigation works, and though it may be easy to say that many of these difficulties were such as a man of energy would overcome, yet experience in India has made it manifest that while irrigation works should be pressed forward vigorously, yet we must be very prudent as to the mode in which we carry out the necessary policy. There was a question raised as to the possibility of obtaining labour, and, no doubt, with respect to certain periods and certain works, there was a great difficulty in obtaining a sufficiency of labour. There is also a considerable risk of improvident works being entered upon. If you send out engineers to report on the commencement of irrigation works, you will find able but sanguine men, who see everything in rosy colours, prepared to recommend schemes which, if intrusted to their execution, would produce credit to themselves, but which, on proper examination, prove financially more or less delusive. I will mention one scheme to which my attention was called, and I will quote the authority of one of our Governors, Lord Napier, who takes great interest in this question of irrigation. While he tells us that there are portions of the Madras Presidency where irrigation may be carried on with great advantage, such, for

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Irrigation
works—
difficulties
attending
their
execution.

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Improved
footing of
department
of irrigation.

Change in
mode of
charging
expenses of
reproductive
works.

instance, as the deltas of the Kistna and the Cauvery, he also speaks in a different tone of some other projects. He mentions the Bellary project, the first estimate for which was £1,000,000 for irrigating 250,000 acres; but another estimate increased the sum to £1,500,000, and reduced the acreage to 150,000 acres. I do not know whether this latter estimate is correct, it may prove to be not a sufficiently sanguine estimate, and I mention this case not for the purpose of saying anything against the Bellary project, but simply as an example of what one hears from time to time from different quarters. Lord Napier mentions it as an instance, in which a more sanguine view was taken some months ago than is now adopted, and as a proof of the necessity of taking care how far you commit yourselves to large schemes of this sort, until you are certain what the cost will be and what advantage it will produce. It is quite certain that this whole matter is being put on a more organized and better footing than before. An officer (Colonel Strachey) has been appointed to give it his special attention. He is an officer who has taken a great interest on the subject, and he has been going over the Presidencies of Madras and Bombay, and has now gone to Bengal. His exact position is not finally determined. We have now before us a despatch setting forth the footing on which the Government of India wish the irrigation service to be carried on. Mr. Seymour Fitzgerald has been actively engaged in this matter at Bombay, and has appointed an officer to take the special direction of the irrigation works there. There is no doubt that a great deal will be done next year in Scinde and Bombay, and we know that in the North-West Provinces much is being effected. The attention of the Government of India is being roused to the work, which will have the steady and hearty support of the Government at home. There is no fear, then, that this matter will be allowed to languish; but there should be considerable caution, and in some respects, scepticism, with respect to the projects proposed, so that nothing may be undertaken without a fair and good prospect of success. A great change which has taken place in this matter has reference to the mode in which the expenses are to be charged; for it was proposed by the Government in India last winter, when the Estimates were being prepared (and the proposition was agreed to by my noble Friend) that the expense of the irrigation and other reproductive works should be charged not to income but to capital, thus treating India as a proprietor treats his estate, who, in undertaking works of improvement which cost more than the annual income, might

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deem it a good and economical arrangement to borrow money at a moderate rate of interest for improvements, from which a return would be obtained not only covering the interest, but replacing the capital. The principle was sanctioned by the Home Government, and has been recognized in the Budget Estimate I am now about to refer to—the Estimate for 1867-8. Mr. Massey, in his statement of last March, begins by calling attention to this change, and observes that on its being sanctioned, the Government of India applied to the different Presidencies for a statement of the amount proposed to be expended on irrigation. Mr. Massey states their demands at £700,000, and he naturally says that is comparatively a small demand, and he had hoped that it might have been larger; but it was to the credit of the Governments of the Presidencies that they did not immediately send up crude schemes, but took time to have them thoroughly sifted and examined. That demand then amounted to £700,000, and in addition to it Mr. Massey stated that he was about to borrow certain sums of money for the purpose of making advances to Bombay and Calcutta. In Bombay, in consequence of the commercial distress there, the progress of the land sales has been delayed; and, as it was thought unwise to delay the public works, the prosecution of which was dependent on the proceeds of those sales, the Government of India determined that they would carry on those works, borrowing certain sums in order to effect that object. They borrowed altogether £1,000,000 to give to Bombay; but that amount is in the nature of an advance to Bombay, and therefore not in the nature of a permanent addition to the debt of the year. In the case of Madras and Calcutta, they have agreed to advance a sum of £520,500, for three years, for executing the waterworks there; but that sum will be speedily rapid. Taking those sums together, Mr. Massey's estimate was that he should have to borrow about £2,000,000—and this amount he did not propose to reckon in his Budget Estimate. He calculated that his expenditure, including what are known as public works extraordinary, but exclusive of the sums to be borrowed for irrigation, would amount to £47,340,000; his revenue, including the charges on customs revenue and on stamps, he estimated at £46,283,000, thus showing a deficiency of £1,057,000. In order to meet that deficiency, he proposed to levy a licence tax, the amount of which he calculated at £500,000. The deficiency would by that means be reduced to £557,000. The balance he proposed to make right, not by adding anything to taxation, but in the following man-

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Budget
Estimate of
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Loans for
irrigation
works
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Deficit on the
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licence tax.

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Expenditure
on barracks
and temporary
loans.

ner:—The Government of India are now engaged in re-modelling the barracks and in building new ones. A sum of nearly £2,000,000 will be required for that purpose during the present year. Instead of taking that sum out of revenue, Mr. Massey transfers £1,000,000 of it to loan, and in that way shows a surplus of about £500,000. The expenditure on barracks in India has an analogy to the expenditure on fortifications in this country. It is undoubtedly difficult to meet so large an expenditure out of annual revenue, and I am not prepared to say that Mr. Massey was not justified in spreading the cost of those barracks over a somewhat longer period than is necessary for their completion. Assuming it to be necessary that they should be completed with great rapidity—say in a period of five or six years, it is not unreasonable, I think, to spread the re-payment of the sum required for the purpose over a period of ten or twelve years, providing for portions of the expenditure by means of temporary loans. I am, at the same time, of opinion that an outlay of this description ought to be met within a definite and a short period, and that an addition to the permanent debt of the country ought not to be made for such an object as the construction of barracks. That would be a most dangerous policy, and it will therefore be incumbent on the Government of India to keep up a considerable surplus of income over expenditure, in order to clear off that amount of debt, unless they find it possible to adopt our system of terminable annuities, in which case the debt would be extinguished within a limited time. I draw a broad distinction, I may add, between a debt of this kind and one incurred for the purpose of carrying out reproductive works, for which you may take a loan with great safety, because you may reckon on their producing a profit sufficient to cover the interest of that loan. At the same time, even with regard to those works, I am anxious that some system should be established, by means of which the money borrowed to execute them should be repaid through the operation of something like a sinking fund. I should like to see something in the nature of those provisions made in England in the case of drainage and other advances, if possible, carried out in India, so that the loans to which I am referring might be repaid within a certain period. I will now mention a few other items which I look upon as worthy of notice in a statement of the revenue and expenditure of India for the current year. In the land revenue there is an increase of £200,000, notwithstanding the remissions which have been made in Orissa and elsewhere. [Mr. CRAWFORD: What is

Increase in
Land
Revenue.

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the total amount of the land revenue?] The total amount of the land revenue was estimated at £20,054,000: In the customs duties, as the House is aware, considerable changes have been made. A Commission was appointed, which revised the tariff, and the result has been that whereas formerly all articles not specially exempted were charged with duty, now all articles not specially mentioned are free from duty. Upwards of forty articles have, I believe, been exempted from import duties, and there are only ninety-five articles in sixty-five classes on which those duties are now charged. There are at the same time many articles which were formerly subject to export duties on which those duties are no longer levied. There are, I believe, eighty-eight articles on which they have been abolished, and only nine on which they are charged. These changes brought about an estimated loss to the revenue, including the loss on saltpetre, of £140,000. To make up for that loss the Government of India laid an additional export duty of one anna per maund on grain. It is not a very heavy charge, and I do not like to question the discretion of the Indian Government in the matter; but I regret that they have felt themselves obliged to take such a step. With regard to other items I am happy to be able to state that the revenue from salt is estimated for the present at a higher figure by £544,770 than in the previous year. The estimated revenue from opium is, however, much more moderate, being taken at £7,713,750, instead of £8,500,000. That is a moderate estimate, and I have every reason to believe that it will not only be fully reached, but, in all probability, exceeded. With respect to stamps, a revision has taken place, which will increase the revenue from that source by about £500,000. The receipts from public works are estimated to fall very far short of those for last year. They then amounted to £978,000, whereas the Estimate for this year is £480,000. That decrease is attributable to the exclusion of the Bombay land sales. I will not trouble the Committee with the various items of the increase and decrease in the expenditure. There is a considerable advance for the supply of grain to Orissa; it amounts altogether to £410,000, of which about £150,000 will be lost—that is to say, it will be spent in the relief of destitution. Again, the transport service is estimated to cost £240,000 more than in the previous year, and there is a decrease for the army of £520,000, which is due to the removal of Berar from the accounts, and the reduction of the charge for the home transport service. Having gone through these points I come to a question which is perhaps

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Increase in
Stamp
revenue and
decrease in
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Increase and
decrease in
various items
of
expenditure.

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License Tax.

still more immediately interesting to India, and also to many in this country; I allude to the licence tax. This tax, although it is not estimated to produce a large amount, affects a considerable number of people in India. Its imposition has caused so great a sensation that several memorials have been addressed to me praying that I would disallow the tax. It is, I may add, in the power of the Secretary of State in Council to take that course, and the power was exercised by Sir Charles Wood in the case of certain export duties. This, however, is not an occasion on which I should deem it right to follow his example. I cannot but feel the force of what Sir Charles Wood said, that a Secretary of State should control but not direct the finances of India. That is a view which, in my opinion, ought always to be borne in mind. We must recollect that the responsibility of fixing the taxation of a country must rest with those who are on the spot, who are best able to judge of its wants and of the amount of the burden which it can bear. I could not say, looking at the state of the Estimates for the present year, that it was not right to make some provision in the shape of additional taxation, and I cordially agreed with the Government of India that that addition ought not to take the form of an increase of the salt tax. Nor do I see very well in what way it could be levied except in the way of direct taxation. There are, of course, various forms of direct taxation, and this addition might have assumed that of an income tax, a succession duty, or a licence tax, which, to a certain extent, is familiar to the people of India; and in some districts, at all events, it is a kind of taxation which is not unpopular among them. I am not prepared to contend that the particular form given to the present licence tax is the best which could be selected. I have no doubt that it was, to a certain extent, tentative; and, indeed, Mr. Massey speaks of it as an experiment, which would probably require hereafter some modification. I am sorry, however, to see that he has mixed up rather too much, as I think, the principle of the income tax with the principle of a licence tax. He has made what seems to me a mistake in taxing incomes derived from salaries on a principle inapplicable to an income tax. The mistake, I think, is this, that all men are made to pay the same amount if their incomes are in excess of a certain fixed sum. I can understand a graduated tax upon trading interests in which a man who carries on a large business and lives in a superior house is rated at a higher sum than a man in the class below. There are no doubt instances in which this might

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be done, and when you deal only with traders, and when it is an object to collect the tax without inquiring too minutely into a man's private affairs, there is an advantage in gradation and division into classes, which must not be lost sight of. But when you come to apply that principle to salaries, the injustice becomes apparent, because if a Secretary of State, for instance, with £5,000 a year, pay the same amount as the Under Secretary, with £2,000 or a clerk with £1,000, it must necessarily lead to soreness and a feeling of dissatisfaction. I feel sure that this is an oversight, and that, upon the attention of the Government of India being called to the matter, a remedy will be applied; at all events if the tax is to become a permanent one. But the question of its permanent maintenance is one upon which I cannot undertake to decide, and which I must leave to be dealt with by the Indian Government according to their discretion. It will be for them, taking into consideration the circumstances of the country, looking at the state of the debt, the amount to be laid out on reproductive works, and the prospects of improvement to the revenue, to say whether it will be necessary or desirable to keep up a system of direct taxation, and if to a large amount, whether they must not go to the income tax? I now come back for a moment to the question of irrigation, or I should rather say of irrigation finance, and I wish to connect with that subject a passage in Mr. Massey's speech. Mr. Massey said—

"I must add that the Government, without giving a definite pledge, does not propose that this tax (the licence tax) shall form a permanent source of the Imperial revenue. During the first year the duties will be collected and credited like any other tax; but in our opinion a tax of this nature is better suited to local purposes than to the general purposes of the State. We intend, therefore, in another year to transfer it modified, if experience should suggest such a modification, together with the corresponding amount of charges of a local character, to the several local Governments and Administrations."

I think I see in that passage the germ of the solution of several difficulties. It seems to me that a tax like this licence tax, which, applied to the whole of India, causes a great deal of heart-burning and discontent, while, at the same time, it yields but a small result, may, though unpopular and displeasing in some parts of the country, be accepted in other parts as a recognized and convenient form of taxation. I think, moreover, if you were to adopt the principle of transferring the power of local taxation to a limited extent to the different local Governments, you might enable those local bodies to adapt their taxation to the prepossessions and the prejudices of those with whom they have

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to deal, while you would at the same time enlist those bodies themselves in the pursuit of the objects you desired to see attained, and free them from those annoyances to which my noble Friend has referred—annoyances which grate harshly upon their feelings, but from which it is at present difficult to relieve them, because as long as the whole expenditure of the country is thrown upon the Government of India, that Government will of course be occasionally compelled to interfere in matters which at first sight may appear trifling and vexatious. I am inclined to think that in that way it would be possible to accomplish another object—namely, that of making your advances for reproductive works upon a footing which would enable you, in a *bond fide* and perfectly legitimate manner, gradually to recover the money so advanced. I do not profess to have elaborated any scheme upon this subject. I only throw out this suggestion for consideration. I am disposed to think that, connecting it with other measures which we may, perhaps, take for the development of local government throughout India, we may be able by its means to do great good. I am quite sure that the painful matters to which the attention of the House has been directed within the last few days ought to have left upon our minds the impression that it is our duty to take such measures as we are able, in order to give fairer and fuller play for the development of the resources of the country in its remoter districts; and that we can scarcely accomplish unless we are prepared to a certain extent to relax the principle of centralization by which we have been so long guided. I am most anxious to pay attention to the valuable recommendations contained in the Report of the Commissioners in Orissa, to see measures introduced something after the manner of our own Poor Laws—some attempt, that is to say, to provide for the maintenance of those who accidentally become destitute. I should also be glad to see some alteration introduced in the relations between the Zemindars and the Ryots, so as to secure the latter class a fair share in the benefit of that great settlement of which the Zemindars at present seem to have the lion's share. Looking at this, and remembering to what an extent local knowledge, local interest, and local control are valuable in carrying out such matters as those to which I have adverted, I am very anxious to organize some system of that kind. And though I possess the highest respect for the great abilities and merits of the gentlemen who have been spoken of as holding high offices in Bengal, and though the system of government in that province has led to a great respect for

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the law among the inhabitants, I cannot forget that Bengal is not India, and that we must endeavour so to shape our measures and our policy as to give full play to all portions of the country committed to our charge. The right hon. Gentleman concluded by proposing the formal Resolution.

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Motion made, and Question proposed,

Resolution.

"That the total Revenue of India for the year ending the 30th day of April 1866 was £48,935,220; the total of the direct claims, and demands upon the Revenue, including charges of collection and cost of Salt and Opium, was £8,452,153; the charges in India, including Interest on Debt and the value of Stores received from England, were £32,668,771; the charges in England were £4,981,185; the Guaranteed Interest on the Capital of Railway and other Companies in India and in England, deducting net Traffic Receipts, was £67,043, making a total charge for the same year of £46,169,152; and there was an excess of Income over Expenditure in that year amounting to £2,766,068."—
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MR. CRAWFORD said, he begged leave to congratulate the right hon. Baronet upon the exceedingly clear manner in which he had, after so short an experience of the department, brought before the Committee the details of the financial condition of India. He had listened to a great many financial explanations in relation to the revenues both of this country and of India, and he had never yet heard the details of receipt and expenditure more clearly laid before the House. He wished to refer to the manner in which the Government of India had acted in respect to the imposition of export duties. A Committee had been appointed by the Government in Calcutta to consider the tariff arrangements of India; and he was glad to find that the conclusions of that Committee were not unanimous, at all events as regarded recommending increased import duties on the produce of India. On that Committee were the officiating Commissioner of Customs at Bombay and several other gentlemen acquainted with mercantile matters. Among them was a relative of his own, and he was happy to find from his clear Minute that he had taken a view entirely opposed to that of the Committee at large. It was generally held to be an axiom in matters of taxation, that it was exceedingly unwise to levy an export duty on the raw produce of a country, and to expose its producers to a competition which placed them in an unfavourable position with reference to the products of other countries not subject to such taxation. He had a letter from a gentleman at the head of a large commercial establishment at Madras, in which, at his request, the writer reviewed the Report of the Tariff Commissioners of Calcutta. The gentleman reminded him of the fact

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revised tariff.

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that some few years ago, when the late Mr. Wilson went to India, he selected the article of saltpetre for taxation, and raised its price about £6 per ton. When the news of that proceeding on the part of Mr. Wilson arrived in this country, he himself took the liberty of stating in that House that the effect of that increase of duty would be to set the inventive genius of chemists and other persons in Europe at work, in order to produce some commodity that would take the place of saltpetre, the price of which would be enhanced in consequence of the increased export duty. Well, what he then stated had been completely borne out by the event. The chemists of Europe had turned their attention to the matter, and had succeeded in producing a substitute applicable to most of the uses to which saltpetre was formerly applied. The Tariff Committee, in their Report, recommended the Government of India to retain the duties on certain articles which they enumerated, and to free other articles from duty, including saltpetre, the trade in which had been almost destroyed by the effect of the high taxation upon it. A similar result had followed a similar policy adopted in Ceylon in regard to cinnamon, upon which a high duty was imposed: and now the trade in cinnamon from Ceylon was reduced comparatively to next to nothing. Another example of the same kind was afforded some years ago by the article of sulphur, on which the Government of the Two Sicilies, thinking it had a monopoly of that article, placed a very heavy export duty. The same consequence would ensue if the proposed high export duties were levied on the produce of India. He would take the case of indigo. In the Madras Presidency a kind of indigo was grown which was subject in the markets of Europe to competition with a description of indigo that was produced in the State of Guatemala, in Central America. The Guatemala trade in indigo had been gradually increasing, having within the last ten years nearly trebled itself. While the Madras indigo was subject to competition in our market with the indigo of Guatemala, it was now to continue to be burdened with a heavy impost on leaving India. There had already been a considerable decrease in the exports of that particular description of indigo from Madras, though, no doubt, the falling off was due in some degree to the circumstances of the season. The Secretary of State had told them that the land revenue of India produced £20,054,000 out of a total of upwards of £46,000,000. It could not be denied that a very considerable portion of that revenue fell upon the articles produced from the land, and he was inform-

Indigo—
Competition
between
Madras and
Guatemala.

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ed by an experienced authority that the cultivator of indigo after paying 30 per cent. on his produce in the shape of land-tax was mulcted at the port of shipment of three rupees per maund. Then, again, the export duty on grain was to be raised from two to three annas, or 50 per cent. Such a tax was entirely wrong in principle, and what ground was put forward by the Tariff Committee for levying such a duty on grain? Because it suited the people of the Mauritius to charge a duty on the rice imported into that colony, was it therefore necessarily a wise and prudent thing, or a proceeding consistent with the principles of political economy, to levy an export duty on its leaving Calcutta? He hoped that the right hon. Baronet would see the propriety of expressing to the Government of India his views on that subject in terms which would induce it to reconsider the matter. The right hon. Gentleman had referred to the very favourable position of the revenue arising from the salt duties during the past year. That might arise in some degree from the great facilities afforded to the consumers by the railways, by which salt was conveyed up the country from Calcutta at very moderate rates. He was glad to hear what the right hon. Gentleman had stated in regard to the licence tax. It was exceedingly unpopular in India, not so much because it was a personal tax, as on account of the irregularities and inequalities to which the right hon. Gentleman had referred. It appeared that the Home Government did not propose to deal with the tax, and when that intelligence reached India the Governor General would no doubt make up his mind to receive some vigorous applications for its removal. He also heard with satisfaction the plan which it was proposed to adopt to replace the money expended in the construction of irrigation works, not only because it would tend to make taxation for such purposes local, but because it would help to relieve the subordinate Presidencies, as they were termed, from their position of dependence on the superior Government. There was nothing more irritating or vexatious than the feeling which prevailed in these subordinate Presidencies that no item of expenditure, however insignificant, could be incurred without the matter being brought under the cognizance of the supreme Government. The fact was that the manner in which these small items of expenditure were bandied about from one department to another in the Governments of India was something approaching the ridiculous. He rejoiced, therefore, that the principle advocated by the right hon. Baronet would tend to free the subordinate Governments of India

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Export duty
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Revenue from
salt.

Licence tax.

Disadvantages
of central-
ization.

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Railways.

from the state of dependence upon the supreme Government in which they were placed at present upon matters of the most ordinary expenditure. With respect to new railways he was not sorry to hear that the Government would take time to consider the plans brought under their notice. He (Mr. Crawford) viewed with some distrust the execution of the works proposed in connection with the Valley of the Indus line. There were, it was true, many reasons, commercial and political, which commended it to support; but at the present moment, when a rival scheme was propounded, it would be impolitic to favour one at the expense of the other. They should at least wait until the respective merits of both were fully ascertained. As to other railways, he hoped that the Secretary for India would set his face against any undue extension of the existing system. He wished to see the existing companies have time to mature their plans, and then the public would see at no distant day these railways returning an income, as compared with their expenditure, far exceeding anything known in this country. There were two railways in India, with a mileage of 2,500 miles between them, which, with an outlay of £45,000,000, were now earning the full amount of their guaranteed dividend, and if the existing companies were allowed to perfect their system, and were not called upon to add branches beyond the scope of their original schemes, the time was close at hand when the most sanguine anticipations of the predecessors of the right hon. Gentleman would be realized as to the receipts added from these sources to the credit of the Indian Government. He would not further detain the House except to express his personal satisfaction with the statements of the right hon. Gentleman.

Mr. Laing.

MR. LAING said, he wished to say a few words on the special question of finance, and he would confine himself to the special topic of the new taxes imposed. A material part of the Budget statement of last year was that new taxes of a very objectionable and unpopular character had been imposed. He concurred in what had fallen from the hon. Member for the City of London as to the injurious effect of some of the export duties, especially with reference to the article of saltpetre, and he regretted nothing more than that, when he was in India, he did not take the opportunity of reducing the duties on that article, for an important branch of Indian industry had been almost destroyed by that tax. The House could hardly understand how unpopular the licence tax was in India. Any system of levying any considerable revenue by means of direct taxation met with

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Saltpetre.

License Tax.

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such an amount of opposition, and excited so much unpopularity, as it was impossible for any person with European notions to conceive. A plan of direct taxation of this kind was partially introduced into Oude as an experiment, and several cases of suicide occurred on the part of petty dealers because they were subject to a licence tax of something like half-a-crown. This was almost inconceivable to European minds. One reason of the oppressiveness of a tax of this sort was that it had necessarily to be levied by local agents, who acted on the fears of an ignorant and excited population, threatening them with something ruinous unless they paid a *douceur*. He had occasion when in India to consider the operation of a licence tax, and he found that the average amount imposed on every small trader would not exceed 4s. or 5s., so that 4,000,000 persons must be taxed to raise £1,000,000, and, taking these as heads of families, 15,000,000 or 16,000,000 would be subjected to alarm and extortion for the sake of £1,000,000 of revenue. In Lord Canning's time, by strict economy, not only was no new tax imposed, but the tax on small incomes was reduced; and he regretted that Mr. Massey should have introduced a licence tax without waiting, at any rate, another year to see whether it was necessary to avert a permanent financial deficit. It was true there was an apparent deficit on the present year, but Indian Budgets materially depended on the estimate of opium, and on the way in which various large items were brought in, and for the last five or six years there had been small surpluses and small deficits, the former slightly preponderating. Practically there had been an equilibrium, although a large amount had been charged to revenue for public works and interest on unfinished railways. A great deal of the mischief had arisen from the unwise reduction of the cash balances, which should always be considerable, so that in case of any fluctuation in the revenue, or unforeseen contingency, it might not be necessary to resort to additional taxation. He thought there was room for further economy, especially in the army expenditure. In the model years of 1861-2-3, when expenditure was reduced to the lowest point in every department, the cost of the army was brought down to about £12,500,000, the European force being 72,000 men. That force was now 10,000 less, which ought to involve a saving of £1,000,000; and a difference of £500,000 had been made by a transfer as to stores, which were now paid for in this country. Instead, however, of the army expenditure being reduced to £11,000,000, it exceeded £13,000,000. There had no doubt been some

Reduction
of army
expenditure.*Mr. Laing.*

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increase of charge on account of the rise in the price of provisions and other causes; but still he thought that a military expenditure in India exceeding £13,000,000 was higher than it ought to be. Had that amount been reduced it would have been possible to dispense with the licence tax; and if such an impost was necessary at all it ought to have been levied, not as an Imperial, but, as was at one time contemplated by Lord Canning's Government, as a local tax, so that it might be modified to suit the varying circumstances of different districts. He did not, however, blame the Secretary of State for not exercising his veto, which he could hardly have done unless he had been backed by the private opinion of the Governor General; but he hoped the right hon. Gentleman would use his influence so as either to dispense with the tax before another year by strict economy, or else to leave direct taxation to the local Governments, which would be the next best thing.

Mr. Fawcett.

MR. FAWCETT said, he thought the hon. Member for Wick (Mr. Laing) had taken a somewhat optimist view of the state of India, especially during the last twelve months, when 750,000 people had died of famine. He had argued the prosperity of the country from the fact that wages and prices were both rising; but unless wages were rising in a greater ratio than prices, this test was obviously inconclusive. The rise of prices showed a depreciation in the value of money, consequently the expenses of the Government must increase, and were actually increasing. Now, considering that a greater portion of the revenue arose from the land tax, which was a rent paid to the Government for its proprietary rights in the soil, and that the policy had been to commute proprietary rights for fixed monetary payments, the prospects of Indian finance were somewhat serious. If money depreciated, and if our chief source of revenue was commuted for a fixed payment, we should become poorer every year. Commutation ought, therefore, to be avoided. He agreed with the hon. Member for the City (Mr. Crawford) in condemning the export duty on grain; but he did not agree with him as to the feasibility of increasing the salt tax, for this was one of the worst imports ever devised, and Indian finances would not arrive at a satisfactory condition until we were able to get rid of it altogether. As to the licence tax the correspondence he had received from many of his friends showed it to be exceedingly unpopular. It was, moreover, most unequal, for he believed an income of £250 a year paid as much as one of £1,250. The man who paid a land tax was not really taxed; he was simply paying

Commutation
of Land
Revenue.

Export duty
on grain.

License Tax.

Mr. Fawcett.

rent to the Government; therefore it seemed extraordinary that the licence should not be applied to land. In the debates which had taken place on the famine in Orissa, almost all the time was taken up with personal attacks, one finding fault with the Governor General, and another with Sir Cecil Beadon. He had listened to those attacks with pain, because both men had rendered illustrious services to India. A question of much more importance, however, had been left out of the discussion. The famine had been produced entirely by physical causes, over which we had no control. There was not a sufficiency of rain, and the crops failed. No doubt everything that ought to have been done was not done to relieve the famine, but those who had most experience of India would agree with him when he said that, considering the utter failure of the crops in Orissa, however the Government officials in Calcutta or Orissa might have exerted themselves, nothing could have prevented wide-spread distress and suffering. But what he wanted to know now was, whether the Government were taking any steps to obviate the recurrence of such a calamity? During the last twenty years four or five famines had taken place in India, and in the famine of 1860, though admittedly everything possible had been done by the local authorities, there was a loss of life estimated at between 100,000 and 200,000. The important question, therefore, was, whether it was not possible to bring to our aid the resources of England and of modern science to prevent those fearful calamities which were certain to recur in a tropical climate like India, unless we husbanded the water, and made it to produce fertility, when rain in sufficient quantity was not forthcoming.

MR. M'LAREN wished to say a few words on a matter which appeared to him of great importance. By the Resolution before the House they were called upon to affirm the proposition that there was an excess of income over expenditure in the Indian revenue of £2,766,068. The right hon. Baronet began by telling the House that this was a statement sent home by Mr. Massey, and he went on to show that Mr. Massey had made several errors to the extent of £200,000 and £300,000, and ended by showing that, when the accounts were properly stated, there really was a deficit of £500,000. He did not see how the House, after hearing the statement of the right hon. Baronet could honestly affirm the Resolution, for it had been shown by the right hon. Baronet himself that there was no such surplus; and he should be sorry to see such a Resolution placed on the Journals of the House when the statement it embodied was

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Orissa Famine
and Famine
generally.

Mr. M'Laren

Proposed
Resolution
and fact.

Mr. M'Laren.

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contrary to the fact. He thought the right hon. Baronet would have done much better if he had formally corrected the erroneous statement of Mr. Massey, and given the House, in his Resolution, the real facts as to the income and expenditure; and he maintained that it would be wrong to put a statement on the Journals which was notoriously contrary to the fact.

Mr. Bazley.

Minister for
Trade and
Agriculture.

Railways.

Early
submission of
Accounts.

Sir S.
Northcote.

Alteration of
proposed
Resolution.

MR. BAZLEY condemned the delay and procrastination which had taken place in bringing forward the Indian Budget. He approved the suggestion that an Indian Minister of Trade and Agriculture should be appointed, and condemned the notion of congratulating ourselves upon the fact that India had 3,600 miles of railway communication, seeing that we had in this country 12,000 miles, and America had 40,000. The statement of the hon. and learned Member for the Tower Hamlets was very interesting and important, especially that portion which related to the railway accommodation, and he contended that the accommodation was by no means adequate to the wants of 200,000,000 of people. He recommended the medical service of India to the best consideration of Government, and contended that the old medical officers had great injustice done them. The exports of India had increased in seven years from £14,000,000 to £70,000,000—a fact which showed that the people of that country were ready to labour in the improvement of the land, and deserved every encouragement. Owing, however, to the want of public works the progress of the country had been retarded. If a Minister of Trade and Agriculture was appointed, it would be his duty to give every information with respect to such public works as ought to be carried on, and that would lead to the increased productiveness of the country, and to that augmented revenue for which the Indian Minister was now sighing. He trusted that in the next Session the accounts would be laid before the House at an earlier period. It was not creditable to the dignity or deliberations of that House that a few hours only in one night should be all that was devoted to the financial and general interests of India.

SIR STAFFORD NORTHCOTE said, in reference to what had fallen from the hon. Member for Edinburgh (Mr. M'Laren), that he must admit the justice of his criticism as applied to the Resolution in its present shape. He proposed to amend it by inserting the words—"That it appears from the accounts laid before the House." There was unquestionably the error he had pointed out, but the other items were correct. With respect to the suggestion offered by the hon.

Mr. Bazley.—Sir Stafford Northcote.

Member for Brighton (Mr. Fawcett), he had to say that a great deal of work was now being done in the way of irrigation, and a considerable expenditure was in progress, which he trusted would have the effect of averting the calamity of famine in future years.

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Amendment proposed, in line 1, after the word "That," to insert the words "it appears by the Accounts laid before this House that."

Question "That those words be there inserted," put, and *agreed to*.

Main Question, as amended, put, and *agreed to*.

Resolved, That it appears by the Accounts laid before this House that the total Revenue of India for the year ending the 30th day of April 1868 was £48,935,220; the total of the direct claims and demands upon the Revenue, including charges of collection and cost of Salt and Opium, was £8,452,153; the charges in India, including interest on Debt and the value of Stores received from England, were £32,868,771; the charges in England were £4,981,185; the Guaranteed Interest on the Capital of Railway and other Companies in India and in England, deducting net Traffic Receipts, was £67,043; making a total charge for the same year of £46,169,152; and there was an excess of Income over Expenditure in that year amounting to £2,766,068.

Amended
Resolution.

Resolution to be reported *To-morrow*, at Two of the Clock.