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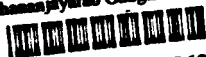
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EXCISE AND LIQUOR CONTROL

A STUDY OF THE EXCISE PROBLEM
WITH SPECIAL REFERENCE TO THE MADRAS PRESIDENCY

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CHAPTER I

EXCISE AND CONTROL

EXCISE duties have been defined as duties levied within a country on commodities produced and destined for consumption within the country as distinguished from customs duties which are levied on commodities as they enter or leave the country. Both of them are what are called indirect taxes, that is, they are paid in the first instance by persons who are generally supposed to re-imburse themselves from the persons to whom the goods are sold.

It is a question which is frequently controverted in countries possessing a federal constitution whether indirect taxes should be classified as a source of income for the central government or for the local or unitary government. The principle of distinction which has been generally accepted by economists is that taxes with a wide basis properly belong to the central government and taxes with a

narrow basis to the local government. The word 'basis' in this sense refers to the area in which the commodity which forms the object of the particular tax is located. Where the area extends over the jurisdiction of more than one local government, it stands to reason that the tax should be collected by the central government. Not merely does the central government, as the authority which has jurisdiction over the whole country, possess better facilities for assessing and administering the tax, but also for developing the tax and for securing that progressive increase in the proceeds which is a characteristic of a soundly conceived system of taxation the central government stands obviously in a position of greater advantage. Customs duties collected at certain recognised central points on goods which are either destined for consumption throughout the country or collected from various parts of the country for exportation to foreign markets are taxes necessarily with a wide basis and are therefore generally assigned as sources of revenue to the central government. Excise duties, however, are not so easy to classify from the point of view of 'basis.' If the commodity on which an excise duty is imposed is produced by an extensively

rganised industry located in various parts of the country or if the product of the industry finds its market not in one province but in several provinces, there is a *prima facie* case for the proceeds of the particular duty being assigned to the central government. This is the case in India with regard to the excise duty on cotton goods produced in Indian mills. Where, however, the excise duty is levied on commodities like arrack and toddy which are produced by industries operating on a small scale and which find their market in a restricted area, the case is strong for assigning the tax to the local government concerned. Consequently in India all excise revenue which is collected on intoxicating spirits is classified as a provincial source of revenue; excise in fact forms a considerable part of the financial resources on which provincial governments depend.

The fact that the excise revenue levied on intoxicating spirits is assigned as a provincial source of revenue gives interest to the social and moral aspect as distinct from the purely financial aspect of the excise problem, because Development is a subject in which the local governments have obviously a more direct interest. It is a charac-

teristic of most indirect taxes that while they are levied in many cases primarily for the purpose of securing revenue, they can be and are employed also for purposes other than that of finding revenue for the state. In protective countries, for example, indirect taxes are employed deliberately for the promotion of industrial development. On the other hand, in countries which have professedly adopted a policy of free trade, customs duties where they are imposed, are looked upon primarily and solely as sources of revenue. In India which till recently adhered professedly at any rate to a policy of free trade, all tariffs were imposed, it was said, for revenue purposes only. It was on this ground that when a customs duty was imposed on cotton goods imported into the country, the cry for a countervailing excise duty on goods produced in Indian mills was raised and ultimately found acceptance with the authorities. As customs duties are employed for stimulating and giving fresh direction to industrial development, so excise duties are often employed by governments for the purpose of promoting social and moral reform. The articles which are generally chosen for the imposition of excise duties are articles which while they are in general demand and are capable of

yielding a large and continuous revenue are at the same time articles the consumption of which is supposed to be socially and morally deleterious. The imposition of an excise duty is regarded as a method of checking consumption and consequently of minimising the possible social and moral injury to the community.] The interest which the excise problem has aroused in recent years in India is due largely to the fact that it possesses both a revenue and a social aspect.

The imposition of excise duties for the purpose of checking the consumption of articles on which they are levied raises the question, how far is the state justified in adopting a policy of restricting the consumption of articles in general demand? The outstanding example of a commodity on which excise duties are levied with the deliberate object of controlling consumption is liquor. That a commodity the consumption of which seriously affects the welfare of the community must be subjected to control is a principle which will be accepted even by extreme individualists. It is true that when the first law for local prohibition was adopted in the state of Maine in America, John Stuart Mill protested against it on the ground that individual liberty must be safeguarded. But

his protest was based on the assumption that the act of drinking "belongs to acts and habits which are not social but individual." What apparently led Mill to make his protest was the assumption that the consumption of liquor did not do harm which was serious enough to call for restriction. No one, however, recognised more clearly than Mill the necessity for restricting individual liberty in appropriate cases. In his *Essay on Liberty*, he laid down the following well known proposition defining the limits of individual liberty. "Wherever there is a definite damage, or a definite risk of damage, either to an individual or to the public, the case is taken out of the province of liberty, and placed in that of morality or law." The real question, therefore, is the kind and amount of damage involved.

It may be laid down broadly that two conditions must be satisfied with regard to a commodity before the state can undertake to restrict its consumption by the community. The first is that there must be a powerful appetite which, if not counteracted, would lead vast numbers of people to consume the particular commodity to excess. The second is that when excessive consumption takes place, great social harm must result. It is

because both these conditions, in the ordinary experience of mankind, are satisfied with regard to liquor that the case for some kind of government control of the consumption of liquor has now been generally accepted. Drink stands in this respect on much the same footing as sexual gratification. With regard to both there is a powerful appetite which if proper safeguards are not provided will lead large numbers of people to excess—and in both, excessive indulgence will result in serious injury to the community. Therefore we find in every civilised country that organised social remedies have had to be provided against excessive drink and against sexual promiscuity. Where one or other of these conditions does not exist, the case for state control of consumption can hardly be said to exist. A particularly appetising article of food does not on that ground call for a policy of restriction unless it can be shown that excessive consumption of it does serious social injury. Similarly, a poisonous article which, if it is not taken in very small quantities, is likely to do serious harm does not call for restriction unless it can be shown that there is a powerful desire in men which is apt to lead them to excessive indulgence in it.

That there is a strong instinct in men which leads them, unless counteracted, to excessive indulgence in drink may be taken as sufficiently proved by the experience of mankind. That the appetite is strong and persistent is amply confirmed by the reference to alcohol in the recorded writings of every nation from the earliest times. Even in our own country where by social and religious usage influential sections of the population have refrained from the habit of drink for long centuries, it is on record that the habit has existed among the mass of the population from the earliest times of which there is any record. Various attempts have been made to resolve what may perhaps be called the inborn attraction for drink into its constituent elements. The flavour of alcohol, its capacity for allaying thirst, and its revivifying effect have all been suggested as possible causes of its extraordinary hold on mankind. But none of these would altogether explain the existence of so powerful an appetite. The essential factor in the attractiveness of alcoholic drinks would appear to be the fact that alcohol has the power to intoxicate and further that there is an innate craving for intoxicants in the human system to which this ministers. On no other basis can we adequately

explain the existence of so ancient and so universal a habit.

With regard to the harm caused by the consumption of alcohol to individuals and through individuals to society, there is, as is well known, a great variety of opinion even among experts. From a survey, however, of the conflicting mass of literature which has been produced on the subject, certain conclusions may be safely drawn—conclusions which are more or less in line with the findings of the highly authoritative committee appointed by the Central Control Board in England in 1916 to investigate this subject. The findings of the committee may be summarised as follows:—

- (1) Alcohol, when administered in moderate doses, in dilute form and at sufficient intervals has no effect on the human body of any serious and practical account.
- (2) The main effects of alcohol that have any real significance are due to its action on the nervous system, and its action on the nervous system is essentially sedative and not stimulant. The popular belief in the stimulating properties of alcohol is of purely subjective origin and illusory, that is, the

stimulation is imaginary, not real, on account of the removal of the control exercised by the nervous centres.

- (3) The usefulness of alcohol as a food is confined to its capacity to act as a fuel in the body. It is absorbed very rapidly and does not require to undergo digestion before it can make its way into the blood. But this is accompanied by two evil effects:—
- (a) the impairment of the higher nervous functions and
 - (b) the fact that it cannot be stored in the body but is destroyed by combustion resulting in undue liberation of energy.
- (4) The advantages of alcohol are confined to its sedative effects on persons suffering from conditions of acute discomfort, overwork, etc. Briefly, what these findings amount to is this—Alcohol consumed in moderate quantities does no harm and in certain cases may do good, but alcohol consumed in excessive quantities does harm chiefly by its impairing effect on the nervous system.

The extent of the harm which may be caused by excessive consumption of alcohol may be

illustrated by reference to facts which have been collected in the United Kingdom. These facts may be classified under two heads—(1) Mortality and (2) Crime.

(1) *Mortality*.—The following figures taken from the statistics of insurance companies and provident institutions illustrate the effect of alcohol on the length of human life.

United Kingdom and General Provident Institution—1866-1914 (49 years).

General Section	{	Expected deaths	17,587
		Actual deaths ...	16,131
		Percentage ...	91.72
Temperance Section (confined to persons who practise total abstinence)	{	Expected deaths	14,827
		Actual deaths ...	10,298
		Percentage ...	69.45

Scottish Temperance—1883-1912 (30 years)

General Section	{	Expected deaths ...	813
		Actual deaths ...	534
		Percentage ...	66
Temperance Section	{	Expected deaths ...	2,315
		Actual deaths ...	1,074
		Percentage ...	46

Sceptic Life Assurance—1884–1914 (31 years)

General Section	{ Expected deaths	3,878
	{ Actual deaths ...	3,065
	{ Percentage ...	79.04
Temperance Section	{ Expected deaths	2,869
	{ Actual deaths ...	1,463
	{ Percentage ...	50.99

These figures are sufficiently striking. In every case the percentage of actual to expected deaths in the temperance section is distinctly lower than the percentage in the general section. The evidence supplied by these figures is strengthened by the answers of over 80 insurance offices to enquiries addressed to them in the course of a special investigation undertaken in England as regards the terms on which the lives of publicans were accepted for insurance. Eleven offices replied that they altogether declined to insure publicans. (It must be pointed out that most of these were philanthropic or semi-public offices like the Clergy Mutual, the Friends Provident, etc.). Of the rest, 49 offices replied that they were in the habit of charging extra premia of varying amounts on the lives of publicans.

(2) *Crime.*—It has been estimated authoritatively that if crimes were classified into

crimes of violence, of lust and of acquisitiveness, it would be found that in the United Kingdom alcoholic intoxication was responsible for 60% of the indictable crimes of violence, and for 50% of the crimes of lust while it made no appreciable contribution to crimes of acquisitiveness. The figures with regard to convictions for drunkenness offer little indication of the harm caused by alcoholic intoxication. The total convictions for drunkenness during the year 1912 in the United Kingdom were 234,571. But it would be misleading to estimate the human waste caused by the drink habit solely with reference to the number of convictions, because there must be a considerable number of persons who are not convicted before a court but—

- (a) who lose working time by getting drunk
- (b) whose skill and efficiency are impaired by the use of alcohol
- (c) the duration of whose lives is reduced by drinking regularly but who are seldom drunk and
- (d) who contribute to the loss of vitality in succeeding generations by the bad conditions which their drinking habit creates in their homes.

The foregoing effects of the consumption of alcohol may be described as its physical effects, i.e. effects caused primarily by its reaction on the human system. But the harm caused by drink may be measured also by other tests, the chief of which is the economic test. Economically the effect of excessive drink is that it leads to waste. This economic factor came into special prominence in European countries and in America during the recent war on account of the great importance in war time of conserving the material and human resources of the nation. The increased interest which is perceptible in western countries since the war in the temperance problem may be traced largely to the recognition of the economic waste involved in the consumption of alcohol. This economic waste is partly a material waste and partly a human waste. The material waste consists in the amount of food materials such as starch and sugar and of grains like barley, rye, rice which are required for the manufacture of alcoholic beverages but which it was specially important during the war not to waste. The human waste consists primarily in the services of the people engaged in the production and distribution of alcoholic drinks which during the war were required

for more important national purposes. The total investment of food resources, human labour and capital involved in the liquor business in the United Kingdom may be gauged from the following figures for 1913-1914 :—

Total amount of grain used in the brewing and distilling industries of the United Kingdom—

3,044,168,506 pounds of grains of all kinds.

Total number of persons engaged in the liquor business—165,120.

In 1920 the total amount spent in the United Kingdom in the purchase of alcohol was roughly £469,000,000. Customs and Excise duties amounted to £132,316,353 and licence fees to £1,146,720. These amounts deducted from the aggregate price of alcohol consumed in the country would give roughly £335,000,000 as the extra capital that might be saved but for alcoholic consumption. *

* Rowntree and Sherwell estimated the expenditure on drink among the working classes in England as 4 to 6 shillings a week in 1899.

CHAPTER II

METHODS OF LIQUOR CONTROL

THE principal methods by which the state in modern times controls the manufacture and distribution of liquor may be classified under two heads—Regulative and Preventive. Regulative methods aim not at complete prevention of manufacture and sale but at placing the liquor business under a form of control which will minimise the consumption of liquor. The method of regulation most commonly adopted is taxation. By the imposition of taxes in the form of excise duties either in respect of the sale of licences or directly as an impost on each unit of liquor sold or both, the price of liquor is raised as a means of checking consumption. The method of control by taxation is generally referred to as the licence method since in every country which has adopted this method the chief source of taxation is the imposition of a fee on licences for the sale of liquor. But the levy of a fee on licenses for sale exists in

most countries side by side with the imposition of a duty directly on every unit of liquor; and there are also cases where direct taxation may exist without a system of licence fees. (In countries where taxation is resorted to as the principal method of control, an increase of prices to the consumer is the main influence by which the government seeks to regulate consumption. But in most of these countries it is also becoming increasingly the practice for governments besides checking consumption by bringing about an increase of prices to exercise a direct influence over consumption by a detailed regulation of the conditions under which liquor is made and sold. Such direct influence is exercised by legislative and executive measures aimed at a reduction of the number of shops and the hours of sale and a proper regulation of the locality in which liquor is sold.)

Next to taxation, the most important method of regulation is to organise the production and sale of liquor as a public monopoly. The object of placing the liquor business under public monopoly is obviously to bring under close public control an industry, the consumption of whose product is a matter of vital interest to the community. A public monopoly in respect of liquor may be a government

monopoly as in the case of Vodka the national beverage of Russia which was a monopoly of the state till the outbreak of the great war. Or it may be a monopoly owned and controlled by a philanthropic institution working in close association with the state or a local body and aiming not at private profit but at a regulation of the business in accordance with the requirements of public welfare. The Gothenberg associations which are a well known feature of the liquor business in Scandinavian countries are the most interesting example of this type of monopoly. A third method by which liquor may be brought under public monopoly is to hand over the business to an *ad hoc* public body created by the government. In this case the monopoly is in the hands neither of the state nor of a philanthropic association but of a local body created specially for the purpose of controlling the liquor business in a specified area. Experiments in this direction were carried out in England during the war under the auspices of the Liquor Control Board and what is known as Carlisle experiment is the best known example of it.

The taxation and public monopoly are, then, the two principal regulative methods for the control of liquor. Of preventive methods the most important

are local option and prohibition. It is frequently assumed that local option and prohibition aim alike at a complete prevention of the manufacture and distribution of liquor but that whereas local option aims at bringing about a cessation of the liquor business in a specified local area, prohibition aims at a stoppage of the business in the whole of the national area concerned. This, however, is a loose way of stating the difference between the two. Local option, it is true, is often urged by people who are convinced temperance reformers and who both by belief and by profession desire to bring about a complete stoppage of the liquor business. But the difference is that those who advocate local option, however convinced they may be of the need for preventing the consumption of liquor, do not desire to force on their fellow citizens a reform for which they are not ripe and which they do not want. Prohibition, on the other hand, is the remedy of people who have not merely convinced themselves of the need for reform but who have made up their minds that other people also must have it whether they approve of it or not. Local option is a more democratic measure than prohibition. This claim is based on the following grounds:—

(1) Prohibition is generally enforced by a vote of the legislature but local option gives the right to every citizen, as far as possible, to express his opinion directly on the issue before a decision is reached.

(2) Prohibition places but two issues before the country, Yes or No, but local option leaves room, in the form in which it is ordinarily worded, for a variety of alternative issues.

(3) A prohibition law commits the country once and for all whereas local option generally gives people the opportunity of revising their decision periodically in the light of experience.

In considering each of the various methods of control set forth above, there are three questions which must be borne in mind—(1) Is it necessary? (2) Is it practicable? (3) Is it expedient? Before a really satisfactory method of liquor control can be arrived at, it is important to make sure that the method suggested is necessary, is practicable, and is expedient.

With regard to each of these questions, a few points may be suggested which deserve consideration.

(1) *Necessity.*—(a) The state of public opinion on the subject. If public opinion is somewhat lax

on the use of intoxicating drinks, it may be necessary for the state to adopt a correspondingly uncompromising attitude as a corrective to public feeling.

(b) The amount of social harm caused by the drink habit in the country, considered both physically and economically.

(c) The average amount of purchasing power in the country. If the average purchasing power is high, such methods as raising the price of liquor to the consumer may not prove effective. On the other hand, where it is too low, the raising of prices may impoverish the consumer without exercising a corresponding check on consumption.

(2) *Practicability*.—(a) The state of public opinion. It was suggested above that where public opinion was lax, it would be necessary for the state to introduce strong measures as a set off against the laxity of public opinion. On the other hand, it must also be remembered that where public opinion is lax, the enforcement of strong temperance measures by the state will be a difficult practical question. No social methods of the kind can be enforced by the state unless public

opinion will back it up. How to adopt a specific line of action in the face of these conflicting considerations is one of the most difficult questions in temperance legislation.

(b) The organisation of the liquor industry as regards both manufacture and sale. Is the industry organised for the most part on a large scale or is it organised in small businesses scattered over the country? The question of the enforcement of a temperance law will depend a great deal on the answer to this question. Here again there are conflicting considerations. From one point of view, it is easier to enforce a law for the control of liquor where the industry is organised on a large scale because it is easier and less expensive to get at the industry. On the other hand, the existence of large businesses may imply the creation of powerful vested interests whom it would be difficult for the state to offend. A large number of small businesses, on the other hand, will make administration more troublesome and expensive, but the problem of vested interests will not generally arise in their case.

With regard to the question of practicability, it must be remembered that the enforcement of temperance laws and for the matter of that, of all

laws of a social character is bound to be difficult in any case. But the importance of this consideration should not be exaggerated. If a law on a social matter is not difficult to enforce, there is apparently little room for a law on the subject.

(3) *Expediency*.—(a) The existence of vested interests in the trade. Apart from the difficulty of legislating in the face of vested interests, the question of compensation, where legislation has actually been carried through, might arise as a practical question. Vested interests might require to be compensated on the ground that where the state has allowed a particular business to grow up, it must not, unless there are strong reasons to the contrary, deprive the industry of occupation without some measure of compensation.

(b) The state of public finance. If the liquor business has provided the state with a large and steady source of revenue, to abolish it or largely to curtail it might react seriously on public finance. It will be necessary therefore to consider that suitable financial adjustments are made before a measure of the kind is adopted.

The position of the principal countries of the world in regard to the control of alcohol may be indicated in rough outline as follows:— (The

information on which the statement is based relates to the first half of 1920).

DENMARK.—Denmark has been under a system of local option by which parishes have been permitted to vote on the liquor question, such votes however being purely advisory and having no binding force on the government. A bill for the adoption of a more effective form of local option was before the legislature in 1920.

✓ ICELAND.—Iceland has been under prohibition since January 1, 1915.

FRANCE.—Control is exercised by means of taxation partly by licence fees and partly by duties levied directly upon liquor. There are various laws for the enforcement of restrictions upon the number of liquor shops and the hours of sale. A war measure completely prohibited the manufacture and sale of absinthe—a particularly obnoxious form of distilled spirit. Temperance opinion in France is largely directed towards the elimination of distilled spirits and has hitherto left alone the beer and light wine industry. The fact that France is the greatest wine-producing country of the world is responsible for this condition.

GERMANY.—The new constitution of the German republic has given the people the right of initiative which provides in reality a form of local option with regard to the liquor question on the initiative of 10% of the voters. Temperance opinion is concerned chiefly with the suppression of distilled liquors as distinct from beer the common form of drink in Germany. Early in 1918 a measure providing for the government monopoly of the manufacture and sale of distilled liquors was presented to the Reichstag but no conclusive action was taken.

ITALY.—The position is largely similar to that of France. The method of control is by taxation. Absinthe is completely prohibited. Public opinion is concerned with distilled liquors and not with wine.

NORWAY.—For many years Norway has been under the Gothenberg system of public monopoly. In 1919 the voters of Norway declared for the prohibition of distilled liquors and of wines containing more than 12% alcohol.

RUSSIA.—In 1894 the government of Russia took over the Vodka traffic as a complete government monopoly. The monopoly continued till January 1914 when an official declaration

was issued prohibiting the manufacture and sale of Vodka. With regard to wine and beer, however, the privilege of local option was extended to the municipal councils of the cities throughout the empire. In April 1917, the Provisional Government prohibited all liquors containing over $1\frac{1}{2}\%$ of alcohol except in wine-producing districts where the question of selling wine containing not more than 12% of alcohol was left to the city authorities for settlement by local option.

SWEDEN.—Sweden is under what is known as the Bratt system which is the Gothenberg system of public monopoly modified by the principle of individual rationing.

SWITZERLAND.—The use of absinthe is absolutely prohibited, but with regard to wine, there is no control even by taxation. Peasants have been freely granted the right to distill their fruits into intoxicating liquors without licence or taxes. The government have had under consideration a measure for the introduction of the licence system. But temperance opinion is distinctly in favour of local option.

UNITED KINGDOM.—The prevailing method is control by taxation strengthened by various kinds

of restrictive measures. In Scotland the Scotch Temperance Act of 1913 introduced the principle of local option, exercisable for the first time in 1920.

UNITED STATES OF AMERICA.—Prohibition became law by the Eighteenth Amendment to the Constitution (The Volstead Act) which came into force on January 16, 1920. Previous to this, the principle of local option had been accepted in all the states at least partially. The only exceptions were the states of New York, New Jersey, Pennsylvania, and Rhode Island.

In Canada and Australia the principle of local option has been increasingly adopted in recent years in the various states. The feeling in favour of prohibition is apparently growing.

CHAPTER III

THE EXCISE SYSTEM IN MADRAS

The excise revenue in the Madras Presidency is derived by the imposition of duties on the following articles.

(1) Country spirit or arrack (distilled from jaggery or molasses).

(2) Toddy (drawn from the cocoanut palm, the palmyra, and the date and sago palms).

(3) Imported liquors.

(4) Country-made foreign liquors.

(5) Intoxicating drugs.

(1) *Country Spirit*.—The system on which excise is levied on country spirit in the Madras Presidency is generally described as the Contract Distillery System. The main features of the system are the following. The exclusive privilege of (a) manufacture and (b) wholesale distribution in a district or other specified area is disposed of by

tender. In every such area there is a contract distillery from which of each gallon on spirit issued a fixed duty is paid to the government. Every tenderer is required to state at what rate over and above the duty paid to the government he is prepared to supply spirits to retail vendors within his area. The price at which wholesale supplies are sold to retailers is a factor which is taken into consideration in determining the acceptance of the tender. The government is not bound to accept the lowest tender. The duty levied on each gallon of spirit issued from the distillery is fixed from year to year by executive order of the government. The successful tenderer is responsible for the opening of an adequate number of wholesale depots within his contract area. If the contractor agrees a private person may open wholesale depots in the area subject to the payment of an annual fee to the government. The maximum price at which wholesale dealers may sell spirits to retailers is fixed by the government. It is an essential part of the system that the manufacturer of spirits has no interest whatsoever in retail sale within his area. The right of retail sale is sold independently by the government by separate shops by annual auction.

(2) *Toddy*.—Unfermented or sweet toddy is not subject to taxation. Sweet toddy is distinguished by the fact that it is drawn in pots freshly coated with lime. In certain parts of the Presidency licences are required to be taken for the tapping of trees for sweet toddy but these licences are issued free of charge. Fermented toddy is taxed partly by means of a tree tax which is a fixed fee, that is, fixed from year to year by the government on every tree tapped for toddy and partly by means of fees payable for the right of retail sale. Every tree in respect of which a tree tax is paid is given a distinguishing mark. No unmarked trees may be tapped. The tax on toddy, therefore, like the tax on country spirit, consists of two items. (1) A fixed duty on every tree tapped, corresponding to the fixed duty on every gallon of spirit issued from the distillery and (2) a variable fee determined by auction for the right of retail sale—variable in the sense that the duty is not fixed by order of the government but with reference to varying conditions of demand and supply as disclosed in auction.

(3) *Imported Liquor*.—The excise revenue levied on imported liquor is derived exclusively from licences issued for the right of sale. Licences

for the right of retail sale are sold by auction whereas wholesale licences as in the case of country spirit are issued for fixed fees. The place of fixed duties in the case of imported liquor, corresponding to the stillhead duty on country spirit and the tree tax on toddy is taken by tariff duties levied in accordance with the scale of customs duties in force at the time. The proceeds of these duties are not credited to the revenues of the provincial government but to the customs account of the Government of India.

(4) *Country-made foreign liquor.* This is subject (1) to the payment of fees for wholesale and retail sale on the same lines as imported liquor and (2) to a fixed excise duty equivalent to the customs duty levied on imported liquor practically of the nature of a countervailing excise duty.

(5) *Intoxicating drugs.*—The most important intoxicating drugs on which excise is levied in the Madras Presidency are (a) the drugs prepared from the hemp plant and (b) opium. The tax on the hemp drugs consists (1) of a fixed duty on every unit of drug supplied* and (2) of fees on licences for sale which are variable fees determined by auction. The cultivation of hemp is pro-

* From the Government store-houses at Santavasal and Vetapalem.

hibited except in certain specified area in the Presidency-Bapatla Taluk in Guntur, Polur Taluk in Vellore, and the Agency Tracts. As regards opium, the cultivation of the poppy is now prohibited in the Madras Presidency. The whole opium supply of the Presidency is now imported on behalf of the government from the government factory at Ghazipur near Benares and stored in most of the taluk and district offices of the presidency. It is sold at fixed prices by the government. Licences for sale are issued to retailers at variable fees determined by auction.

The proportion in which the revenue derived from each of the above sources contributes to the total excise revenue of the Presidency will be seen from the following figures.

Year 1921—1922.

Total Excise Revenue	Rs. 4,84,73,253
Country spirits	„ 2,13,53,206
Toddy	„ 2,15,98,665
Liquors imported and country-made including beer	„ 13,99,586
Opium	„ 23,29,705
Hemp drugs	„ 14,96,159
Other items	„ 2,95,932

It will be noticed from these figures that the articles which contribute by far the largest share of the excise revenue are country spirit and toddy and they have consequently attracted the largest amount of public attention in the discussion of the excise problem. In this paper the excise problem is considered almost entirely with reference to toddy and arrack. Of the two the excise from country spirit has excited more interest partly on account of the general belief that arrack is a more harmful drink than toddy. The fact that most of the controversy on the excise problem has centred round country spirit renders the arrangements for controlling its production and consumption of special interest. The excise arrangements with regard to country spirit in the Madras Presidency have a long and chequered history. The principal stages in their development are marked by the following systems: (1) Farming (2) Outstill (3) Contract Distillery.

The distinguishing characteristic of the Farming System is that the manufacture and sale is granted in respect of a *specified area* in return for a *lump sum* paid to the government. Three consequences follow from this:—

(1) No control is exercised by the government in regard to the production and distribution of liquor. Once a particular area is farmed out, the whole business is left in the hands of the renter. The interest of the government in the liquor business is purely as a source of revenue. It does not accept responsibility for controlling it with a view to public welfare.

(2) No fixed duty is levied on each unit of liquor issued and to that extent the system involves no recognition of the necessity for curtailing production.

(3) No separation is made between the business of manufacture and that of sale of the kind which is now regarded as so essential a part of the excise system. There is nothing in the system therefore to prevent the renter from pushing his sales to the utmost extent by the offer of special incentives to retail dealers.

The Outstill system in its various forms is based on the practice that the right of manufacture and sale is granted not in respect of an area but in respect of a still. This brings the business under much closer control and places the government in a better position to exercise supervision

over manufacture and sale. But it involves the following defects:—

(1) Although the control is closer it is not sufficient because the stills are apt to be scattered over areas inadequately provided with communications.

(2) The absence of a fixed duty on the liquor issued from the still as distinct from the fee on the still itself not merely deprives the government of a possible source of income but implies the absence of any influence for curtailing production.

(3) There is no separation under this system between manufacture and sale.

The Contract Distillery System which is the system now in force is distinguished from the previous systems by the following features:—

(1) The government exercises a stricter control over the manufacture of liquor by the concentration of production in central distilleries.

(2) The government receives a duty on every gallon of liquor issued from the distilleries and so provides some influence for curtailing production

(3) The right of manufacture is kept distinct from that of retail sale, the latter being granted separately by auction.

The present system of liquor control in the Madras Presidency is what is generally referred to in temperance literature as the licensing method. Under the licensing system the chief instruments for controlling the consumption of liquor are (1) the imposition of a sufficiently high rate of taxation and (2) the enforcement of direct restrictive regulations with regard to the conditions under which liquor is produced and sold. The essential feature of the system is that under it the whole business of the production and distribution of liquor is in the hands of private profit-making agencies who, however, have to obtain from the government licences for the purpose under conditions laid down by the government. It is the obligation to obtain licences which enables the government to discharge its responsibilities for the supervision and regulation of the liquor business.

The arguments for and against the licencing method have been so often discussed that it is unnecessary to do more than recapitulate the main points of the controversy. The chief arguments in favour of the licensing method are that by regulating the price of liquor by means of taxation it provides an automatic method of checking consumption and that at the same time by leaving the

business in the hands of private agencies it relieves the state of direct responsibility for carrying on the business. The recognised evils of the licensing method may be summarised as follows :—

(1) The motive of private profit leads the licensee to push the traffic to the detriment of the community.

(2) The existence of private agencies for the production and sale of liquor creates vested interests in the business. These vested interests prevent the state from undertaking radical reforms in the control of the liquor traffic especially in democratic countries through the political influence exerted by trade.

(3) It gives the state a permanent interest in maintaining the liquor traffic by reason of the large contributions made by the trade in the shape of taxes to the revenue of the state.

(4) The selection of persons as licensees and the enforcement of restrictive regulations are left in the hands of government or other public authorities with the probable result of jobbery and corruption among the subordinate public servants charged with these duties.

It is to meet some of these recognised evils of the licensing method that the system of selling

licences by periodic auction rather than on a basis of fixed fees has been adopted. The auction method which is the characteristic feature of the licensing system as followed in Madras has been objected to on various grounds among which may be mentioned the following :—

(1) That the speculative bids which are inevitable under the auction method drive licencees to push their sales to the utmost possible extent and at the same time to practise illicit methods of manufacture and sale ;

(2) that the annual reshuffling of licences is apt to place the liquor trade in the hands of irresponsible persons over whom effective control would be difficult to exercise ;

(3) that the only way of avoiding the above evils is to vest large powers of control in the hands of subordinate government officials and

(4) that the interest of the state in the liquor revenue is likely to be greater because of the larger share which the state receives of the profit of the liquor business under the auction system. On the other hand, it is urged in favour of the auction method (1) that the rise in retail prices which often accompanies increased bids at successive auctions acts as a deterrent in regard to

consumption, (2) that a system of annual auctions prevents that growth of private vested interests which has placed such enormous difficulties in the path of temperance reform in the United Kingdom (3) that by leaving the selection of licencees to be determined by auction, it takes out of the hands of the government officials a discretion which might easily be abused and (4) that the increase in profits which under a system of fixed fees might go into the pockets of private dealers is under the auction method largely diverted into the coffers of the state.

From all the controversy which has taken place over this question of *auctions against fixed fees*, two considerations stand out. The first is that under a system of fixed fees there is no necessary influence apart from direct government control which operates to check consumption. The second is that under the auction method while a steadily increasing price might act as a deterrent, the increased interest of the dealer in pushing his sales is apt to operate in the opposite direction. The controversy cannot be set at rest merely by an examination of theoretical grounds. For a really satisfactory answer to the question,

it would be necessary to examine the actual results obtained under each system.

It was pointed out above that while control by taxation was the main instrument by which the liquor traffic was regulated under the licensing system, it was an invariable feature of the system that the government also introduced restrictive regulations of a more direct kind for enforcing their control. These direct measures in the case of the Madras Presidency have taken the following form:—(i) reduction in the number of retail shops (ii) constitution of excise advisory committees, (iii) regulation of (*a*) location of shops (*b*) hours of sale and (*c*) strength of liquor and (iv) constructive temperance work in the shape of (*a*) temperance teaching in schools and (*b*) counter-attractions to drink such as canteens.

It may be noted that the licensing method is also the method which obtains in the United Kingdom and it is worth while to point out the differences between the two countries. The differences between the licensing method as employed in England and in the Madras Presidency may be stated to be these:—first, in England the fees levied for the right of retail sale are fixed fees and are not determined by auction as in Madras, and

secondly, in England the greater part of the shops for retail sale are under the ownership and control of the manufacturing interests under what is known as the Tied House system. A tied tenant is one who leases or rents a house from a manufacturing firm from whom he is bound to purchase his liquor. On the other hand, in Madras a complete separation between retail interests and manufacturing and wholesale interests is insisted upon as an essential part of the government policy of control.

CHAPTER IV

RESULTS OF THE MADRAS SYSTEM

THE excise policy of the government of Madras has come in for a great deal of criticism in recent years, mainly on the ground that the revenue derived from liquor has shown a very large increase and is now nearly a third of the total revenues of the Presidency. In 1910-11 the total excise revenue was 269 lakhs of rupees while in 1920-21 it stood as high as 543 lakhs. Advocates of temperance have pointed to this increase as an indication that the drink habit has increased under the present excise policy. Since the introduction of the Reform Scheme of Government Excise has become a transferred subject and public opinion in consequence is demanding a change of policy with a view to a stricter enforcement of temperance among the population.

In view of the somewhat exaggerated statements which have been made by the more ardent

advocates of temperance, it is worth while pointing out that the figures while showing a very large increase in revenue, do not show any perceptible increase in consumption. With regard to the two chief kinds of drink resorted to in the Madras Presidency, viz., arrack and toddy, the figures of consumption show that the aggregate quantity consumed has remained almost stationary since 1910. The quantity of arrack consumed in 1910-11 was roughly 1.5 million proof gallons while in 1920-21 it was 1.7. Averaged among the total population, the consumption per hundred of population was 4.0 proof gallons in 1910-1911 while in 1920-21 it was 4.2. In proportion, therefore, to the increase in revenue, there has hardly been any increase in consumption. With regard to toddy, there are no figures available which offer direct indication of the amount consumed, but the figures with regard to the number of trees tapped, which give a rough indication of consumption, also point to a practically stationary consumption. The number of trees tapped in 1910-11 was 2.1 millions while in 1920-21 it was 2.2. On a calculation of the average yield of trees, it has been estimated that the average annual consumption of toddy per head of population was 2.88 gallons in 1907-08, 2.67 in 1916-17 and 2.61 in 1920-21. Since the revenue derived from

arrack and toddy constitute practically the whole of the excise revenue of the presidency, it is safe to say that the statement usually made that the increase of revenue is based on a corresponding increase of consumption is entirely misleading. On the other hand, it is the strongest justification which may be urged for the present policy of control that it has prevented not merely an increase of the drinking habit but also that increase in consumption which might be expected to have taken place in consequence of the normal growth of population and increased purchasing power of considerable sections of the community.

This conclusion is borne out by the following figures relating to the decade ending 1920-21.

Year.	Total Excise Revenue in lakhs.	Incidence of Excise taxation per head.			Total consumption of arrack in proof gallons.	Total number of trees tapped.
		Rs.	A.	P.		
1911-12	300.26	0	11	7.4	1,628,178	2,242,918
1912-13	330.29	0	12	9.8	1,773,673	2,340,709
1913-14	365.11	0	14	1.2	1,782,032	2,361,595
1914-15	366.19	0	14	1.7	1,646,649	2,252,463
1915-16	351.19	0	13	6.8	1,491,470	2,163,223
1916-17	371.98	0	14	4	1,644,466	2,224,221
1917-18	403.50	0	15	5	1,648,150	2,352,900
1918-19	464.45	1	1	10	1,672,492	2,335,921
1919-20	536.15	1	4	6	1,988,688	2,493,432
1920-21	543.57	1	4	10	1,723,868	2,285,415

The case for excise reform, it is clear, must be based on other grounds than the alleged increase of consumption. The real charge against the present excise policy is not that it has increased consumption but that it has failed to reduce consumption. The declared policy of the government with regard to excise is the policy of maximum revenue and minimum consumption. The actual results, however, show that while the revenue has pursued an ever increasing maximum, the consumption has stood at a steady and unchanging minimum. In view of the increasing demand for temperance measures in other countries and the strong and insistent demand which is made by public opinion in this country in the same direction, it is worth while considering whether a change is not called for with regard to the attitude of the government towards the liquor traffic.

There are two arguments by which the case for a reduction of liquor consumption is generally supported—the physical and the economical. The physical argument raises the issue whether the quantity of liquor consumed per head is in excess of what is physiologically safe or useful for the human system. The economic argument raises the issue whether the expenditure on liquor per

head bears too large a proportion to the average income of the population. In any country the question whether there is an excessive consumption of liquor must be answered with reference to these tests. The application of these tests in this presidency is bound to be a matter of the greatest difficulty on account of the absence of relevant statistics. A rough indication, however, of their application may be attempted on the basis of such slender statistics as are available.

To apply the physical test, it is necessary to arrive at the amount of absolute alcohol consumed per head of population. Taking arrack first, it has been estimated that the average consumption per hundred of population is 4 proof gallons. The average strength at which arrack is sold in Madras is 35° u. p. and it has been estimated that in spirits at 35° u. p. the percentage of absolute alcohol is 37. The annual consumption of absolute alcohol therefore per hundred of population is (in fluid ounces at 160 ozs. per gallon) $160 \times 4 \times 37$

236.

100

The annual consumption of absolute alcohol in arrack per head is therefore 2.31 oz.

Next, taking toddy, the average annual consumption per head of population has been estimated at 2.6 gallons. Toddy is practically of the same strength as light beer. It is estimated that the percentage of absolute alcohol in light beer is roughly 5. Therefore the annual consumption of absolute alcohol per head of population as regards toddy is $2.6 \times 160 \times 5$

$$\frac{\quad\quad\quad}{100} \quad 20.8 \text{ oz.}$$

Arrack plus toddy gives the annual consumption of absolute alcohol per head as 2.31 plus 20.8 or 23.1 oz.

An average worked out, however, for the whole population gives no reliable idea of the consumption. It is necessary to work it out with reference to the people who *do* drink. The number of persons in this presidency who are in the habit of drinking may be roughly estimated as follows:—

Total population of the Presidency	43 millions
Deduct Muhammadans	3 "
Brahmans	1.5 "
	<u>38.5</u> "
Deduct women (roughly at a ratio of half the population)	19.2 "
	<u>19.2</u> "
Deduct male children under 15 (roughly at a ratio of $\frac{1}{3}$ of the population)	6.4 "
	<u>12.8</u> "
Deduct well-to-do classes who do not drink arrack and toddy (roughly at $\frac{1}{5}$ of the population)	2.6 "
	<u>10.2</u> "

We thus get 10 millions as the drinking part of the population or roughly $\frac{1}{4}$ of the total population. The average consumption of absolute alcohol worked out among the drinking part of the population therefore amounts to 23×4 or 92 oz.

Average consumption of absolute alcohol per day $\frac{92}{365}$ i. e. $\frac{1}{4}$ oz.

This figure is arrived at on the assumption that there are no abstainers among the part of the population who *can* drink. If allowance is made for abstainers we shall probably get an average daily consumption per head of $\frac{1}{3}$ oz. of absolute alcohol in this presidency.

It has been stated that in England the limit of the useful effect of alcohol is produced by somewhere about one to one and a half fluid ounces of absolute alcohol in 24 hours. (Rowntree and Sherwell, 'The Temperance Problem' page 7, footnote). Even making allowance for two principal differences between England and India in this respect viz. (1) the difference of climate and (2) the difference in the character of the civilisation and the intensity of life, it is doubtful if it can be maintained that we have reached the limit of safety in Madras. And it must be

remembered that $\frac{1}{3}$ ounce a day is perhaps an over-estimate because it excludes *all* Muhammadans, Brahmans, women and children.

The application of the economic test may be indicated roughly by the following calculation. Taking the average annual consumption of toddy per head of population as 2.6 gallons and the average retail price of toddy as 12 annas per gallon, we get an annual expenditure on toddy per head of population of Rs. 2. Taking the annual consumption of arrack per hundred of population as 4 gallons and the average retail price of arrack as 4 annas per dram we get an annual expenditure on arrack per head of population of $4/100 \times 48 \times 4/16$ or Re. $\frac{1}{2}$. Toddy plus arrack gives an annual expenditure per head of population of approximately Rs. $2\frac{1}{2}$. This averaged among the drinking classes of the population, taken as a fourth of the population, would give an average expenditure on drink as Rs. 10 per head of population. Making the same allowance as before for abstainers among the drinking classes, we get Rs. 13 as the average expenditure on arrack and toddy. The average income per head of population in the Madras Presidency was estimated tentatively by Dr. Gilbert Slater in 1921-22 at

Rs. 102 per annum if non-agricultural income was taken at 40% of the agricultural income and as Rs. 112 per annum if non-agricultural income was estimated at 50% of the agricultural income. (Madras Year Book 1923, page 788). Taking the higher of these two estimates viz. Rs 112 the expenditure on drink, taking toddy and arrack, works out at $\frac{1}{9}$ of the average income. This estimate of course is based on the assumption that the average income among the classes who drink toddy and arrack is as high as the general average—which is not the case. On the other hand, it must be remembered that this estimate excludes *all* Muhammadans, Brahmans, women and children from the drinking section of the population. Setting one fact against the other we may take $\frac{1}{9}$ as probably not an over-estimate of the proportion of expenditure on drink to average income. This is a proportion which at any rate cannot be safely exceeded among a population whose average income is so low.

It must be pointed out, however, that a proportion worked out with reference to the average income per head of population is a purely arithmetical idea and does not necessarily help an understanding of the actual facts. In the first

place, the real unit of life is not the individual but the family; and the income and expenditure of the members should therefore be considered collectively. In the second place, as was pointed out above, the average income per head is bound to be considerably in excess of the average income of the poorest classes in a country where wealth is so unequally distributed. The average income per head of population is, however, a useful basis in India because ever since Lord Curzon's famous estimate of the average income of the people of India, income per head of population has become a familiar concept in Indian economic controversy, and there appears to be some advantage in relating calculations of this kind to it. Moreover, in the case of the expenditure on drink, the minimum proportion worked out above, viz., one-ninth does seem to correspond pretty closely to the actual circumstances. Social investigators both in towns and in villages have generally gathered the impression that the expenditure on drink among working class families is scarcely ever below the proportion indicated above; in large cities, like Madras, it is of course much higher. Mr. Findlay Shirras in his investigation of working class family budgets in the City

of Bombay put forward 10 per cent as a tentative estimate, but he suggested that 10 per cent was too low an estimate because of the active picketing which was going on in Bombay at the time of the investigation. That in rural areas in Madras a safe minimum estimate of the average expenditure on drink is somewhere about one-ninth of the family income is indicated by a hypothetical case like the following :—

Agricultural labourer and his family consisting of father, mother and three children—

Father's wages	...	...	6	annas per day
Mother's	„	...	2	„
The earning child's	...	...	2	„
			<u>10</u>	„

Yearly income of the family assuming full employment for the family for half the year	}	Rs. 10×180
		<u>16</u>
		=Rs. 112.5

Assuming the expenditure on toddy among them to be no greater than the average per head among those who drink, viz., Rs. 12, we get a proportion of somewhere about one-ninth.

From the foregoing examination, however rough and tentative, the conclusion may be drawn that from the physical standpoint there is apparently little case for a reduction in the consumption of alcohol in this presidency. The case for reduction is however strong from the economic point of view. The fact that the economic aspect of drink is at present the most serious aspect of the problem in the Madras Presidency constitutes the chief objection to the auction method. The auction or high licence method depends for its effectiveness on raising retail prices sufficiently high to prevent an increase of consumption. Under a system which raises prices without applying sufficiently effective direct remedies for checking the extent of consumption and the habit of drink, the necessary result in the case of a hapless and unthrifty population would be to increase the expenditure on drink out of proportion to the resources of the individual.

The increase of prices to which the licensing method in Madras looks for the necessary check on consumption is brought about partly by a fixed duty and partly by a variable licence fee determined by auction. In view of the fact that a large increase in the licence fees might imply speculative

bids on the part of shop-keepers and all the consequent demoralisation to sellers and consumers, the theory of the licensing method in Madras has consistently regarded the fixed element in the taxation of liquor as the primary source of income for the government. In theory, the essential part of the taxation on liquor is the fixed duty—the still head duty or the tree tax as the case may be; the auction fee, however necessary for the purpose of controlling consumption, fills but a secondary place in the system. To what extent this theory is followed in practice is a point of some importance in judging the working of the auction system, for the relative place filled by licence fees is some indication of the extent to which speculation has dictated the rise in prices by which consumption is sought to be controlled.

The following are the figures bearing on this point for the first and last years of the decade ending 1920-21.

Arrack.

	Aggregate fixed duty.		Aggregate. licence fees	Total
1911-12	91.01	lakhs	35.34	126.35
1920-21	143.92	„	84.25	228.17

Toddy

	Aggregate tree-tax	lakhs	Aggregate license fees	
1911-12	70.46		73.47	143.93
1920-21	100.50	„	150.42	250.92

These figures show that in the case of arrack, the aggregate revenue from fixed duty exceeded the revenue from rentals both in 1911-12 and in 1920-21. To that extent theory is borne out by practice. But in judging the progressive working of the system, the real test is not the absolute aggregates but the proportion in which the aggregates have increased respectively. During the ten years the aggregate fixed duty increased under 60% against an increase of over 200% in the aggregate licence fee. In the case of toddy, not merely did the rentals exceed the tree tax both in 1911-12 and in 1920-21, but while the tree tax increased during the decade under 50%, the rentals show an increase of over 100%.

From this examination of the excise system in Madras, the following *tentative* conclusions are suggested:—

(1) The average individual expenditure on drink in this presidency constitutes too large a proportion of the average individual income.

(2) One cause of this large expenditure on drink is the progressive increase in retail prices under the licence method.

(3) For this increase in prices, the licence method in Madras is depending increasingly on the auction element in it.

(4) The increasing dependence on the auction element suggests that the rise in prices is brought about not merely by the normal influence of the economic forces of demand and supply but by speculation.

CHAPTER V

ALTERNATIVE REMEDIES.

IN summing up the controversy as to the relative merits of the two chief methods of licensing—the auction and fixed fee methods—it was pointed out that while under a system of fixed fees there was no necessary influence apart from direct government regulation for checking consumption, under the auction system the increased interest of the dealer in pushing the sales was likely to result in an increase of consumption. As possible compromises which would avoid the recognised evils of the two systems have been suggested certain variations of the licensing method viz. the surcharge method and the rationing method.

The surcharge method which obtains chiefly in Bengal works on the following lines:—Vendors of liquor are selected not by auction but by the district authorities on the advice of the Excise Department; the scale of licence fees is fixed every month on

the principle that fees are increased if the sales of the previous month show an increase. The seller is allowed a fixed normal profit on the business. What is left over is divided between the government and the shop-keeper in such a way that the government share increases with increasing consumption while vendor's decreases. There is no doubt that this method will help to eliminate the speculative element from the sale of liquor while at the same time giving a maximum revenue to the government. But it does not avoid two of the chief evils of the fixed fee method viz. the selection of sellers at the discretion of Government officials and the possible creation of vested interests. Besides, it is likely to be attended by a serious practical difficulty. Whether the government will get an increasing share of the profits will depend largely on the extent to which it would be possible to enforce a fixed selling price. The whole principle of the method viz. that with increasing consumption the government gets an increasing share and the seller a decreasing share of the profits depends necessarily on how far the selling price arranged between the government and the vendor may be enforced. This enforcement under the conditions of liquor business in this

country is bound to present considerable difficulties.

The rationing method, which has been tried in Bombay, may be described as follows:—The amount of liquor issued to each shop from the distilleries every month is limited to a fixed maximum quantity. The quantity issued is based on the issue of the corresponding month in a selected previous year. A deduction of a fixed percentage is made in the current year over the corresponding month of the previous year. The system aims at a direct reduction by the government of the quantity consumed instead of leaving the reduction of consumption to the operation of high prices as in the auction method. The chief objection which has been urged against the method—and the objection is one which deserves serious consideration—is that the quantity issued in the corresponding month of the previous year offers no reliable guidance at all with regard to the probable consumption during the given month in the current year. The consumption of liquor depends upon various uncertain factors, especially in a country like India exposed to the fluctuations of the seasons and the accidents of epidemics. If there happens therefore to be a greater demand in the current year during the particular month, the supply gets exhausted before

the month is out and people either resort to illicit practices or in large cities to the purchase of cheap foreign spirits.

One remedy which has been proposed in regard to this particular objection is the adoption of the system of individual rationing which prevails in Sweden known as the Bratt system. Under this system every person receives an order book through which he may purchase each month a limited quantity of liquor so that a record is kept as to (1) the persons to whom liquors are sold (2) how much is sold and (3) how often sales are made to any one person. The system sounds well in theory ; but from all accounts it has hardly been recognised as a success in Sweden, since under this system there is nothing to prevent people who are not in the habit of drinking from obtaining cards for the benefit of others who desire to drink more than the allotted maximum.

From this discussion of the licensing method and its modifications it is fairly clear that if any substantial reduction of consumption is to be achieved it is necessary to consider the employment of other methods. The three methods besides the licensing method which have been tried in other countries are, Monopoly, Prohibition, and Local Option.

The essence of the monopoly method, as was pointed out, is that the manufacture and the sale of liquor are vested as a monopoly in the hands either of a government authority or of an *ad hoc* public body or of a philanthropic association. It is doubtful whether any of these forms of monopoly are likely to succeed in India. The closer identification of the state with the liquor business and the possibility of the government acquiring a vested interest in the profits of the business in a country where new sources of revenue are so difficult to find are serious objections to the adoption of a system of government monopoly. Moreover, a liquor business owned and managed by the state, besides being expensive to administer, is certain to present enormous opportunities for corruption to the subordinate employees of the government and is not therefore to be thought of in a country where there has always been peculiar temptation for such corruption. As for a monopoly held by a philanthropic association, the difficulty is the practical one of finding or organising an association which would combine the necessary public zeal and business aptitude. The one type of association which in the Madras Presidency may be said to correspond to the semi-public bodies which control

the liquor business in Scandinavian countries is the co-operative society. Although the experiment of handing over the control of liquor in selected localities to co-operative societies of proved efficiency is one which will probably yield interesting results, it is doubtful, considering the repugnance with which the co-operative movement has regarded the liquor business in every country, whether the experiment would ever be undertaken by co-operative societies.

Prohibition as a remedy for the drink problem in this presidency may be dismissed as altogether out of the question at the present stage. In the first place, if the home production of liquor is a circumstance which renders the enforcement of prohibition so difficult in a country like the United States, prohibition would be infinitely more difficult in India where the production of liquor is essentially a domestic industry, where, as has been pointed out, "every man can (so to speak) have his own beer tapped in his own back garden." In the second place, whatever view may be entertained as regards the seriousness of the drink problem in this presidency, it is foolish to ignore the fact that for good or for evil we have come to depend for nearly a third of our public resources

on the revenue derived from excise and the large and sudden dislocation of public finance which would follow the immediate adoption of a policy of general prohibition puts it for the present entirely out of the range of practical politics. Thirdly, if it is true, as was pointed out in the last chapter, that the real objection to the present policy of liquor control is not that it has resulted in excessive consumption of alcohol but that it is making too great an inroad on the monetary resources of the individual, there is much to be said for the view that we may content ourselves with a gradual as opposed to a drastic policy of reform. A non-industrial civilisation does not apparently induce the same appetite for drink or make the same demand for restriction in the use of liquor and remedies which have been found necessary in the much more intense circumstances of a highly developed industrial civilisation do not probably make the same appeal in India.

There is yet another circumstance to be remembered. In a country like the United States of America the introduction of a national prohibition law has been partly the result of a general feeling that it is only by the government expressing itself in no uncertain terms in favour of prohibition

that a sufficiently strong public opinion can be created against the drink habit. The following is from a recent work by Professor T. N. Carver the well known American Economist. "Rightly or wrongly, the chief efforts of temperance reformers in this country, whose methods have always resembled those of the religious evangelists, have been to create a widespread emotional abhorrence of alcohol in all its forms. Prohibition is the logical outcome of the state of mind created by this long period of strenuous warfare against the evils of drunkenness. In this respect the American idea of temperance reform is seen to be in harmony with, if not a part of, evangelical Christianity. So far as its attitude to moral problems is concerned Christianity is nothing if not an emotional interest in that which is deemed to be good and an emotional hostility towards that which is deemed to be bad. To fail to understand that is to fail to understand not only temperance reform in America but Christianity itself." In India both religious tradition and social usage have long regarded the drink habit with strong disfavour especially among Brahmans and Muhammadans the two classes whose influence counts for most in the country. It is doubtful if for the further

strengthening of public opinion, it is necessary to summon to our aid the desperate expedients found necessary in other countries.

We are thus driven to local option as perhaps the most suitable of the remedies open to us. The main arguments for local option are, first, that unlike the licensing method it aims at applying a direct check to consumption and secondly that unlike prohibition it aims at bringing about not a sudden but a gradual elimination of the drink evil in closer accordance with the wishes of the community. The application of local option is bound to present difficulties in India, the chief difficulty being the creation of suitable electorates for the exercise of the option. Two practical conditions may be regarded as necessary for the effective introduction of local option, first, a sufficient degree of intelligence and understanding among the electorate and secondly, the inclusion in the electorate not necessarily of every adult individual in the area but of every important class and interest in it. These conditions are far from present in the electorates of the great majority of the urban and rural local bodies in the Madras Presidency. It would be probably necessary in nearly every case to create an *ad hoc* electorate on a wider basis. A

beginning may be made in this direction in some of the more important local areas where the conditions are likely to be satisfied. Even here, there will be difficulty in enforcing a local verdict once arrived at, with a public opinion which seldom recognises the necessity of assisting positively in the enforcement of its own decisions and with a government executive which is not likely to be over-sympathetic with an experiment the success of which will spell reduced revenue. But these difficulties must be faced because the failure of local option would mean the impossibility of applying any effective remedy for the problem of drink. Put briefly, the case for local option is this—the licensing method has failed to bring about a reduction in the consumption of liquor; the more drastic remedies such as prohibition are impracticable; and therefore if success can be achieved, it is to local option that we must look for it.

CHAPTER VI

PROPOSED REFORM

IN any scheme of excise reform in this presidency, it is necessary to remember that the consumption of toddy is on the whole a less serious and less urgent problem than that of arrack. Consequently there is justification for the suggestion that in the earlier stages at any rate the efforts for reform may be directed in the main to the control of arrack. The grounds on which this conclusion is urged are the following:—

(1) Toddy has a smaller alcoholic content than arrack and therefore the consumption of toddy produces less of the evil effects peculiar to alcohol. The peculiar effects of alcohol on the human system are those which relate to the impairment of the nervous system whereas an excessive consumption of toddy injures the body mainly by its reaction on the digestive organs on account of the higher degree of acidity present in

stale toddy. The consensus of feeling in civilised countries for controlling the consumption of alcohol is due largely to its effects on the nervous system of the individual and thereby on the relation between the individual and the community.

(2) The demand for toddy is less variable than the demand for arrack. There is on the whole less tendency for the consumption of toddy to vary in accordance with changes in price and in the purchasing power of the community. As economists would put it, the demand for toddy is a less elastic demand. One reason for the relative inelasticity in the demand for toddy is that toddy is necessarily consumed in large quantities and therefore the physical inability of the human body to absorb more than a certain quantity of fluid sets a limit to the individual's consumption of toddy. The case is different with regard to arrack and other distilled spirits which are consumed in small quantities and are therefore less susceptible to this physical limitation. A fall in price or a rise in the purchasing power of the individual is likely therefore to produce a larger proportionate increase in the consumption of arrack than in that of toddy. Another reason probably is that toddy is a more ancient form of drink in this presidency and the

appetite for it therefore takes the form of a more instinctive craving in the human system.

Some illustration is afforded on this point by the fluctuation in the retail prices of arrack and toddy during the years 1917-22. The following figures collected from certain typical shops in Madras town will show the proportion in which retail prices have fluctuated.

	ARRACK			Average price per dram.					
	Shop A.			Shop B.			Shop C.		
	Rs.	A.	P.	Rs.	A.	P.	Rs.	A.	P.
1917-18	0	3	4	0	3	0	0	3	0
1921-22	0	4	8	0	4	8	0	4	0
	TODDY			Average price per gallon.					
1917-18	0	7	6	0	12	0	0	12	0
1921-22	0	15	0	1	2	0	1	5	0

These figures show an average increase in the price of arrack of 40% against an average increase in toddy of 75%. We may assume, from the figures for the presidency, that consumption has remained more or less steady. The figures for consumption obtained from individual shops are misleading since they offer no indication of increase or decrease consequent on reduction in the number of shops and changes in location. Assuming that consumption is steady and assuming further that the price variations shown above are general, we

may take the difference between the percentages as roughly the difference in the elasticity of demand of arrack and toddy. The difference in the percentages is not due as is sometimes supposed to the existence of less competition among toddy sellers, because as the Madras Town Liquor Consumption Committee pointed out, there is the most intense competition between individuals among the *Gramanis* who own toddy shops in Madras. The same Committee came to the conclusion that "the advance of civilisation probably tends to greater consumption of arrack compared with toddy."

The fact that the demand for toddy is less elastic makes it probable that the incidence of an increased tax on toddy tends to fall in greater proportion on the consuming class than that of an increased tax on arrack. And this is partly the reason for the more frequent changes which apparently take place in the personnel of dealers in arrack as compared with sellers of toddy.

(3) From an administrative point of view, the control of production is decidedly easier in the case of toddy as the former is a better organised and more centralised industry. The following remarks in the annual excise report of the Madras

Presidency for 1920-21 refer entirely to toddy. "In South India the sources of illicit supply are far more accessible to the regular drinker than in any European country. If the shops are closed liquor can be had from almost any palm with no more skill than is required to cut an incision or dress a spathe and no more apparatus than a knife and a toddy pot. In a country where so large a proportion of the lower or labouring class is accustomed to the use of liquor, where every man can (so to speak) have his own beer tap in his own back garden and where the extensive topes which cover most of the country-side can immediately take the place of the elaborate breweries of Europe, it is futile to imagine that the closure of shops will have any permanently appreciable effects in stopping recourse to alcohol."

(4) A differential treatment as between arrack and toddy is in line with temperance opinion in continental countries in Europe which regards the control of distilled spirits as more important and urgent than the control of such alcoholic drinks as wine and beer. Temperance opinion in France, Germany, and Italy generally regards liquor containing less than 12% of alcohol as less in need of public control.

(5) The suppression of both arrack and toddy will cause a loss in revenue which in a province with so few sources of new taxation as Madras it will be almost impossible to make up. Further the suppression of toddy will require a more expensive staff than the control of it under the licensing system.

From the circumstances stated above, the following conclusions are suggested :—

(a) Although toddy is consumed more largely than arrack in this presidency, measured by the physical as well as the economic test, there is more danger of the consumption of arrack increasing in future and this danger is aggravated by the more deleterious effects of arrack.

(b) The danger element in the consumption of toddy is not so much that it is likely to increase in future or that it does physical harm to the population as that its cost to the individual is so high that it seriously affects his economic resources.

In the light of these conclusions, the following immediate remedies are proposed :—

(a) The application of the principle of local option as far as arrack is concerned.

(b) The issue of licences for the sale of toddy on payment of fixed fees instead of by auction.

One objection which is often raised against a differential treatment of alcoholic drinks is that the uncontrolled forms of drink gradually take the place of the controlled. In view of this objection, it is proposed that any restriction imposed on arrack must apply equally to cheap foreign spirits. The real competitor with arrack is not toddy but foreign spirits and no difference ought therefore to be made between arrack and foreign spirits. The following conclusion of the Madras Town Liquor Consumption Committee is to the point—"some toddy drinkers also drink arrack, but generally speaking, toddy is the drink of the cooly and arrack that of a higher class. The different sorts of arrack and cheap foreign spirits go into one class and toddy into another. All of these liquors and beer compete to some extent, but there is less competition between arrack and toddy than there is between the various descriptions of arrack and other spirits and beer".

The suggestion that toddy should be removed from control by auction and placed under the fixed fee system will provoke all the well known arguments against fixed fees. The change, however, is

necessary because—first, under the auction system the price of toddy which is the drink of the poorest section of the population is rising rapidly, causing a disproportionate expenditure on drink ; secondly, the demand for toddy does not appear materially to vary with changes in price ; the auction system therefore is a somewhat ineffective way of controlling the consumption of toddy and on the other hand the adoption of fixed fees is not likely to increase consumption materially ; thirdly, even assuming that consumption will increase by the transfer of arrack drinkers into the toddy drinking class, the transfer need not cause any serious apprehension. The one real objection to the adoption of fixed fees in regard to toddy is that it will place in the hands of the government staff a responsibility which they might abuse ; and there is also the possible creation of vested interests. These dangers may be sufficiently provided against by placing the collector and his staff in effective control of licences, their hands being strengthened wherever possible by the creation of strong licensing committees.

CHAPTER VII
EXCISE REFORM AND FINANCE

THE chief practical difficulties in the way of a reform of the excise system is the fact that the revenue derived from excise forms so large a part of the revenues of the provincial government. The following figures from the budget estimate for 1924-25 show the place of excise in the finances of the Madras Presidency.

			LAKHS
Land Revenue	...	...	7,62.01
Excise	...	...	5,13.69
Other heads	...	...	3,29.85

Total of principal heads of revenue 16,05.55

Including various miscellaneous receipts, the total revenues of the Presidency amount to 16,47.77 lakhs. The revenue from excise being thus nearly a third of the total revenues of the presidency, a scheme of excise reform must necessarily involve

a consideration of its reaction upon public finance and of the ways in which the required readjustments may be made.

In examining the effects of excise reform on public finance, two considerations ought to be borne in mind—first, the removal of any of the existing items from excise will mean a corresponding reduction in present revenue and secondly, excise being a growing source of revenue, its removal will not merely mean a reduction in present revenue but also a stoppage of the progressive increase in revenue which would have occurred otherwise. In making provision for the loss of revenue consequent on excise reform, it is necessary to keep both these contingencies in mind.

The reform of the excise system which is contemplated here is twofold:—

(1) The exercise of local option with regard to arrack, and

(2) The issue of licences for the sale of toddy on payment of a fixed fee.

The loss in present revenue which will occur if these reforms are adopted may be estimated as follows. Let us assume that the exercise of local option with regard to arrack will result in the complete abolition of the traffic in arrack in the

course of ten years. The most ardent advocate of temperance in this presidency does not contemplate a complete abolition of the arrack trade in less than ten years. Taking the total revenue from arrack as two crores, on the basis of the figures for 1921-1922, the abolition of the arrack trade will mean a deficiency in revenue, calculated on the present figures, of two crores. With regard to toddy it is proposed that the fees for the issue of licences for sale may be fixed at the present average of rentals. On this proposal therefore, there will be no deficiency in revenue on account of toddy. The total loss of revenue at the end of ten years may thus be estimated at two crores.

This loss may be met in the following ways:—

(1) The Retrenchment Committee of the Madras Legislative Council after a minute examination of public expenditure in the province estimated the total savings that might be made at a crore of rupees. If the recommendations of the Retrenchment Committee were enforced—not at once but at least in the course of ten years—it would make up half the deficiency caused by the abolition of the revenue from arrack.

(2) The expenditure on administration in the Madras Presidency is often described as top-heavy.

The fact of the matter is, however, that it is equally heavy at top and at bottom. The total cost of the village administrative establishment in Madras is approximately a crore of rupees. It has often been suggested that by a suitable regrouping of villages it ought to be possible to get a smaller staff to do the existing administrative business in villages. It is proposed that a systematic regrouping of villages be undertaken with a view to reducing the village staff to one half of its present size in the course of ten years, which would result in a reduction of expenditure to the extent of 50 lakhs.

(3) It is necessary to remember in any proposal for the introduction of local option that there is a danger of the option being exercised without a due sense of what it implies, especially in a country with a large uneducated population. To make sure that local option is genuinely exercised it is desirable to devise some arrangement which would bring home to the locality concerned the responsibility implied in it. To this end it is proposed that no election for the exercise of local option be sanctioned unless the consent of the local board or the municipality has been obtained previously. If the election results in a vote for abolition, the local board or municipality concerned will be

required to make up to the government a fourth of the revenue derived from arrack in the area. On this proposal, the total contribution which would be made by local bodies at the end of ten years will be fifty lakhs. What this would mean in practice is that there would be a corresponding reduction in the grants made by the government to local bodies. The total grants (including direct and indirect grants) which the government now makes to local bodies is 141 lakhs. If the introduction of local option resulted in a complete stoppage of the excise from arrack, the contributions of the provincial government to local bodies would be reduced by a third.

SUMMARY OF PROPOSALS.

				Lakhs.
Deficiency in Excise Revenue	...	...	...	200
Retrenchment	...	...	...	100
Regrouping of villages...	...	...	...	50
Reduction of grants to local bodies	...	...	...	50
			Total	200

With regard to the second effect of excise reform on public finance, namely, that it stops the progressive increase of revenue, it is necessary to determine first what is the normal increase in

excise revenue. Taking the figures of the Madras Presidency from 1909-1924, we find that excise revenue has practically doubled itself in 15 years. This rate of increase is not likely, however, to be kept up in future, even assuming that no temperance legislation is undertaken. In the first place, the great rise in the general level of prices which accounted for the enormous increase in excise revenue since 1916 is not likely to continue; not merely so, but a steady and considerable reduction in the level of prices has already set in. In the second place, apart from government efforts for the promotion of temperance, the newly awakened conscience in the country on the drink question will express itself increasingly hereafter in energetic propaganda for the suppression of the drink habit and this is bound to react on the excise revenue. It may be assumed therefore that the rate of increase hereafter will not in any case exceed a 100% in 20 years. We are considering here a period of 10 years. Calculating on a present figure of roughly 5 crores we may estimate the normal increase which might occur in the excise revenue at the end of ten years at approximately 50% of 5 crores or 2.5 crores. The whole of this however will not be lost to the government under the

present scheme. The increase in the tree tax on toddy and a normal increase in the fixed licence fees on toddy will remain to the government. Assuming an increase of 33% in the tree tax and fixed rentals in ten years, we may estimate the normal increase in toddy revenue at the end of ten years as 75 lakhs, calculating on the figure of 2.3 crores, the total toddy revenue as shown in the budget estimates for 1924-25. The deficiency, therefore, in normal increase which has to be made up at the end of ten years is 2.5—.75 or 1.75 crores.*

It is hazardous to make prophecies in public finance. But it does not seem an unreasonable anticipation that in the course of the next ten years it would be possible for the Madras Government to obtain relief from its share of the contribution to the central government to the extent of 50% thus reducing its share from the present proportion of 35% of the total provincial contributions to the standard proportion contemplated in the Meston Award of 17%. If this anticipation materialised, the relief obtained by the Madras Government would exactly cover the deficiency in the normal increase of excise estimated at 1.75 crores.

* No deduction is made here for opium and drugs.

In any case, it is a safe assumption to make that in the course of the next ten years Madras may expect a reduction in her contribution to the Central Government of not less than half the margin between the present and the standard contribution. Assuming the contribution was reduced by a crore of rupees, there would be a deficiency of approximately 75 lakhs in the normal increase of excise revenue to be made up. For this deficiency it would be necessary to consider fresh sources of taxation and means of retrenchment. Accordingly the following programme of fresh taxation and retrenchment is suggested.

(1) A super-tax on land revenue at a percentage varying from year to year to be assessed on land-holders paying revenue of Rs. 50 and over at graduated rates. The suggestion of a super-tax on land revenue was suggested by Mr. V. K. Ramanuja Chariar, for many years Secretary to the Board of Revenue, in an interesting little book on Land Revenue Settlement. (Land Revenue Settlement, Commonweal Office, Madras, 1917, page 86). Mr. Ramanujachariar's proposal was for the imposition of a super-tax apparently at a flat rate on all landholders irrespective of their ability to pay. The proposal was made, as it has

been made by others since, in connection with schemes for a permanent settlement of land revenue in this presidency. The suggestion was that the revenue leviable on ryotwari land should be permanently fixed, an excess of expenditure over revenues in any year being met by the proposed super-tax which will be levied by the legislature at a rate sufficient to cover the deficit. Without going into the merits of permanent settlement, the idea of a super-tax on land revenue may be accepted as a feasible method of fresh taxation. But a super-tax on land revenue, at the rate at which land is taxed at present, should leave out the smaller landholders who are now taxed in all probability up to the limit of their taxable capacity. It should also by adopting a system of graduated rates adjust the contribution of the richer landholders to their respective ability to pay. The following might be suggested as a roughly equitable method of levying a super-tax.

Landholders paying assessment of from 50 to 100 rupees.	} 10% of the present assessment.	
Do. 100 to 250 ..		20% do.
Do. 250 to 500 ..		30% do.
Do. 500 to 1000 ..		40% do.
Do. over 1000 ..		50% do.

It is impossible, on the statistics contained in the land revenue reports, to arrive at a correct estimate

of the proceeds of such a tax. The figures relating to single pattadars and joint pattadars give little indication of the number of individual landlords who would come under a scheme of super-tax. If we assumed the number of single pattas to indicate so many individual landlords who pay assessment of the value specified in the patta, and if we assumed that every joint pattadar paid an assessment equivalent to the average of the total assessment divided equally among the shareholders in each class, we should get an approximate estimate of 50 lakhs as the proceeds of the super-tax. But such an estimate has no validity whatever. The point, however, is that the rates at which the super-tax is levied may be adjusted to the total amount which it may be necessary to raise in a particular year.

(2) Provincial surcharge on the Income-tax.— Another source of fresh taxation for the government, which however would require a reconsideration of the financial relations between the provincial and central governments, is a provincial surcharge on the income-tax. As local bodies are allowed by the provincial government to levy a surcharge or cess on the land revenue, so the provincial government might be allowed to levy a surcharge

on the income-tax at a rate not exceeding a specified maximum. If we consider the burden of taxation which now rests on the great majority of landholders and if we consider also the rate at which incomes are taxed in other countries, there is a great deal to be said for the view that non-agricultural incomes in India may legitimately be asked to bear a larger share of the burden of taxation. There is one circumstance, however, which differentiates a cess on land from a cess on income. A cess on land which varies from place to place will not move land from a heavily taxed to a lightly taxed area, for the simple reason that land cannot be moved. But a cess on income levied by provincial governments according to their varying requirements might tempt capital to move from a heavily taxed province to one less heavily taxed, for nothing is more fluid than capital. The argument is that if Madras levied a surcharge on the income-tax and the other provinces did not levy a surcharge or levied one at a lower rate, Madras might be hit industrially by the flight of capital. This objection could be surmounted if all incomes bearing a super-tax at present were wholly or partially exempted from the levy of a surcharge. Capital which counts industrially is capital whose income is liable to super-tax.

A surcharge levied at an average rate of 20% on the present income-tax collections in Madras will bring in a revenue of approximately 15 lakhs. If, in addition, the provincial government were allowed for the purpose of their levy to reduce the limit of taxable income to Rs 1,500 and the tax thus levied (say at 5 pies in the rupee) on incomes between Rs. 1,500 and Rs. 2,000 were credited entirely to the provincial revenues, an additional sum of 5 lakhs could be collected.* The total proceeds of the provincial income-tax would thus be 20 lakhs.

(3) Provincialisation of the services.† If it were decided, as is not improbable, in view of prospective administrative changes, to provincialise the present imperial services, the expenditure on the administration would necessarily decrease. The saving that might be effected by this means in Madras at the end of ten years may be roughly estimated as follows :—

* A person getting an income of Rs. 150 a month from a non-agricultural source is at present in a far better position in the matter of taxation than a person who gets the same income from land.

† The Report of the Lee Commission on the Public Services which has been issued since the above was written proposes the immediate provincialization of all the Imperial services dealing with transferred subjects. With regard to the rest, a considerable degree of Indianisation is proposed.

Approximate total cost of the imperial services in the Madras Presidency.	...	50 lakhs.
Taking average period of service as 30 years total salaries which might be converted to the Provincial scale at the end of ten years	... ..	50 3 "
Taking $\frac{1}{3}$ of existing salaries as the saving that might be made by provincialisation. Total saving at the end of 10 years	... ..	$\left. \begin{array}{l} 50 \\ - \\ 3 \end{array} \right\} \times \frac{1}{3}$ 5.5

SUMMARY OF PROPOSALS

Deficiency to be made up in normal increase of excise revenue if Central Government releases a crore of rupees	... ..	75 lakhs.
Super-tax on land	... ..	50 "
Surcharge on income tax	... ..	20 "
Saving by provincialisation of services	... ..	5 "
Total	... ..	75

Some of the financial proposals outlined above may seem fanciful. But they undoubtedly give point to the main contention of this chapter—which is that the dislocation of public finance that is often urged as an objection to excise reform cannot stand in the way of the modest scheme put forward in this paper.

NOTE

The Bombay Excise Committee which has just issued its report proposes to raise fresh revenue to the extent of nearly three crores of rupees to meet the deficiency in revenue which would be caused if its proposals were

carried out. Practically all the new sources of taxation which the Committee proposes are sources whose application is limited to Bombay e. g. taxes on totalisers, futures, employees transit and terminal traffic, which account together for nearly two crores. Of the other taxes proposed, an increase of local funds is contemplated by me indirectly in my proposal that local bodies should make up a fourth of the deficiency in excise revenue. The other taxes, namely, a succession duty and a duty on tobacco, have often been considered in Madras but for various reasons have not been introduced. An excise duty on tobacco may be tried in Madras, but I doubt if it will yield much; and besides it will be expensive to administer as the cultivation is in the hands of small growers. As for a succession duty, the field for its application is necessarily limited in an agricultural province where the chief form of wealth is land and where under the prevailing customary law it is held by families and not by individuals. A family as a corporation never dies, and the idea of succession does not strictly apply unless it is proposed to levy a duty on every act of partition. But this will hardly be acceptable. On property other than land, considering the small extent of it in Madras, a local surcharge on the income-tax appears to me a more satisfactory method of taxation.

J. M.

FOR REFERENCE

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APPENDICES

- I. Excise Statistics in the Different Provinces.**
- II. Variations in Excise.**
- III. Proportion of Excise to Total Revenue.**
- IV. Expenditure on Drink in Great Britain 1907—16**
- V. Consumption of Liquor in Principal Countries.**

APPENDIX I
EXCISE STATISTICS IN THE DIFFERENT PROVINCES—(1920-21)

PROVINCE	NUMBER OF SHOPS		RECEIPTS			Incidence of taxatton per head of population according to the census of 1911.		
	Liquors	Drugs	Liquors	Drugs.	Total including miscellaneous receipts.			
			Rs.	Rs.	Rs.	Rs.	A.	P.
North West Frontier Province	70	188	4,58,360	6,28,581	10,87,454	0	7	10
Madras	17,011	1,005	4,97,75,123	42,31,964	5,43,50,395	1	4	6
Bombay	6,171	2,306	3,95,30,042	63,61,797	4,60,67,843	2	6	3
Bengal	3,638	2,392	1,21,14,897	74,63,015	1,96,33,317	0	6	10
United Provinces	6,350	4,170	1,24,06,312	55,76,725	1,80,25,536	0	6	2
Punjab	1,344	1,335	97,76,220	46,01,133	1,43,83,034	0	12	2
Burma	1,364	125	66,65,287	35,91,072	1,03,68,285	0	15	9
Beharand Orissa	8,072	2,361	83,59,990	48,50,733	1,32,46,590	0	6	2
Central Provinces and Berar	4,074	2,189	1,07,82,459	36,72,166	1,45,11,443	1	0	6
Assam	336	561	21,82,508	53,46,468	75,34,565	0	15	10
Delhi	26	19	4,02,242	2,75,064	6,77,719	1	10	0
India (General)	...	...	34,23,402	4,02,050	38,47,110	0	5	11
Total	48,456	16,651	15,58,76,842	4,70,00,768	20,37,33,291	0	12	8

APPENDIX II

VARIATIONS IN EXCISE

NOTE.—The upper figure shown against each province denotes the

	1911-12	1912-13	1913-14	1914-15
	Rs.	Rs.	Rs.	Rs.
North-West Frontier Province	3,15,847 0-1-6	4,04,055 0-1-11	3,50,113 0-1-11	3,54,263 0-2-6
Madras	3,00,64,174 0-11-7	3,31,86,832 0-12-10	3,65,11,075 0-14-11	3,66,12,203 0-14-2
Bombay	2,02,94,346 1-0-7	2,12,52,728 1-1-4	2,22,89,476 1-2-2	2,20,07,779 1-1-11
Bengal	1,33,89,707 0-4-9	1,37,59,157 0-4-10	1,53,88,017 0-5-5	1,53,59,916 0-5-5
United Provinces	1,11,51,635 0-3-9	1,26,17,033 0-4-3	1,33,14,073 0-4-9	1,24,70,379 0-4-3
Punjab	63,61,600 0-5-1	65,73,203 0-5-4	69,08,669 0-5-9	69,21,091 0-5-8
Burma	76,87,114 0-11-7	81,15,929 0-12-4	83,42,593 0-12-8	88,94,183 0-13-6
Bihar and Orissa	98,86,544 0-4-7	1,04,00,579 0-4-9	1,12,59,880 0-5-2	1,15,93,436 0-5-5
Central Provinces and Berar	91,12,337 0-10-6	1,06,04,997 0-12-2	1,16,24,464 0-13-3	1,10,57,428 0-12-6
Assam	44,43,910 0-10-8	48,52,029 0-11-7	52,59,283 0-13-2	54,05,602 0-13-1
Delhi	... ...	... ...	2,70,568 0-10-11	2,73,868 0-10-7
India, General	17,88,807 0-2-9	15,05,840 0-2-3	15,33,533 0-2-3	18,65,082 0-2-10
Total	11,44,96,021 0-7-3	12,32,72,382 0-7-9	13,30,51,744 0-8-5	13,28,15,230 0-8-5

IN THE DIFFERENT PROVINCES

Total Excise Revenue and the lower one the Incidence of Excise per head.

1915-16	1916-17	1917-18	1918-19	1919-20	1920-21
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
3,53,800 0-2-7	3,58,816 0-2-5	4,32,034 0-2-8	5,78,832 0-4-2	8,55,011 0-5-0	10,87,454 0-7-10
3,51,15,684 0-13-7	3,71,96,750 0-14-4	4,03,50,161 0-15-7	4,64,43,007 1-1-11	5,36,13,465 1-4-8	5,43,50,395 1-4-6
2,27,91,330 1-2-7	2,60,50,666 1-5-3	3,20,00,900 1-10-1	3,78,27,375 1-14-10	4,01,64,844 2-0-9	4,60,67,843 2-6-3
1,51,30,570 0-5-3	1,44,07,668 0-5-1	1,56,25,391 0-5-5	1,76,38,246 0-6-2	1,81,08,448 0-6-4	1,96,33,317 0-6-10
1,22,11,570 0-4-2	1,33,58,981 0-4-7	1,43,46,473 0-4-11	1,59,30,625 0-5-5	1,74,41,605 0-5-11	1,80,25,536 0-6-2
70,08,878 0-5-9	75,80,883 0-6-1	85,21,350 0-6-10	98,31,405 0-8-6	1,23,60,592 0-9-11	1,43,83,034 0-12-2
81,11,370 0-12-4	88,31,324 0-13-4	92,39,195 0-14-0	96,97,001 0-14-9	1,03,88,909 0-15-9	1,03,68,285 0-15-9
1,09,71,353 0-5-1	1,12,25,650 0-5-2	1,18,22,605 0-5-6	1,23,92,418 0-5-8	1,29,06,380 0-5-11	1,32,46,590 0-6-2
1,00,67,882 0-11-6	1,10,88,818, 0-12-8	1,14,92,212 0-13-1	1,23,54,056 0-14-1	1,48,33,950 1-0-11	1,45,11,443 1-0-6
54,24,809 0-13-1	55,39,243 0-13-4	53,71,664 0-12-11	59,27,798 0-14-3	67,25,221 1-0-2	75,34,565 0-15-10
2,65,766 0-10-3	2,49,621 0-9-8	3,27,410 0-12-7	4,31,895 1-0-9	6,19,636 1-8-0	6,77,719 1-10-0
18,88,560 0-1-10	22,03,766 0-3-4	28,13,381 0-4-3	35,22,233 0-5-4	38,22,421 0-5-9	38,47,110 0-5-11
12,93,41,572 0-8-2	13,80,92,186 0-8-8	15,23,42,776 0-9-7	17,25,74,891 0-10-11	19,18,40,482 0-12-1	20,37,33,291 0-12-8

APPENDIX III

PROPORTION OF EXCISE TO TOTAL REVENUE IN THE DIFFERENT PROVINCES—1922--1923.

	TOTAL REVENUE.	EXCISE.
	Rs.	Rs.
Bombay	14,62,23,000	3,70,76,000
Madras	16,42,74,000	4,82,70,000
Bengal	11,03,42,000	1,90,00,000
The United Provinces	14,36,49,690	1,69,00,000
The Punjab	12,37,08,300	1,00,60,000
Burma	10,67,01,000	1,02,00,000
Behar and Orissa	4,77,66,000	1,25,00,000
The Central Provinces and Berar	6,47,05,000	1,40,05,000
Assam	2,24,38,000	63,85,000

APPENDIX IV

EXPENDITURE ON DRINK IN GREAT BRITAIN IN THE TEN YEARS—1907--1916.

YEAR.	ESTIMATED.	EXPENDITURE PER HEAD.		
		£	s.	d.
1907	167,016,200	3	15	9
1908	161,060,482	3	12	3¾
1909	155,162,485	3	8	11½
1910	157,604,658	3	9	3½
1911	162,797,229	3	11	10¼
1912	161,553,339	3	10	9
1913	166,681,000	3	12	5
1914	164,463,000	3	10	10
1915	181,959,000	3	18	11
1916	203,989,000	4	8	6

APPENDIX V
CONSUMPTION OF LIQUOR IN PRINCIPAL
COUNTRIES.

COUNTRIES	Year	Malt Liquors.	Wine.	Alcohol.
United States ...	1914	2,053,457,000	52,418,000	146,397,000
United Kingdom ...	1913	1,508,358,000	13,705,000	43,538,000
Russia ...	1910	269,533,000	...	229,722,000
Germany ...	1913	1,817,968,000	55,467,000	98,863,000
France ...	1912	418,500,000	1,758,900,000	80,096,000
Spain ...	1912	...	350,343,000	...
Belgium ...	1912	446,422,000	8,453,000	12,812,000
Italy ...	1912	19,126,000	1,125,366,000	12,046,000
Austria ...	1912	563,978,000	129,126,000	54,657,000
Sweden ...	1912	70,216,000	819,000	10,065,000
Norway ...	1913	13,500,000	1,030,000	2,338,000
Denmark ...	1912	61,499,000	1,004,000	6,842,000
Portugal ...	1909	...	146,271,000	...
Netherlands ...	1913	46,893,000	2,052,000	8,483,000
Switzerland ...	1912	82,051,000	62,344,000	3,857,000
Hungary ...	1912	88,365,000	53,838,000	43,667,000
Roumania ...	1909	4,914,000	33,682,000	6,657,000
Bulgaria ...	1909	3,196,000	34,870,000	581,000

Note—Quantities of alcohol are stated in U. S. proof gallons (at 50%).