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STATEMENT

PUT IN BY PROF. GOKHALE IN HIS EVIDENCE
BEFORE THE ROYAL COMMISSION.

I am Honorary Secretary of the Deccan Sabha, an Association established in Poona for promoting under British rule the Political interests of the Indian people. For seven years I was Honorary Secretary of the Poona Sarvajanic Sabha—another political Association in Poona of a similar character—and Honorary Editor of its Quarterly Journal—a magazine dealing principally with questions of Indian Finance and Indian Administration. I am besides a member of the Council of the Bombay Presidency Association, on whose behalf, my friend Mr. Wacha has given evidence before this Commission. For four years I was one of the Secretaries of the Bombay Provincial Conference. I was also a Secretary of the 11th Indian National Congress that met in Poona in 1895. I was for four years one of the Editors of the Sudharak or Reformer—an Anglo-Marathi weekly of Poona. Lastly I belong to a body of men in Poona who have pledged twenty years of their life to the work of education and am Professor of History and Political Economy in Fergusson College.

In accordance with the plan adopted by the Commission I will divide my evidence into three portions—
 Division of Evidence. I the Machinery of Control, the Progress of Expenditure, and the Apportionment of Charges between England and India.

MACHINERY OF CONTROL.

The question of the machinery of constitutional control is, in my opinion, a question of the highest importance. I may state at the outset that the position of India, so far as the administration and management of her expenditure is concerned, is somewhat exceptional. In the United Kingdom and the Colonies, public expenditure is administered under the control of the taxpayers and therefore presumably solely in the interests of the taxpayers. In India, however, other interests are often deemed to be quite of equal importance and sometimes indeed they are allowed to take precedence of the interests of the Indian people. Thus we have, first of all, the standing claims of the interests of British Supremacy, entailing a vast amount of expenditure, the benefit of which goes to others than the taxpayers of the country. The large European Army maintained on a war footing in times of peace, the practical monopoly of nearly all the higher offices in the Civil Services by Europeans and the entire monopoly of such offices in the Native Army illustrate what I mean. I do not deny that the British supremacy in itself has been a great advantage to India, but what I mean is that the price that is exacted for this advantage is beyond all proportion too high. We next have the interests of the extension of British dominion in the East. Large sums have been from time to time spent in the past for this purpose out of the Indian Exchequer—in many instances, in spite of the protests of the Indian Government—and if things continue as at present, this misapplication of India's money is not likely to stop. All expenditure incurred in connection with the Afghan and Burmese wars, the extension of the Northern and North Western frontiers and the utilization of Indian troops for Imperial purposes is expenditure of this description. Then there are the interests of the European Civil and Military Services in India. The extravagant privileges conceded to Staff Corps officers in 1866 have, it is now admitted on all hands, imposed and improperly imposed a heavy charge on the Indian revenues, and the misapplication of the Public Works Department in 1885.

Importance of the
question of machinery
(General Remarks.)

may be cited as another illustration. The Finance Committee of 1886, appointed by Lord Dufferin's Government consisting of men like Sir Charles Elliot, late Lieutenant Governor of Bengal, Mr. Justice Cunningham, Sir W. W. Hunter, Mr. (now Sir James) Westland, Mr. Justice Ranade and others, thus expressed themselves on this subject:— "The reorganization of the (Public Works) Department was undertaken in consequence of an agitation on the part of the European Civil Engineers employed in it which was conducted in a manner, likely in our opinion, to have a bad effect on discipline and therefore deserving of the disapproval of Government. It seems to us to have violated the orders of Government on the subject of combinations by its servants. Such an agitation would not have been permitted in any other department and should not again be allowed. The object of the reorganization was to improve the position of the officers of the Department generally and in particular to remove the block of promotion, which had arisen from the excessive number of recruits obtained from Cooper's Hill College in the earlier years of that institution. During the continuance of the discussion, which we have summarized, great attention was given to the grievances of the officers of the Department, but a careful consideration of the whole subject leads us to doubt whether the measures sanctioned were altogether suitable either in kind or in respect of the classes to which they were applied. They mostly consisted of increments of pay to the Executives of the third and fourth grade and to the Assistant Engineers of the first and second grades—none of which classes of officers were at the time, so far as we understand the case, in particular need of special assistance,—and of the grant of greatly improved pensions to all officers of both classes; and they were made perpetual in their application." The concession made in 1890 to uncovenanted Civil Servants, whose pensions were fixed in rupees, that these pensions would be converted into sterling at the rate of 1s. 9d. to the rupee, and the grant of Exchange Compensation Allowance to all non-domiciled European and Eurasian Employees of Government indiscriminately, are more recent instances. I will return to all these cases later on. Lastly the interests of

British commerce and of British Commercial and moneyed classes often prevail over the interests of the Indian taxpayers. I might have mentioned the abolition of Import Duties during the administrations of Lord Lytton and Lord Ripon, as also the Tariff legislation of last year as instances. But they do not come under expenditure and may therefore possibly be regarded as irrelevant. But the wasteful nature of many Railway Contracts with guaranteed Companies, the extraordinary help given to the Orissa Company, the Madras Irrigation Company and such other bodies of English investors, the vigour with which the construction of Railways is being pushed on, programme following programme, almost in breathless succession in spite of the protest of the Finance Minister, that the finances of the country now needed a respite in that direction, the conquest and annexation of Burmah, practically at the bidding of a powerful English trading Company—these are instances which are not open to the same objection. The frequent subordination of the interests of the Indian taxpayers to these other four interests makes it all the more imperative that the machinery of constitutional control should provide adequate safeguards for a just and economical administration of the Indian Expenditure, and yet, I fear, nowhere are the safeguards more illusory than in our case.

The spending authorities in the matter of Indian expenditure are:—the Local Governments, the Government of India, and the Secretary of State in Council (to which we must also add the Secretary of State in the Secret Department). The controlling authorities at present are:—the Government of India controlling the Provincial Governments, the Secretary of State in Council controlling the Government of India (the council sometimes tries to control the Secretary of State but it is now much more dependent on him than it was formerly.) and Parliament in theory controlling all. Now in the first place, all this is purely official control, unless indeed, by a stretch of words, we regard the theoretical control of Parliament as to some extent popular. Real popular control is, in the sense of the control of taxpayers, practically speaking,

The Machinery as it
exists at
present.

entirely absent from the whole system. There are, no doubt, the Local and Supreme Legislative Councils in India. But so long as the budgets are offered for criticism only and are not submitted for adoption and so long as the members are not allowed to move any resolution in connection with them, they cannot be called controlling bodies in any proper sense of the expression. Secondly, I venture to think that even this official control, such as we have it, is, except in the case of Provincial Governments, of very little value from the taxpayers' point of view. The Local Governments are indeed controlled and more than controlled officially,—are in fact crippled. But as regards the Government of India and the Secretary of State in council, where they are in agreement, their powers of incurring increased expenditure are almost unlimited; and unfortunately, they are generally found to be in accord in matters in which the Indian taxpayer feels a direct interest, their differences being usually about matters for which he cares little or nothing. Lastly, Section 55 of the Government of India Act of 1858 is supposed to give protection to Indian revenues against their application to extra-Indian purposes. But it is now well-known how that Section has failed to attain its object in practice.

The results of this state of things have been very
 its real nature and unfortunate. Under the East India Company,
 results. our revenues were certainly much better protect-
 ed. The Company's Government was, so to speak, a strong buffer
 between Indian interests and Imperial interests, and as Sir Charles
 Trevelyan has observed, it was often able to offer a successful
 resistance to the demands of the Queen's Government. The
 inquiry which Parliament used to make into Indian affairs every
 twenty years in those days, and the spirit of jealous wakefulness
 which it used to manifest on those and other occasions afforded
 a further protection to Indian interests. With the establishment
 of the direct administration of the Crown, all this was gone
 and the administration of the Indian revenues is now practically
 entrusted to a Cabinet Minister, assisted by a Council of his
 own nomination—a Minister who brings no special knowledga

or experience of Indian affairs to the discharge of his duties, who, as a member of the Imperial Executive, naturally has an eye to Imperial politics rather than to Indian interests, and who is peculiarly liable to be swayed by the varying currents of English public opinion and other English influences. All financial power in regard to expenditure—executive, directive and controlling,—is centred in his hands, and with all this vast concentrated power, he has really no responsibility except to the Cabinet of which he is a member and of whose support he is always assured, and to Parliament where he has a safe majority behind him in virtue of his position as a Cabinet Minister. The position virtually amounts to this, that it is the administration of the finances of one country by the Executive Government of another, under no sense of responsibility to those whose finances are so administered. And for years past we have been treated as a vassal dependency, bound to render services to the suzerain power and to place our resources, whenever required at its disposal. The result is, that millions upon millions have been spent on objects which have not advanced the welfare of the Indian people so much as by an inch—even the empty sense of glory, which is a kind of barren compensation to self-governing nations for such large expenditure of money, is not available to us as a consolation. And not only have these vast sums been thrown away in the past—thrown away, of course, from the Indian taxpayers' point of view—but as a direct result of that expenditure the country is now pledged to indefinite and possibly vaster liabilities in the future. And all this has gone on, while the expenditure on objects which alone can secure the true welfare and prosperity of the people has been woefully neglected. The principal defects in the existing arrangements, to which, in my humble opinion, these deplorable results are to be traced, are two:— (1) autocratic financial power practically concentrated in the hands of a member of the Imperial Executive without adequate securities for its due exercise; and (2) the absence of effective protection to India against financial injustice at the hands of the Imperial Government—there being no impartial tribunal left to appeal to

for redress of such wrong and no constitutional power to resist unjust demands.

When the Government of India was transferred from the Company to the Crown, the Secretary of State's Council was intended to be a check on him; and guarantees were provided for securing the independence of members. But these guarantees have, nearly all of them, been swept away by the amending Acts of 1868 and 1876. Under the arrangements of 1858, the members of the Council were to hold their office during good behaviour and were not removable except on an address of both Houses of Parliament. They were thus placed in a position of dignified independence to exercise the important powers of control entrusted to them under the Act. The Act of 1868, however, profoundly modified this position of the Council. It provided that all appointments to the Council were thereafter to be made by the Secretary of State. The members were to hold office for 10 years only and for special reasons to be communicated by the Secretary of State to Parliament they might be reappointed. These modifications at once lowered the position of the members; destroyed the independence of the Council and virtually left the Secretary of State Supreme in the direction of affairs. The Council was, in fact, reduced to the status of a subordinate Consultative Board composed of the nominees of the Secretary of State—stripped of its original dignity and independence and left unfitted for the proper discharge of its high constitutional functions. The Act of 1876 empowered the Secretary of State to appoint three of the members for life, thus throwing additional power into his hands. The mode of recruitment is also open to grave objection. Moreover, the machinery of the Secret Department enables the Secretary of State to order a course of action which may practically render large expenditure inevitable, without the knowledge of his Council.

Subject to the control of the Secretary of State, which often is only nominal, the Government of India can administer the Indian revenues practi-

The Government of
India and Finance
Minister.

ally as they please. The testimony of Sir A. Colvin and Sir D. Barbour on this point is of great importance. Sir A. Colvin was careful to point out that the present weakness of the Finance Minister's position dates virtually from 1885. That being so, it is evident that the dissent of Lord Cromer as also of Lords Northbrook and Ripon, from their view is beside the point. It is true that Lord Lansdowne and Lord Roberts do not endorse the view of the two Finance Ministers. But this was only to be expected seeing that they themselves are the parties against whom the complaint was directed. When Sir A. Colvin and Sir D. Barbour say that with the Viceroy on his side, the Finance Minister is as strong as he ought to be, and when they complain of the weakness of his position during their time, the only inference to be drawn from that is that the Viceroys under whom they served—viz. Lords Dufferin and Lansdowne—were not of an economical turn of mind, though of course we cannot expect Lord Lansdowne to concur in that view.

The whole position may be thus summed up:—

(1) The buffer of the Company's Government which
Summing up fairly protected Indian interests is gone, and
there is no effectual substitute.

(2) We have no effective constitutional safeguards against the misapplication of our revenues for extra-Indian requirements.

(3) The control vested in the Council of the Secretary of State under the Statute of 1858 is rendered almost nugatory by the alteration of its status under the recent amending Acts.

(4) The control of Parliament over the Secretary of State, has become entirely nominal, owing to the latter being a member of the Imperial Executive, with a standing majority behind him. The old periodical inquiry by Parliament and its jealous watchfulness are gone. In fact we have at present all the disadvantages of Parliamentary Government without its advantages. In the case of all Departments except

the Indian, the leaders of the opposition think it their duty and also feel it to be their interest to exercise the closest watch on the proceedings of the party in power with a view to passing the most adverse criticism that may be possible. In regard to India alone ex-ministers vie with and sometimes even go beyond their successors in extolling all that exists and all that is done. The responsible Opposition in this country thus abdicates its functions in the case of India only.

(5) The Government of India, as at present constituted, cannot be much interested in economy. Almost all internal administration having been made over to Local Governments under the Decentralization Scheme, questions of foreign policy, large public works; and military questions absorb almost the whole attention of the Government of India. Further, the Finance Minister excepted, every other member of Council including, since 1885, the Viceroy, has a direct interest in the increase of expenditure.

(6) Neither in England nor in India is there the salutary check of public opinion on the financial administration. Parliament is ill-informed and even indifferent. And the Supreme and Local Legislative Councils are simply powerless to control expenditure, since the budgets have not to be passed and no resolutions in reference to them can be moved.

Coming to the question of remedies I think it is, in the first place, absolutely necessary that the Indian budget should be passed item by item in the Viceregal Legislative Council. Government may retain their standing majority as at present, and that means an absolute guarantee that no adverse vote shall ever be carried against them. We have no wish to see the Government of India defeated on any point in the Supreme Legislative Council, but the moral effect of recording and so to say focussing by means of divisions, non-official disapproval of certain items of expenditure will, I expect, be very great. It must be remembered that while large questions of policy can be discussed and settled with

Remedies.
in the Viceregal

1st. Voting the budget in the supreme Legislative Council, Official majority being retained.

advantage only in this country, the details of Indian expenditure can be criticized effectively and with the necessary amount of knowledge only in India. I would also provide that when a certain proportion of the non-official members of the Supreme Legislative Council—say more than half—are of opinion that the voting of a particular sum by the Council is prejudicial to Indian interests, they may, if they please, draw up a statement of their case and submit it through the Government of India to a Committee of Control, which, I venture to suggest, should be created in this country.

The creation of such a Committee of Control is a matter of the most vital importance. A Standing Committee of the House of Commons has been suggested, and would, I think, do very well. Or the Judicial Committee of the Privy Council might be entrusted with the work.

2. Creation of a Committee of Control. Non-official members of Viceroy's Council may appeal to this body.

Or even the Arbitration Committee which now seems likely to be created might do for this purpose, and the duty of reporting to Parliament from time to time on matters of Indian finance may be assigned to it. But whatever the form, the Committee should have absolutely no powers of initiating expenditure, else like the old so-called Board of Control, it will do more harm than good. The Committee should take cognizance of all appeals addressed to it by the non-official members of the Viceroy's Council, and may also call for papers of its own accord, and exercise general control over the administration of Indian expenditure. The proceedings should be reported to Parliament from time to time. If some such body were called into existence, the mere fact that non-official members will be in a position to appeal to it, thereby putting the Government of India and the Secretary of State on their defence, will have a tremendous moral effect, which will make for economy and sound finance in a very striking manner. There is nothing in this which will in any way affect the directive and executive powers of the Secretary of State or those of the Government of India. The plan provides only for a reasonable amount of control, and will enable the representatives

of Indian taxpayers who have no powers of controlling expenditure, to make a complaint in a responsible and constitutional manner.

Further, I would suggest, that Section 55 of the Government of India Act of 1858 be amended. This Section as it stands at present enacts that "except for preventing or repelling actual invasion, of Her Majesty's Indian possessions or under other sudden and urgent necessity, the revenues of India shall not, without the consent of both Houses of Parliament, be applicable to defray the expenses of any military operation carried on beyond the external possessions of such frontiers by Her Majesty's forces charged upon such revenues." Now this only safeguards the controlling powers of Parliament and does not provide, as is commonly believed, against the diversion of our moneys from their legitimate use, the only thing secured being that the sanction of Parliament shall be obtained for such diversion—a sanction that, as past experience shows, can be obtained without any difficulty. Now this is not sufficient and has been of little use in practice, and I would press for an express and absolute statutory provision, giving us a complete guarantee against the misappropriation of our revenues for purposes unconnected with our interests. I therefore beg to suggest that Section 55 of the Government of India Act of 1858 be so amended as to provide that except in case of actual or threatened invasion, the revenues of India shall not be used for military operations beyond the natural frontiers of India, (these frontiers being once for all defined) unless at any rate, a part of such expenditure is put on the English estimates.

Further, I would urge, that the elected members of the Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces and now Punjab and Burmah, be invested with the power of returning to the Imperial Parliament one member for each Province. Six men in a House of 670 would introduce no disturbing

3. Amendment of Section 55 of the Act of 1858.

4. Legislative Councils of Madras, Bombay, Bengal, N. W. Provinces, Punjab and Burmah to return one member each to Imperial Parliament.

factor, while the House will be in a position to ascertain Indian public opinion on the various questions coming up before it in a constitutional manner. I may mention that the small French and Portuguese Settlements in India already enjoy a similar privilege. Here again I rely more upon the moral effect of the course proposed than upon any actual results likely to be directly achieved.

The last suggestion that I have to make on this subject is that as far as possible, Indian Viceroy should be selected from among men who have earned a distinct position for themselves for their grasp of intricate problems of finance. Among the First Ministers of England, no greater names can be mentioned than those of Walpole, Pitt, Peel, Disraeli and Gladstone. And all these men were great English Ministers. I know men in the very front rank of English politics do not care to go to India, but all the same, if men noted for their knowledge of Finance, were induced to accept the Viceroyalty of India, the arrangement would produce decidedly beneficial results. It would be a great advantage to all if the Viceroy instead of being his own Minister for Foreign Affairs, were to be his own Finance Minister. At any rate, his immediate connection with the Foreign Department should cease, the department being placed like other departments in charge of a separate member of the Executive Council.

I now come to the very interesting and important subject of Provincial Finance. While gratefully acknowledging that the Decentralization policy has done a great deal of good, even as far as it has gone, I think the time has come when an important further step ought to be taken. It is now fifteen years since this policy was carried to the point at which it now stands by the Government of Lord Ripon. The fact that nearly the whole internal administration of the country is in the hands of the Provincial Governments explains why the people of India are so anxious to see the position of Provincial Governments in the matter of finance strengthened much more than

what it is at present. The expenditure administered by the Provincial Governments is principally devoted to objects which are intimately connected with the well-being of the people and the larger, therefore, this expenditure, the better for them. The chief defects of the existing arrangements are the following:—

The “so-called Provincial Contracts”—to use Sir James Westland’s expression—are really only one-sided arrangements practically forced on the weak Provincial Governments by the Government of India which is all-powerful in the matter. The contracting parties not being on a footing of equality, the Government of India virtually dictates to the Provincial Governments such terms as secure the maximum advantage to itself, and the power which it possesses of disturbing the contracts, even during the period of their currency, leaves the Provincial Governments in a state of helplessness and insecurity, and all this is very prejudicial to the interests of the internal administration of the country. A reference to the tables given on pages 47 and 48 of Appendix Section I of the evidence recorded by this Commission will at once show how at each successive revision, the Government of India, while keeping to itself all the growth of revenue which had accrued to it as its share of the normal expansion, has in addition resumed a large portion of the share of growth that had accrued to the Provincial Governments compelling them thereby to cut down their expenditure in the first year or two of each new contract. Thus, taking Bombay as an illustration, we find that in 1886-87, the last year of the Contract of 1882, its expenditure was Rx. 3,998,912. This expenditure had, however, to be reduced to Rx. 3,814,500 in 1887-88 the first year of the next contract, and it was not till 1891-92 that the level of 1886-87 was again reached, when at the next revision, it was again cut down. The same was the case with almost every other Province. How sore is the feeling of Provincial Governments on this subject may best be seen from the following remarks which the Lieutenant Governor of Bengal thought it his duty to make in the mat-

ter in the Supreme Legislative Council last year:— “ I must say I deprecate the way in which these quinquennial revisions have too frequently been carried out. The Provincial sheep is summarily thrown on its back close clipped and shorn of its wool and turned out to shiver till its fleece grows again. The normal history of a Provincial Contract is this—two years of screwing and saving and postponement of works, two years of resumed energy on a normal scale, and one year of dissipation of balances in the fear that if not spent, they will be annexed by the Supreme Government, directly or indirectly, at the time of revision. Now all this is wrong, not to say, demoralizing. I say the Supreme Government ought not to shear too closely each quinquennium. It is as much interested in the continuity of work as the Local Governments, and ought to endeavour to secure this and avoid extreme bouleversements of the Provincial finances It would be an immense gain to Local Administrations if the Government of India could see its way to renewing the Contracts with as little change as practicable on each occasion. It is only in this way that the element of fiscal certainty, which was put forward in 1870 as one of the main objects of decentralization can be secured. Hitherto we have had but little of certainty. ” A similar protest was made last year by the Lieutenant Governor of the N. W. Provinces from his place in the Legislative Council of that Province and this year the Government of Madras has addressed a very strong remonstrance against the surrender of an additional 24 lakhs of rupees a year demanded by the Supreme Government.

(2) There is no fixed or intelligible principle on which these contracts are based—no uniformity in their plan, no equality in the burdens which they impose on the different Provinces. The share of Imperial expenditure which the different Provinces have to bear is not determined by any tests of population or revenue. A calculation made by Sir James Westland and printed on page 400 of the 2nd. volume of the Finance Committee's Report gives the following results:—

The proportions or percentages of revenue surrendered by each Province to the Supreme Government are as follow:—

	Per cent.
India Districts (General)	26
Central Provinces	56
Burmah	58
Assam	51
Bengal	68
N. W. Provinces	76
Punjab	45
Madras	52
Bombay... ..	46

The contribution of each Province per 100 of the population is as follows:—

Province.	Rupees contributed per 100 of population.
	Rs.
Central Provinces	71
Burmah	312
Assam	97
Bengal	107
N. W. Provinces	177
Punjab	82
Madras	123
Bombay	155

These figures are sufficient to show the totally arbitrary character of the present contracts. The fact is that these inequalities are a legacy of the pre-decentralization period, when the expenditure of the different Provinces was determined,—as men like Sir Charles Trevelyan, Sir John Strachey, General Chesney and others have put it—not by the resources or requirements of those Provinces but by the attention that their Governments succeeded in securing from the central Go-

vernment, i. e. by the clamour that they made. And when the first step was taken in 1870 in the matter of decentralization, the level of expenditure that had been reached in the different Provinces was taken as the basis on which the Contracts were made, and the inequalities that then existed were so to say stereotyped. I think it is high time that an effort be made gradually to rectify these inequalities.

(3) The third defect of the existing scheme is that while it operates as a check on the growth of Provincial expenditure, it imposes no similar restraint upon the spending propensities of the Government of India.

The only way by which these defects could be remedied was clearly pointed out by four members of Lord Dufferin's Finance Committee. They were the President, Sir Charles Elliot—late Lieutenant Governor of Bengal, Sir W. W. Hunter, Mr. Justice Cunningham and Mr. Justice Ranade. In a note which they submitted to the Government of India on the subject, they made the following four proposals and urged that their adoption would be attended by very beneficial results:— (1) That there be no divided Departments, but that those Departments of receipts and expenditure which are now wholly or almost wholly Imperial, or which it may be found convenient to make Imperial, should be set on one side for Imperial purposes and that the receipts and expenditure of the Provincialized departments should be entirely Provincial. (2) That whatever the sum be by which the Imperial expenditure exceeds the income from those sources of revenue which are not Provincialized, that sum should be declared the first charge on the Provincial revenues. (3) That the Provincial surplus which arises from the excess of receipts over expenditure should be the fund from which in the first place all Imperial necessities should be met before any increase can take place in Provincial expenditure. (4) And that as regards the future growth of revenue, it should, as far as possible, be divided equally between Provincial and Imperial, subject to the condition that if the

Imperial exigencies ever required a larger share, the Imperial share should be increased.

Taking the accounts of 1884-85 Sir Charles Elliot and the other members thus illustrated the working of their Scheme. They proposed that Opium, Salt, Customs, Tributes, Post Office, Telegraph, Mint, Interest on Debt, Superannuation Receipts and Charges, The East Indian, Eastern Bengal, Guaranteed and Southern Mahratha Railways, Military Works, Army, Exchange and Home charges should be wholly Imperial, and that the Government of India should also bear the charges and receive the revenues of the Imperial Districts i. e. the parts of India which are not included in the Provinces. On the other hand, they proposed that Land Revenue, Stamps, Excise, Assessed taxes, Forests, Registration, and the Civil Departments should be wholly Provincial, such heads as Stationery, Printing, Miscellaneous, and Railways, Canals and other Public works, as were already Provincial continuing to remain so. The accounts of 1884-85, excluding Provincial Rates, were as follows:—

	Imperial.	Provincial.	Total.
	(In thousands of rupees)		
Revenue	503,569	175,537	679,106
Expenditure	505,066	174,854	679,920

These accounts, on the basis of readjustment suggested above, would have stood thus:—

	Revenue	Expenditure	Surplus or Deficit
	(In thousands of rupees)		
Imperial	326,799	505,365	178,566
Provincial	354,307	176,559	177,748

This means that on the basis of division proposed, the Provinces would have to pay about 17½ crores, i. e.

about 50 per cent, of the revenues made over by them to the Imperial Government to enable the revenue of the latter to come up to its expenditure.

This scheme, if adopted, would have the following advantages over the existing arrangements :—

(a) It would remove all irritation at present felt by the Local Governments and will secure to them, under ordinary circumstances, half the normal growth of revenues in their Provinces, enabling them thereby to make steady efforts towards the progressive improvement of the Internal Administration of the Country.

(b) It is, of course, not possible to secure *at once* a complete equality in the burdens which the Imperial expenditure imposes upon the different Provinces. Provinces that contribute less than half their revenue to the Imperial Exchequer cannot be suddenly called upon to reduce their own expenditure and pay their full share with a view to reducing the share of those that at present contribute more than half. Existing facts after all must be respected and the present level of expenditure in the different Provinces must be left untouched. But the effect of contributing to the Imperial Exchequer an equal portion of all future increase in revenue (viz. 50 per cent,) will be that year by year; the relation which the contribution of a Province bears to its revenue will tend more and more towards equalization. Thus the Provinces which now pay, say 60 per cent. of their revenue will, after paying only 50 per cent. of their increase for some years, be found to have dropped down to a ratio of 58; or 57 per cent. And similarly in the Provinces which pay less than 50 per cent. at present, the ratio will constantly work itself up to 50 per cent.

(c) The proposed scheme, while making ample provision for the necessities of the Central Government, imposes at the same time something like a check on its spending propensities. It secures to that Government the entire normal growth of the Imperialized items of revenue and also half that

of the Provincialized items, and leaves to it besides the power to demand more than half in times of need. But it is expected that in the ordinary years more than half the normal growth of Provincial revenues will not be devoted to non-Provincial purposes.

(d) The adoption of the scheme will place the financial system of India once for all on a sound basis and will bring it more in a line with the federal systems of finance in other countries, such as Germany, Switzerland, and even Canada and the United States. In these countries, so far as I have been able to gather, the Central and Constituent Governments have their separate resources, but the latter are called upon in Germany and Switzerland, to make special contributions on extraordinary occasions.

I would suggest the addition of one more condition to the foregoing scheme. It is that the Government of India should have no power, even in extreme cases, to take more than 50 per cent. of the normal increase of Provincial revenues without the sanction of the Secretary of State. And that whenever, in its opinion, an increased share is necessary, it should draw up a Statement of the case and send it up to the Secretary of State to be placed before Parliament.

I am confident that the Provincial Governments in India will welcome such a settlement of the question. Before concluding this portion of my evidence I may be permitted to remark that it would have been a matter of general advantage if representatives of Local Governments had come here to give evidence on this subject before the Commission.

PROGRESS OF EXPENDITURE.

Our expenditure shows a large and continuous growth since the transfer of the Government of India from the Company to the Crown and recent changes in the frontier policy have accelerated its pace in an alarming manner. Excluding railway receipts the average expenditure for the five years

preceding the Mutiny was about 30 crores. It now stands at over 73 crores, nearly 2½ times what it was before the Mutiny.

Increase of expenditure, taken by itself as a feature of national finance, is not necessarily open to any serious objection. Everything depends in this matter on the nature of the purposes for which the increase has been incurred and the results produced by such outlay of public money. In the United Kingdom, in France, in Italy, in fact almost everywhere in Europe—there have been large increases in national expenditure during the last thirty years, but the increase in Indian expenditure during this time differs from the increases elsewhere in a most fundamental respect. While increased expenditure in other countries under proper popular control, has, so far as we are able to judge, helped to bring increased strength and security to the nations and increased enlightenment and prosperity to the people, our continually growing expenditure has, in our opinion, under autocratic management, defective constitutional control, and the inherent defects of alien domination, only helped to bring about a constantly increasing exploitation of our resources, has retarded our material progress, weakened our natural defences and burdened us with undefined and indefinite financial liabilities. Compelled to meet the demands of a forward Imperial Frontier policy and the exigencies of consequent Imperial defence, and constantly borrowing for commercial enterprises, often undertaken in consequence of the pressure of English commercial classes, our Indian Government has little money to spare, with all its increase of taxation, for purposes of national education. Nor has it been able, amidst constant embarrassments of the Military budget, to forego some prospective land revenue by granting the boon of a permanent settlement to Provinces ripe and more than ripe for the concession under the conditions laid down in Sir Charles Wood's and Sir Stafford Northcote's despatches (1862 & 1865), nor again has it found itself during all these years in a position to carry out pressing administrative reforms like the separation of Judicial and Executive functions.

It is this feature that marks the difference between the growing expenditure of British India and that of other

countries and constitutes our national grievance in respect of the administration of our national expenditure. Whereas the capacity of the country to bear increased burdens is growing perceptibly less, our expenditure, under the existing conditions of administration, is rising higher and higher, necessitating a heavy incidence of taxation, exhausting all our fiscal reserves, and what is still more alarming, thrusting on our heads expanding responsibilities.

Under the Company's Government, things were on the whole managed with economy, and increase of taxation was, as far as possible, avoided—a characteristic feature of our pre-Mutiny finance. The conquest of the country completed, the Company's Government entered in 1852-53 upon a career of administrative improvement and internal progress, and did much in both directions *without increase of public burdens*. And during the next five years, the fiscal system was reformed, the Police was reorganized, the Judicial and other Establishments were revised with largely extended employment of Natives in some of the higher branches and great activity was shown in regard to Public Works. Over two crores a year were spent on canals and roads and buildings, and arrangements were made with Railway Companies for the construction of the main trunk lines of railway communication. And yet the expenditure was under 30 crores. Then came the Mutiny. It was a serious national disaster. It added 47 crores to our National Debt; and our permanent annual expenditure increased at one bound by about 9 crores, the Civil charges going up from 11.7 crores to 15.8 crores, the Army from 12.7 crores to 14.9 crores and Interest from 2.9 to 5.5. The cloud of distrust, suspicion and prejudice then raised still hangs over the country and casts its blighting shadow over more or less the whole of our Indian administration. In respect of Military Expenditure—so too in regard to the extended employment of Natives in the higher branches of the Civil and Military services of the Crown—the effects of the Mutiny are still broadly visible.

I beg to be allowed to put in two statements here, which I think will be helpful in comprehending, at a glance the progressive nature of our expenditure. The first statement gives figures of total expenditure *minus* railway receipts, figures of the exchange charge, and lastly figures of total expenditure *minus* railway receipts and exchange for the last forty years. The second statement divides the period from 1862 to 1895 into 3 periods,—the first from 1862-1870, that of Centralized finance: the second from 1871-1881, that of partially Decentralized finance, and the third from 1882 to 1895 that of Decentralized finance,—and gives the salient facts connected with our expenditure during all these years. Both these statements have been prepared from the annual Financial Statements.

STATEMENT 1.

Year	Expenditure in crores Railway Receipts.	Exchange in crores.	Expenditure—Railway receipts and Exchange.
52-3	28.04	...	28.040
53-4	30.18	...	30.180
54-5	30.89	...	30.890
55-6	31.97	...	31.970
56-7	31.97	...	31.970
57-8	40.04	...	40.040
58-9	50.19	...	50.190
59-60	50.37	...	50.370
60-1	46.74	...	46.740
61-2	43.53	...	43.530
62-3	42.97	...	42.970
63-4	44.20	...	44.200
64-5	45.58	...	45.580
65-6	45.74	...	45.740
66-7	44.10	...	44.100
11 months			
67-8	49.06	...	49.060
68-9	51.30	...	51.300
69-70	50.12	...	50.120
70-1	49.39	...	49.390
71-2	49.16	433	48.727
72-3	50.82	694	50.126
73-4	54.66	883	53.778
74-5	53.21	785	52.425
75-6	52.64	1,355	51.285
76-7	55.00	2,059	52.941
77-8	57.22	1,554	55.666
78-9	55.38	3,225	52.165
79-80	60.27	2,926	57.344
80-1	66.52	2,716	63.804
81-2	68.81	3,556	55.254
82-3	68.40	3,234	55.166
83-4	67.56	3,434	54.126
84-5	59.20	3,426	55.774
85-6	63.58	3.23	60.350
86-7	62.68	5,419	57.261
87-8	66.25	6,466	59.784
88-9	66.13	6,971	59.159
89-90	65.87	6,663	59.207
90-1	64.82	5,087	59.733
91-2	68.74	6,937	61.803
92-3	71.93	9,827	62.103
93-4	71.82	10,285	61.536
94-5	73.25	13,068	60.182

PERIODICAL AVERAGES.

Year.	Without exchange.	With exchange.
1852-3 — 57-8	30.8 crores.	30.8 crores.
1857-8 — 61-2	46.1 ”	46.1 ”
1862-3 — 70-1	46.9 ”	46.9 ”
1871-2 — 81-2	53.9 ”	55.8 ”
1882-3 — 94-5	58.8 ”	65.4 ”

POST-MUTINY PERIOD OF INDIAN FINANCE—DIVISION I.

62-63—70-71

(CENTRALIZED FINANCE.)

Elements of Uncertainty during the period	Fiscal Reserves.
(1) War Office demands. (British Force amalgamated.) (2) Necessity for famine protection. (3) Demands for Public Works. Pressure of the commercial classes. (4) Opium Revenue. (5) Railway Finance.	(1) Balances. (2) Taxation. (3) Curtailment of optional expenditure, Public Works &c.

REVENUE.

62-3 45.1
70-1 51.2

(Taxation during the period)
 { Certificate tax 68-9
 { Income-tax substituted 69-70
 { Raised
 { Salt tax raised in Madras
 { and Bombay

NOTEWORTHY FEATURES.

FAMINES.

	Cost in lakhs.
65-6 Bengal, Madras, Bombay	1,53
68-9 N. W. Provinces. Central P., Punjab & Bombay	72

- (1) Large Administrative improvements were required after the Mutiny—civil
- (2) Provincial Administrations made increasing demands for varied local improvements,—not being themselves responsible for funds.
- (3) Public opinion in England urged measures for material progress (deemed neglected by the E. I. Company.)
- (4) The commercial interests of England demanded improvements of communication and other public works.

(25)

EXPENDITURE

	62-3	70-71
Civil Charges	15.88	19.13
Army "	14.89	16.07
Interest Charge	5.47	5.8
Total expenditure including other heads	42.9	49.3
Increase	6.4	
<i>Outlay on Public works during 62-3—70-1</i>		
Ordinary works	52.66	
Guaranteed Railways in 62-3 to 92.4)	43.5	(from 48.8)
State outlay on prod. Public Works	4.6	
	100.7	
<i>Net Deficit during the period.</i>	surplus.	deficit.
	6.2	8.4 = .2
	62-3	70-1
Debt	96.8	104.0
Increase	7.0	
	62-3	70-1
Balances	23.1	20.1
	Decrease	3 crores

FRONTIER EXPEDITIONS

Sitanna, Bhotan, Lushal.
Railway net loss to State
62-3 1.6
70-71 1.9

HOME CHARGES—Net expenditure
62-3 £4.9 millions
70-1 £8.01 "

Fresh War Office charges during the period.
£451,000 (vide Govt. Desp. Nov. 21 1884).

Two Irrigation Companies formed and Port Canning—and other harbour improvements, reclamation Companies &c. (with Govt. support—direct or indirect)

Opium Revenue.
62-3 8.06
70-1 8.04 } crores
61-2 6.36

- (b) The recurrence of famines emphasized the obligation of the State as to protective works.
- (a) Private enterprise encouraged in all ways.
- (b) State agency since '67 employed to co-operate.
(100 crores in all spent on public works).
- (6) War Office measures in respect of the Br. Army imposed a net charge of £450,000 due to Amalgamation and unequal military partnership.
Total Expenditure rose from 42.9—49.3
- Expanding demands for expenditure:
- (1) General Administrative, improvement.
 - (2) Public Works—productive, ordinary, protective.
 - (3) Provincial needs.
 - (4) War Office demands.
- (2) & (4) beyond the control of Government of India.
- Necessity for limitation of expanding demands.
- In respect of (3) P. Decentralization carried out 70-71.

POST-MUTINY PERIOD OF INDIAN FAMINE—DIVISION II.

71-2 — 81-2.

(Partially decentralized finance.)

Elements of uncertainty during the period.	Fiscal Reserves.
(1) War Office demands.	(1) Balances.
(2) Famine and Protective action.	(2) Taxation.
(3) Public Works—commercial demands.	(3) Curtailment of P. W. option expenditure.
(4) Opium revenue.	(4) Famine grant.
(5) Exchange.	
(6) Railway Finance.	
(7) Exigencies of Imperial policy in Central Asia.	

REVENUE.

71-2 50.1	} Railway receipts.
81-2 62.91	
Taxation—	
Income tax reduced (1871-2)	
Do. revised (72-3)	
Provincial rates levied (73-4)	
Income tax removed (73-4)	
Tariff revised (75-6)	
& reduced.	
Excise duty raised	
Opium duty raised(77-8)	
Licence tax.	
New Local Rates	
Salt duty raised in	
Madras & Bombay	
Cotton duty remitted	
Licence Tax amended	
	} 78-9

NOTEWORTHY FEATURES.

	71-2	81-2
<i>Debt.</i>	106.9	156.8
	Increase 49.8	
<i>Balances.</i>	24.8	17.14
	Decrease 7.6	
<i>Opium.</i>	9.26	9.36
<i>Famines.</i>	Cost in lakhs.	
1873-4 Bengal, N. W. P.,		
Oudh.		6,75
76-8 Madras, Bombay,		
N. W. P., & Punjab.	11,19	
		17,94

- (1) It was an abnormal period of war and famine.
- (2) English public opinion continuing to urge measures of material progress; yet Public works Expenditure had to be reduced, which fell from 100 crores to 70 crores during the period.
- (3) The famines and the vast expenditure required led to the formation of a Famine Insurance Fund; yet the Fund diverted to war.
- (4) Fresh War Office charges amounting to 48 lakhs due to Amalgamation came upon the Indian Budget for increase of military efficiency.
- (5) What disturbed Indian Finance most

(27)

<i>Expenditure.</i>			
	71-2	81-2	
Civil Charges	18.0	19.2	
Army	15.68	18.18	
Exchange	.43	3.55	
Total Expenditure in-			
cluding other heads	49.1	58.81	

Increase 9.7 as against
6.4 of the pre-
vious period.

Afghan War cost.

22.2 crores—
5 crores contributed
by England.
Net 17.2 crores.

Home charges—net expenditure

71-2 £7.7 millions net.
81-2 £11.1 millions net.

Fresh War Office charges for
improvement of British Force
for the period.
£485,000

was a change of policy on N. W. Frontier. Imperial policy in central Asia entered upon a new phase with Russia's conquest of Khiva. Afghanistan given up as a neutral zone, and the Amir promised material and moral aid against unprovoked foreign aggression—a change of policy which converted Afghanistan virtually into a British Frontier Protectorate.

The line of the Indus given up as the Border line of British India. Indian Finance loaded with cost of schemes of Imperial territorial expansion in central Asia; and a preponderance came to be given to military considerations in our financial arrangements.

Outlay on Public works during the period.

Buildings and roads	42.7	42.7
	71-2	81-2
Total outlay on guaranteed Railways	94.5	68.7
and State outlay on Public works	6.2	59.8
	100.7	128.5

(Excluding capital in

Ry-Annuities) Total net outlay	27.7	27.7
	70.4	

Famine Insurance Fund formed and fresh taxation; fund diverted.

Provincial rates;	
75- 6	1,947
77- 8	2,255
79-80	2,862
81- 2	2,893

Net increase .948 crores.

Provincial Contracts revised.

Gain to Imp. Revenue

First contracts 71-2	.331
Contracts (revised 77-8)	.400
Railway net loss,	
71-2	1.7
81-2	.2

Here Indian interests were subordinated to the exigencies of Imperial policy.

(6) Exchange difficulty increased, Total expenditure increased by 9.7 crores.

Expanding demands.

(1) General Administrative improvement.

(2) Public Works—pressure of English commercial interests.

(3) War Office demands,— (Amalgamation)

(4) Treasury Office demands,— central Asian Imperial policy.

(5) Exchange.

(2), (3), (4) & (5) all beyond the control of Government of India

(1) Further decentralization.

POST-MUTINY PERIOD OF INDIAN FINANCE—DIVISION III.

81-2 — 94-5

(Finance decentralized as at present).

Elements of uncertainty during the period	Fiscal Reserves.
(1) War Office demands.	(1) Balances.
(2) Military Expenditure.	(2) Taxation.
(3) Famine.	(3) Curtailment of Public works optional Expenditure.
(4) Public Works—commercial pressure as to Railways.	(4) Famine grant.
(5) Opium Revenue.	(5) Contributions from Provincial Governments.
(6) Exchange.	(6) Periodical revision of Provincial contracts.
(7) Railway Finance.	(7) Transfer of Public Works from Revenue to capital.
(8) Imperial policy in Asia—conquests and Frontier protectorates.	

(30)

REVENUE—minus Ry. receipts.

1881-2 62.9 } crores
1894-5 73.0 } "

TAXATION.

1882-3 Import duties abolished—
salt duty reduced and so too
Opium duty.

NOTEWORTHY FEATURES.

FAMINES.

Scarcities in Madras & Bombay.

WAR AND CONQUEST.

Upper Burma.
British Beluchistan.
Gilgit Agency.
Somali Coast.

(1) The period was a disturbed period of war, panic and military precautionary measures and territorial annexations—costing us about 70 crores during it.

(2) English public opinion pressing for material progress—the commercial interests demanding Railway extensions, the local services clamour-

1886-7	Income tax substituted for Licence tax.		
1888-9	Petroleum duty imposed—salt duty raised.		
1894-5	Customs duties;		
EXPENDITURE.			
		1881-2	1894-5
Civil charges		19.26	25.55
Army		18.18	24.31
Exchange		3.5	13.0
Total expenditure including other items		58.81	73.25
Increase	14.44 as against 9.7) of the pre-6.4) ceding periods.		

Afghan protectorate, developed & confirmed (Durand Treaty) Expeditions beyond the Frontier.

INCREASE OF INDIAN ARMIES (1886-8)

An Imperial Reserve.

HOME CHARGES NET EXPENDITURE

1881-2	£11.1 millions
1894-5	15.8 "

PROVINCIAL RATES (due to decentralization)

1881-2	2,895
1885-6	2,960
1889-90	3,410
1894-5	3,541

Increase .648

ing for increased pay and promotion and exchange compensation. The strain on Indian Finance was severe.

(3) Developments of Imperial policy in Asia involving us in large trans-frontier and other liabilities; Upper Burma and other frontier provinces thrust on our hands for Administrative development—which means vast future outlay.

India now in touch with the great powers of Asia is necessarily pledged to vast military expenditure. Indian defence weakened.

Indian Finance at the mercy of military considerations, Indian armies increased.

Outlay on Public Works.

Ordinary Public Works			75.36
	81-2	94-5	
Guaranteed Railways	68.7	71.1	
State Outlay on Public Works	<u>59.62</u>	<u>115.5</u>	
	128.5	186.6	
Total net outlay			58.0
(excluding capital in Ry. Annuities 30 millions)			
Frontier strategic Rys.	14.4		
	crores		14.4
			<u>147.76</u>
Debt.	81-2	94-5	
	156.8	218.3	
Increase	61.5		
	81-2	94-5	
Opium Revenue.	9.36	7.32	
	81-2	94-5	
Balances.	17.14	25.2	
Increase	8.06		

Provincial Contracts revised

		Gain to Imperial Treasury,
2nd. Revision (82-3)		nil
3rd. do. (86-7)		640
4th. do. (92-3)		466

Provincial contributions.

86-7	.400
89-90	.740
90-1	.490
94-5	.405

Provincial contribution

restored in	
82-3	.670

Railway net loss.

81-2	2
94-5	2.348

(24) Exchange difficulty enormously increased concurrently with a fall in opium.

Grant of exchange compensation allowance.

Total expenditure increased by 14.44 crores as against 9.7 and 6.4 of the previous periods.

Expanding demands:

- (1) Public Works.
- (2) War office demands.
- (3) Demands of Central Asian policy.
- (4) Exchange.

all beyond the control of the Government of India.

Taxation having reached its utmost limits, the enormous growth of expenditure during the period leaves us no fiscal reserve; yet elements of uncertainty and instability of Indian Finance have largely grown and the Government of India is compelled in the interests of financial solvency to be able to meet fluctuating and expanding uncontrollable demands to keep tight its hold on every fiscal resource, limiting the means of the Provincial Administrations on the one side and reserving its freedom of action in regard to Famine Grants, Productive Public Works Expenditure and Provincial Contributions,

**IMPERIAL AND PROVINCIAL
NET EXPENDITURE.**

It is interesting to note how the growth of net expenditure has been divided between Imperial and Provincial since 1882 when Provincial finance was placed on its present basis. Putting together tables 1 and 21 of Sir H. Waterfield we have the following result:—

Year.	Total Net.	Provincial Net.	Imperial Net.
	(In crores of rupees.)		
82-83	41.79	10.98	30.81
83-84	41.66	10.83	30.83
84-85	41.90	11.62	30.28
85-86	45.43	12.27	33.16
86-87	44.55	12.12	32.43
87-88	47.37	12.35	35.02
88-89	46.44	12.52	33.92
89-90	47.34	13.10	34.24
90-91	45.66	12.64	33.02
91-92	49.50	13.60	35.90
92-93	52.43	13.40	39.03
93-94	51.87	13.33	38.54
94-95	52.74	13.13	39.61
Increase in 94-95 over.			
82-83	10.95	2.15	8.80

It will be seen that while the expenditure of the internal administration of the country has been allowed to increase in 13 years by only a little over two crores of rupees, the expenditure administered by the Government of India has increased during the time by nearly 9 crores. It may also be added that during the three years of Lord Ripon's Viceroyalty which belong to this period, the net Imperial expenditure was not only not increasing but actually showed a tendency to decrease.

MILITARY EXPENDITURE.

No student or critic of Indian Finance will fail to be struck by the position which Military charges occupy in the administration of Indian expenditure. It is indeed difficult to enter into a thorough examination of this branch of our expenditure without raising a discussion about certain matters of policy which have been held to be outside the terms of this Commission's reference. My friends Mr. Morgan Brown and Mr. Wacha have however already placed the views of the Indian people on some aspects of this subject before the Commission, and I have no wish to go over the same ground again. I will therefore content myself with a Statement of certain additional facts connected with our Military expenditure, leaving the Commission to draw its own conclusions from them.

Its strength (94-5)

Standing Army	219,778:
British Troops 73,119)	
Misc. Br. Officers 921)	
Native Troops—including	
British Officers 145,738)	
Native Army Reserve	13,862
Volunteers	29,089
	<hr/>
Total of armed strength on mobilisation,	262,729
a strength even smaller than Japan commands and about equal to that of Greece.	

Its cost (94-5)

	Rx in crores.
Ordinary expenditure	20.0
Military works (ordinary)	1.1
	<hr/>
Total (ordinary)	21.1
Special expenditure during the year6
Exchange	3.6
	<hr/>
	25.4

Ratio of ordinary military expenditure to total expenditure for the year = $\frac{25.4}{73.2}$ = nearly 35 per cent, thus comparing with what we have in other countries.

		Millions £.
United Kingdom Army Expenditure		17.8
Total Exp. ...		91.3
		$\frac{17.8}{91.3} = 19 \text{ p. c.}$
France		25.9
		138.0
		$\frac{25.9}{138.0} = 19 \text{ p. c.}$
Italy		9.4
		72.4
		$\frac{9.4}{72.4} = 13 \text{ p. c.}$
Japan		2.6
		16.2
		$\frac{2.6}{16.2} = 16 \text{ p. c.}$
Greece58
		4.2
		$\frac{.58}{4.2} = 13 \text{ p. c.}$
British India		25.4
		73.2
		$\frac{25.4}{73.2} \approx 35 \text{ p. c. or omitting}$
		exchange $\frac{21}{73}$ or 30 per cent.
Russia		£ 23.9 millions—Army Expenditure.

Total Exp. £ 115 mill. = 21 p. c. nearly.

The growth of our military expenditure, excluding all exceptional items—exchange and even military works, has been as below :—

AVERAGE STRENGTH.

Years.	British.	Native.	Total.	Average Expenditure in crores.
1837-8 } 1856-7 } 1861-2 } 1873-4 } 1874-5 } 1880-81 } 1881-2 } 1884-5 } 1885-6 } 1894-5 }	43,826	222,915	266,741	10.85
10 years. 13 years. 20 years.	62,458	123,881	186,340	15.68
10 years. 4 years. 7 years.	61,884	122,556	184,441	16.17
10 years. 4 years. 7 years.	57,975	119,939	177,714	16.55
10 years. 4 years. 7 years.	70,704	140,682	211,387	18.25
1894-5)	74,040	145,738	219,778	20.1

Taking according to Mr. Kellner's estimate 7 native soldiers as financially equal to 3 European soldiers, we may summarise the periodical expenditures on our Army thus:—

Period.	Total Strength European Standard	Total cost in crores.	Charge per combatant in rupees.
1837-8—56-7	139,383	10.85	778
1861-2—73-4	115,550	15.68	1357
1874-5—80-81	114,408	16.17	1413
1881-2—84-5	109,291	16.55	1515
1885-6—94-5	130,996	18.25	1393
1894-5	140,400	20.1	1430

During the 20 years preceding the Mutiny, a most eventful period of war and conquest, we had under the Company's rule an armed force about as strong as now, but maintained at nearly half the cost, the charge per combatant being Rs 775: The Mutiny came, and the transfer of India to the Crown followed; Army Amalgamation was carried out, a Staff Corps formed and other changes in Army organization effected, and our Military Expenditure rose at a bound to 14.89 crores from 10.85, the average of the pre-mutiny period. It has gone on ever since steadily increasing till we come to the present year when it stands at full 20 crores exclusive of exchange, the strength being about the same as before the mutiny.

(A) Looking to the composition of the Army we have 74,040 British troops to 145,738 Native troops or almost exactly in the proportion of 1 to 2. During the 20 years preceding the Mutiny, the proportion of British to Native troops was 1 to 5 and sometimes much lower. The outbreak of 1857 followed. A Royal Commission inquired into the matter in 1859, and in its Report submitted the following recommendation to Her Majesty:—"As regards the third question, the proportion which European should bear to Native Troops in Cavalry, Infantry and Artillery respectively, your Majesty's Commissioners are of opinion that the amount of Native Force should not, *under present circumstances*, bear a greater proportion to the European, in Cavalry and Infantry, than 2 to 1 for Bengal, and 3 to 1 for Madras and Bombay respectively." The proportions thus laid down were recommended in view of the circumstances of the disturbed period, and were not absolute, precluding all future modification as things should change. The present organization, however, practically rests on that recommendation, the proportion being as a whole as 2 to 1—the differential proportions recommended for Bombay and Madras being ignored.

Taking the recommendations of the Royal Commission and looking to the local distribution of the armies, we have :-

Native troops.	British troops.	Excess of British troops over the accepted standard.
Bengal ($\frac{1}{2}$) 84,614	46,379	4,072
Madras. ($\frac{1}{3}$) 32,306	14,195	7,266
Bombay ($\frac{1}{3}$) 28,878	13,466	
		<hr/> 11,338-

This is the amount of excess British Force over the accepted Standard we have in the country, and I submit that there is nothing in the present condition of things to justify such a large departure from the recommendations of the Commission; things admittedly have changed for the better, and with our increasing appreciation of British Rule, and growing attachment to Her Majesty's throne, we should have expected the proportions to be modified the other way. As it is, we have on our hands a force of more than 11,000 British Troops and taking the cost per European combatant at Rs. 1430 a year, we see this excess force burdens our military Budget with a needless $1\frac{1}{2}$ crores (or more exactly Rs 1,57,30,000). $1\frac{1}{2}$ crores a year is rather too heavy a charge for a poor country to bear unnecessarily.

(B) The strength of our existing Army is, further, in excess by the recent increases of 30,000 troops, of the military needs of the country, as laid down by the Army Commission of 1879, who even contemplated among other things, in framing their estimate of our requirements, " the contingency of operations beyond the Frontier, not merely against Russia with Afganistan as our ally but against Russia assisted by Afganistan," and as Mr Ilbert and Sir A. Colvin in their dissent point out, no circumstances have risen which necessitated these augmentations.

(c) But again the existing organization of our Army is so faulty that it imposes a needlessly grievous burden on the Indian Exchequer.

Our Army is always practically on a *war-footing*; we have no peace establishment proper; and the strength we could mobilize in an emergency is—including Volunteers and Reserves—not more than 252,719 men all told. And it is for such meagre armed strength that we have to spend under the present vicious system 25 crores and more a year. While most countries in Europe have adopted short service and the system of Reserves—a system which gives them a maximum of combatant strength at a minimum of cost, India alone has to keep up her armies on a war-footing even in time of peace and has to pay a heavy penalty—getting no commensurate return for the money she spends. In these days the armed strength of a nation is measured as stated by Lord Wolsey not by the number of men under arms in its standing Army, but by the total number of trained soldiers it could put together for active service—when needed—service with the colours being but a course of training for the recruits, much more than active preparedness for war; and in an emergency the reserves being relied upon as the first line of national defence. While the United Kingdom spends about 18 millions on her army and has a total armed strength of 583,785 men, France spends about 26 millions and has an active army of 572,102 with reserves numbering 1,778,000 or a total of 2,350,000, Germany spends 27 millions and maintains an active army of 562,014 and can mobilize in time of war with her splendid reserves a total force of 3,000,000, even Japan, an oriental country which has so successfully copied the European System, spends 2½ millions on her armies, keeping up a standing force of 37,719 and is able to mobilize a force of 269,743, British India though she spends even more than the United Kingdom itself on her armies (25 crores) has but a standing force of 219,778 and with the reserves and volunteers, of 252,729 to show—a strength even smaller than that of Japan, and scarcely $\frac{1}{10}$ of Germany.

England adopted Short Service System in 1871-72 but did not extend the benefit to the Indian Army. How wasteful our existing system is, may be more clearly seen, when we find that we have had to add 3 crores to our Military Budget to increase our armed force by 30,000 troops.

(D) Taking the two component parts of the Indian Army :—

(A) BRITISH TROOPS.

(1) Here we pay for Short Service, but the advantage of the system goes all to England. The peculiar merit of the system is that it gives a large reserve. Our English reserve is in England and is not always available to us. Hence the British Troops in India are all placed on a *war-footing*.

In respect of the recent increase, the argument strongly urged was that we could not always depend on England for reinforcements—possibly, least when we should need them most. Though the Indian Revenues contribute so largely to the maintenance of the Army reserve in England, we can not always count upon getting the British troops augmented in India when we should have to take the field on a large scale.

(2) We have yet the peculiar disadvantage of Short-Service—a paucity of seasoned soldiers in the standing force. Lord Wolseley has told us that men of under 2 or 2½ years service, are seldom sent on active service, and whenever mobilization takes place for field service in European countries, it is the reserves that are largely drawn upon. As we have no reserve in India, we pay for a force which is not *all* available for field duty.

(B) THE NATIVE ARMY.

Our Native Army, though theoretically a Long Service Army is practically in the main a Short Service one. Under

the Regulations a man can claim his discharge after 3 years service and it is calculated that as many as 80,000 trained native soldiers return to their homes in 10 years time. The Army Commission of 1879 proposed the formation of reserves in order to retain a portion of these 80,000 men bound to the obligations of service and also in the hope that the reserves so formed in time of peace might "enable the Government to reduce the peace strength of the Native Army" and expressed their view that such a restricted reserve system could cause no political danger to the country. The proposed reserves were calculated to absorb 58,200 men out of the 80,000 retiring from the army every 10 years.

The formation of such reserves to the Native Army was decided on in 1885-6 and Lord Dufferin's Government proposed to begin with two kinds of reserves—regimental and territorial, of which the latter system was evidently the more suitable of the two and could have succeeded better. But the Secretary of State vetoed the proposal as far as it related to the formation of territorial reserves—apprehensive of political and military dangers of such a step, and sanctioned only regimental reserves. Accordingly we have now the feeble and straggling reserve that there is, numbering about 14,000.

Of course, as far as it goes, it is a step in the right direction, however halting, and a strong effort ought to be made to organise on a sound basis a large effective reserve to the Native Army, so as to permit of reduction in its strength which, while increasing the total armed strength of the country would bring material relief to the Finances of the country. The wasteful costliness of the existing system is obvious.

(2) We next come to the *Officering* of the Native Army.

Before the Mutiny there were two classes of native regiments—"regular and irregular." In the regular regiments, the nominal staff of British officers was 25 strong of whom about 12 were actually present, the rest employed

in civil and other departments. In the irregular regiments, there were only 3 British officers,—the rest of the staff being entirely native. When the armies were reconstructed after the Mutiny in 1861, the irregular system was adopted throughout the Native Army—first in Bengal and later in Madras and Bombay—with the change that the number of British officers per regiment was increased from 3 to 7. In 1874-5, the strength of English officers was increased by the addition of 2 probationers to each corps. In 1882-1883 one more officer was added to the cadre; so that we have now 8 British Officers in each regiment, ousting the Native Officers virtually from the entire field of higher regimental command. Before the Mutiny and in the irregular regiments, the British Officers commanded wings and squadrons, leaving the command of the troops and companies to Native Officers. Since the transfer and the reconstruction of the armies, the field of employment for Native Officers has been steadily contracted, and they have not now even the command of troops and companies, and hold a lower status in the Army. In their place a costly European Agency has been put in thereby imposing a great burden on the finances.

Even in the lower positions, the number of native officers has sensibly fallen off during the past 20 years. In 1876-7 the number of these officers was 2,812, in 1895-6 it is 2,759—a decrease of 53 officers, though the strength of the Army has risen during the period from 120,672 to 141,257 (i. e. 20,000). On the other hand the number of British Officers shows an increase of 149 Officers (from 1431 to 1580).

(F) Lastly we come to a feature of the existing army organization,—the most wasteful of all.

The Indian Staff Corps system;—(a corps of officers intended for the Native Army as well as for civil employ in the political, police, survey and other Departments, and in the Frontier and non-regulation provinces.)

When the amalgamation was carried out in 1861, there was a complete change in the system of officering the Native Army. The old supply from British regiments was stopped, and a staff corps was established in each presidency for the purpose. All officers of the Army except those who declined, were transferred to the new corps. The promotion in the new corps was entirely by length of service,—not by succession to a vacancy, so that Lieutenants became Captains, and Captains, Majors and so on, though the promotions were not needed for the work of the army. The system is still in force:— which is as under:—

Ensigns on transfer to the corps to become

Lieutenants.

Lieutenants after 11 years' service to be

Captains.

after 20 years' service to be

Majors.

and after 26 year's service to be

Lieutenant Colonels.

Further privileges were in 1866 conceded to the staff corps. Previous to that year a certain number of Lieutenant-Colonels succeeded on vacancies occurring to Colonel's allowances. These carried with them an extra-pension of £664 a year. In 1866 the Secretary of State allowed all officers then in the Staff corps and all who might join, to succeed to Colonel's allowances after 13 years' service in the grade of Lieutenant Colonel without reference to any fixed establishment of Colonels with Colonel's allowance. Thus every officer could in future rely on getting Colonel's allowance if he lived and clung to the service till he had served 33 years. The general result of this extraordinary system of promotions and pensions has been that the upper ranks

of the service are filled with officers for whom there is no work.

The Colonels' allowances, previous to 1866, were granted only to a certain number on ground of special merit, at the rate of 1 to 30 officers. Since then, it has been indiscriminately allowed to all, and we have now 50 officers in receipt of Colonels' allowances on a staff corps of 2,826 strong, *i. e.*, more than 1 in 6 officers.

The grant of such allowances is now placed under new conditions, but the heavy burden on the exchequer, due to the measures of the past, taken in the interest of the officers, grows heavier every year. The old system of promotion is still in force—regulated not in accordance with the needs of the services but in the interest of the officers, as if the army was for the officers, and not the officers for the Army.

The whole question regarding the constitution, terms of service, rates of pay and pension, in regard to this costly and privileged corps requires to be carefully examined. As it is, the whole system rests on an unsound basis, the corps is over-numerous, and drawing privileged rates of pay and pension, inflicting a heavy burden on the national exchequer.

THE SERVICES.

In every department of Indian expenditure, the question of agency is one of paramount importance. According to a Parliamentary return of May 1892, we have in India in the higher branches of the Civil and Military Departments a total of 2388 officers drawing Rs. 10,000 a year and upwards, of whom only 60 are Natives of India and even these, with the exception of such as are Judges, stop at a comparatively lower level. And they are thus divided:—

	Natives.	Eurasi- ans.	Euro- peans.	Total sala- ries of Na- tives.	Total sala- ries of Eu- rasians.	Total sala- ries of Eu- ropeans.
	(In thousands of rupees)					
Civil Depart- ment ...	55	10	1211	9,47	1,51	2,52,74
Military ...	1	1	854	12	11	1,32,68
Public Works.	3	4	239	33	45	34,15
Incorporated Local funds.	1	...	9	10	...	1,13
Total.....	60	15	2313	10,02	2,07	4,20,70

In addition to these, the railway Companies employ 105 officers drawing Rs 10,000 a year and more. They are all Europeans, and their total salaries come to 16 lacs 28 thousand rupees.

If we come down to officers drawing between Rs 5000 and Rs 10,000 a year, we find that we have 421 Natives in the Civil Department as against 1207 Europeans and 96 Eurasians. In the military Department, there are 25 Natives as against 1699 Europeans and 22 Eurasians. In the Public Works Department, there are 85 Natives as against 549 Europeans and 39 Eurasians. And in the Incorporated Local Funds there are 4 Natives as against 22 Europeans and 3 Eurasians. The total salaries of officers of this class are thus divided:—Civil Department, Natives 29,05 thousand, Eurasians 6,50 thousand, and Europeans 88,30 thousand. In the Military Department, Natives 1,64 thousand, Eurasians 1,39 thousand, and Europeans 1,36,98 thousand. In the Public Works Department, Natives 5,37 thousand, Eurasians 27,8 thousand, and Europeans 39,62 thousand. And in the Incorporated Local Funds, Natives 25 thousand, Eurasians 17 thou-

sand, and Europeans 1,46 thousand. In addition to these, there are under the Railway Companies 258 officers of this class, of whom only 2 are Natives, 8 being Eurasians and 248 Europeans. Their salaries are thus divided:—Natives 12 thousand, Eurasians 50 thousand and Europeans 17 lacs 10 thousand.

In England £125,360 is paid as salaries by the Indian Government and £54,522 by Railway Companies all to Europeans.

The financial loss entailed by this practical monopoly by Europeans of the higher branches of the Services in India is not represented by salaries only. There are besides heavy pension and furlough charges, more than 3½ million sterling being paid to Europeans in England for the purpose in 1890.

The excessive costliness of the foreign agency, is not, however, its only evil. There is a moral evil which, if anything, is even greater. A kind of dwarfing or stunting of the Indian race is going on under the present system. We must live all the days of our life in an atmosphere of inferiority, and the tallest of us must bend in order that the exigencies of the existing system may be satisfied. The upward impulse, if I may use such an expression, which every school-boy at Eton or Harrow may feel that he may one day be a Gladstone, a Nelson or a Wellington, and which may draw forth the best efforts of which he is capable—that is denied to us. The full height to which our manhood is capable of rising can never be reached by us under the present system. The moral elevation which every self-governing people feel cannot be felt by us. Our administrative and military talents must gradually disappear owing to sheer disuse, till at last our lot, as hewers of wood and drawers of water in our own country, is stereo-typed.

The Indian Civil Service is nearly 1,100 strong. Under the rules of 1879, since abolished, we were entitled to one-

sixth of the whole recruitment and in course of time, we should have had about 180 Natives in the Indian Civil Service. The public Service Commission, appointed by Lord Dufferin, proposed the abolition of those rules, and recommended that 108 posts usually held by Covenanted Civil Servants should be set aside for Indians. The Government of India and the Secretary of state thought this recommendation too liberal and ultimately decided to throw open only 93 such posts to which the Natives of India may be appointed, after certain existing claims were satisfied.

That these higher posts are guarded with extreme jealousy as practically a close preserve may be clearly seen from the following illustration. Mr. Jacob gives in Appendix 16 of Section II the total number of District and Sessions Judges in India as 126. Out of these only 5 are Natives. Now the capacity of Natives for the efficient discharge of Judicial duties has been over and over recognized and the Public Service Commission expressly recommended that one-third of all district and Sessions Judgeships should be given to Natives, which meant 42 out of 120. Instead of this 42, however, we have at the present day, only 5 Native District and Sessions Judges.

So, again, in the Police, out of 230 District Superintendents, only 3 are Natives. Only 5 Natives qualified to do the work of District and Session Judges and only 3 for the work of Police Superintendents in all India after close on a century of British rule!

The same is the case with the Forest, Accounts, Opium, Mint, Scientific and other departments.

In the Public Works Department, we have a total strength of 800 Engineers of whom only 96 are natives. The Indian Civil Engineering Colleges have been working for years and yet not more than 96 of their trained graduates are to be found in the higher branches of the Engineering Service. In this connection I may mention that the Finance Committee of

1886 recommended that the connection of the Indian Government with the Cooper's Hill College be terminated as soon as possible and that there be a larger recruitment of students of Indian Colleges. This recommendation, however, was not accepted by the Government of India.

I may also be permitted to make one or two general observations here on this Public Works Department.

This Department has been for a long time over-manned and Lord Dufferin's Finance Committee thought it necessary to pass some severe criticism on the point. The sanctioned strength is 760. The actual strength in 1884-85 was 898, in 1893 it was 857, and now it is about 800, which is still 40 in excess of the sanctioned strength. Ever since the expansion of the Department in 1860—and notably from 1868 to 1875 we have had the superior staff arranged less with reference to the work to be done than to the condition of things as regards the position of officers. There has frequently been hasty and irregular recruitment during the periods of expansion, followed by blocks in promotion, requiring in their turn corrective efforts in the shape of special allowances or better pay and pensions, not founded on a consideration of the Executive need of the Department. And more than once officers have been specially induced to retire from the service on very favourable conditions as to pensions to reduce the redundancy of officers.

The Finance Committee of 1886 recommended that Royal Engineers in the Indian Army should be put on the Civil Staff, remarking that " It is necessary to maintain a considerable establishment of Royal Engineers in India for Military requirements...Such of them as are not needed for purely military duty in time of peace can be best employed in the P. W. Department and should in our opinion, have the first claim for employment in that Department in preference to all others." and the Committee suggested that the Military Works Branch of the Department should be

abolished as a separate branch for Military Works and amalgamated with the General Department. The suggestion as the abolition of Military Works Branch has not been carried out and only 70 Royal Engineers from a total of 273 are at present on the Civil Staff—the greater number of the remaining 200 or so doing little or no work. It may be added that these suggestions of the Finance Committee had the full approval of the then Commander-in-Chief.

EXCHANGE COMPENSATION ALLOWANCE.

This allowance was granted to all non-domiciled European and Eurasian Employes about the middle of 1893 and the figures for the last three years have been as follows:—

Year.	Amount in Rs.
1893-94	618,468
1894-95	1,239,275
1895-96	1,327,632

The allowance consists in converting half the salary of each officer into sterling at the rate of 1s. 6d. subject to the maximum of £1000, and then converting it back again into rupees at the current rate of exchange. Practically it has amounted to a general increase of salaries. Now in the first place it is admitted that these employes of Government had no legal claim to the compensation. The pay of the European soldier in India is fixed in sterling and the Government have now to make to him a much larger rupee payment than before. No body, however, has ever suggested that this rupee payment should be reduced. If any one had made the suggestion, he would have been told that the soldier was entitled to it. The guaranteed Companies are now getting 5 per cent on their capital, though they do not earn so much, and though Government can to-day borrow at the rate of 2½ per cent. If any one were to say that 5 per cent is too high now to

pay, and that the Companies should be asked to be satisfied with less, he would be told a contract is a contract. My point in giving these illustrations is this—if existing contracts are not to be disturbed *in favour* of the Indian exchequer, why should they be disturbed against it?

Secondly, if the European employes of Government suffered from the fall in exchange, Government itself, as representing the tax-payers, suffered much more from the same cause. When such a general misfortune had overtaken all classes, to single out a particular class for special relief by imposing additional burdens on the remaining classes and these not well able to bear them was entirely unjust.

Thirdly, though it is quite true that the fall in exchange had considerably lowered the gold value of the rupee salaries the salaries themselves were so excessively high, considering especially the great change that has taken place in the facilities and means of communication between England and India, that even with the fall in exchange, they were very high. I think it will be admitted that non-official Anglo-Indian testimony on this point is very valuable. The Bombay Chamber of Commerce is recognized to be one of the foremost and most important representatives of the English Mercantile Community in India. This Chamber, in writing to the Finance Committee on the subject of reduction of expenditure in 1886, thus wrote on the subject of salaries paid to Englishmen in India:—"The question of the salaries paid by Government to its servants is one on which the Chamber holds very decided views. The just apportionment of remuneration to the exact quality and quantity of work done may, from the standpoint of individual cases, call for very nice discrimination and intimate knowledge of the circumstances surrounding each appointment; but the Chamber having many amongst its members in a position to form a true estimate of the standard of pay necessary, at the present day of widespread education and keen and increasing competition among the members of the middle classes for res-

possible employment, to ensure the attainments required from Civil Servants, covenanted and uncovenanted, does not hesitate to say that the entire scale of remuneration but more especially of the senior classes, is pitched at too high a level. At the time existing rates were settled not only did the requisite educational acquirements command a higher premium than they do now, but there were other considerations calling for momentary compensation. In former days an Indian career practically entailed expatriation officials frequently lived very solitary lives, were exposed to exceptional temptations and exercised great responsibility. In latter years these conditions have been greatly mitigated, and in some cases thoroughly reversed. Communication with England is constant and rapid, life in India is healthier and attended with more comfort and less expense, whilst control is so centralized that responsibility is in a great measure taken out of the hands of officials except of the highest ranks. Under these circumstances, a revision of all salaries, but particularly those above, say, Rs. 1,000 per month, is manifestly justifiable and called for. In all recent discussions on this subject, the decline in sterling exchange has been urged as a strong argument for non-reduction; but in the view of this Chamber that is a matter which Government should not take into account. What it has to look to is purely the amount it must pay under all existing conditions and circumstances, in order to secure the necessary qualified labour in this country, leaving individuals themselves to provide for the wants of their families in Europe, and their own requirements for leave. The Chamber, in fact, would go even further than this, and advocate that, under the new rules for future contracts, all civil pensions and retiring allowances should be paid in the currency of the country. India is no longer a *terra incognita* to the educated classes of England, and even under the comparatively less tempting inducements indicated above, the Chamber feels convinced that there would be no lack of suitable men ready and anxious to recruit the ranks of the service. This naturally leads to the consideration of the economy practicable by a larger employment of Natives.

Much might doubtless be saved in this way, particularly in connection with the Judicial Department, where the opening for efficient Native agency seems widest; but the Chamber is not prepared to formulate nor possibly your Committee to discuss, a settled scheme for the entrance of Natives into the covenanted and uncovenanted services. All I am instructed to lay stress upon in that direction is that, when Government decide on the competence of Natives to hold certain posts, due allowance should be made in fixing their pay for the proportionate cost of living and expenditure between them and Europeans of a like grade."

Fourthly, assuming that some relief was needed, it was most unfair to give the allowance to all. I mean men who went out to India after the rupee had fallen below 1s. 4d., i. e., who accepted the rupee salaries with their eyes open, as also those who had no remittances to make to England—these at any rate, ought not to have been granted the allowance. This indiscriminate nature of the grant constitutes, in my opinion, its worst and most reprehensible feature. No wonder after this that the Indians should feel that India exists for the European services and not the services for India. While the miserable pittance spent by Government on the education of the people has stood absolutely stationary for the last five years on the ground that Government has no more money to spare for it, here is a sum larger than the whole educational expenditure of Government given away to its European officials by one stroke of the pen!

The salaries of some of the officers are fixed in rupees by statute. The grant to these men seems to be illegal as long as the statute is not amended. The question, I understand, has been raised, but it has not yet been disposed of by the Secretary of state. Meanwhile the allowance continues to be paid to these officers pending such disposal.

EDUCATION.

The meagreness of the Government assistance to public education in India is one of the gravest blots on the ad-

administration of Indian expenditure. No words can be too strong in condemning this neglect of what was solemnly accepted by the Court of Directors in 1854 as a sacred duty. During the last four or five years the Government grant to education has been absolutely stationary. In 1891-92, it was Rs 88,91,73. In 1894-95, it was Rs 91,09,72, showing an increase of only 2 lacs and 18 thousand rupees in four years. But even this increase was only an addition to the salaries of European officials in the Department in the shape of exchange compensation allowance, as may be seen from the fact that while there was no charge for this allowance in 1891-92, in 1894-95, the compensation to educational officers was 1 lac and 88 thousand rupees. Side by side with this might be noted another fact viz., that during these same four years, the Government expenditure on public education in Great Britain and Ireland increased from 5 millions to nearly 9 millions sterling, and the contrast is too powerful to need any comments. One cannot help thinking that it is all the difference between children and step-children. There are more than 537 thousand towns and villages in India, with a total population, of about 230 millions and yet there are less than a hundred thousand public primary schools for them. The population of school-going age in India is about 35 millions, out of whom only about 4 millions (including those attending private or unaided schools) are under instruction, which means that out of every 100 children of school-going age, 88 are growing up in darkness and ignorance and consequent moral helplessness. Comment on these figures is really superfluous.

I may add that in 1888, the Government of Lord Dufferin issued a resolution which amounted to a virtual change of policy in the matter of education. Only four years before that, Lord Ripon had issued a resolution addressed to all Local Governments urging them to increase their expenditure on education and even offering assistance from the Imperial Exchequer, where absolutely necessary. In 1888, however, Lord Dufferin directed the Local Governments in

express terms to gradually reduce the share contributed by Government to public education.

RAILWAYS.

My friend, Mr. Wacha, has gone into this question in great detail, and I will only add one or two observations to what he has said. In the evidence already recorded by the Commission, satisfaction is expressed in one or two places that in India the working expenses of railways form a smaller percentage of the total railway receipts than in England, and the conclusion seems to be drawn that Indian railways are constructed and worked more cheaply than English Railways. I may, however, state that this lower percentage of working expenses is not peculiar to our railways only, but is in fact, a necessary condition of all industrial undertakings in India. Labour with us is very cheap, while Capital is very dear, so a much larger margin is necessary for profits and a much smaller one suffices for the working expenses than is the case in England. The mere fact therefore that the working expenses of Indian Railways form a smaller percentage of the total receipts than they do in England does not in reality prove anything.

Meanwhile it may fairly be asked, if Indian railways are on the whole a profitable undertaking, why do English investors, with all their enterprise, almost invariably insist on a Government guarantee of interest in one from or another? There was an excuse for the first companies requiring such a guarantee. But after so many years experience of Indian Railways and after so many declarations both from the existing Companies and from Government that there is a great, a prosperous future for Indian Railways, it is astonishing to see that every new scheme proposes that all elements of risk and possible loss in it should be shifted on to the Indian taxpayer, securing an absolutely safe, clear percentage of profit for the English investor. So long as the Indian Government has to bear a net loss on Railway

account—no matter from what cause—so long it is futile to represent the Indian Railway enterprise—whatever may be its other advantages—as a commercial success.

I have two suggestions to offer on this subject of Railways. The first is that the time has now come when the same restrictions that now exist on the outlay of public money on unproductive public works should be imposed in the case of these so-called productive works also; these restrictions being that in future all Government expenditure on these works, direct or indirect, should be out of surplus revenue only, and not out of borrowed money. A new programme, costing 28 crores of rupees has just been announced, and a private letter which I received from India by the last mail says that it has been sanctioned in spite of the protest of the Finance Minister—Sir James Westland. When one remembers that the condition of Indian finance is at present most depressed, that all really important lines have been constructed, and that many most pressing needs of the country—such as education—receive no attention from the Government on the ground of the poverty of its exchequer, one cannot help thinking bitterly of this reckless profusion of Government in the matter of railway construction, especially as the Indian people feel that this construction is undertaken principally in the interests of English commercial and moneyed classes, and that it assists in the further exploitation of our resources.

The second suggestion is that the Guaranteed railways should be taken over by Government at the first opportunity in each case without exception. The waiver of the right to take over the G. I. P. Railway twenty years ago was very unfortunate. Apart from the loss entailed by the high guarantee by the unfair manner of calculating the surplus profits and by their calculation six-monthly, instead of yearly, there is another very deplorable loss which the Indian Exchequer must bear in the matter of these Guaranteed railways. The shares of these Companies are at a high premium, and that

is due in great measure to the Government guaranteeing a high rate of interest. The premium thus is to a considerable extent only artificial, and yet Government must pay it when it has to take over these Railways!

FAMINE INSURANCE FUND.

All statistics on the subject of this fund are already before the Commission. Of late years, there has been a great deal of controversy as to the real object with which the fund was created. I think the best evidence that I can offer on this point is to quote the following extract from the Report of Parliamentary Committee, which examined in 1879 the subject of Public Works in India and of which Lord George Hamilton was Chairman :—

During the financial years 1877-1878 and 1878-79 additional taxation was imposed in India in order to establish an annual Famine Insurance Fund of £1,500,000. That amount was fixed with reference to the famine expenditure, which during the last six years, had amounted to the enormous sum (excluding loss of revenue) of £14,487,827, of which a very large portion had been met by borrowing.

The object, therefore, of this Famine Insurance Fund was, by increasing the revenue to avoid the constant additions to the debt of India which the prevention of periodical famines would entail, by either applying that increase of income to works likely to avert famine, and thus obviate famine expenditure, or by reducing annually debt contracted for famine, so that if famine expenditure should again become inevitable the reduction of debt made in years of prosperity would compensate for the liabilities incurred during scarcity.

This increase of taxation was sanctioned by the Secretary of State in Council, on this understanding.

Last September, the Home Authorities received a Despatch from the Indian Government adverting to the difficulty of discriminating between works strictly productive, and those only admissible as providing against the effect of famine, and proposing "to accept a yearly maximum dead-weight charge, to be fixed, as experience may suggest, for works constructed as productive, whether under the existing strict conditions, or as now proposed, in order to prevent famine, or give protection from famine, or diminish the expenditure for the counteraction of famine, if it occurs." In other words, "they would limit, to a specific maximum amount the net expenditure for the interest on the capital cost of all such works and their maintenance, after setting off all the net income yielded by the works." In addition to the annual loss entailed by "their net existing liabilities," they proposed to add an annual sum not to exceed 25 lacs of rupees, and they thought that that amount might form a primary charge upon the Famine Insurance Fund "on the consideration that the construction of any works not fully productive, according to the existing definition, which may be thus facilitated, will cause an equivalent reduction of the ultimate liability on account of famines when they occur."

The first portion of this proposition had been already suggested by the Indian Government in 1876, and rejected by the Secretary of State in Council. The latter part of the suggestion by which it is proposed to permanently assign 25 lacs of rupees of the Famine Insurance Fund, in order to raise money for the construction of famine works, not fully productive, is an entire inversion of the object for which the fund was raised. This increase of taxation was justified as necessary in order to meet, as far as was possible, famine expenditure for the future out of income; but to immediately appropriate a portion of the income so raised to pay the interest of new loans was a proposal which, in the opinion of your Committee, the Secretary of State in Council had no option but to reject.

Lord George Hamilton is now Secretary of State for India and judging from a recent debate in the House of Commons, his Lordship seems to have forgotten what he wrote in 1879 as Chairman of that Parliamentary Committee. The Indian people, however, have a better memory.

*THE CIVIL DEPARTMENTS OF BOMBAY
PRESIDENCY.*

I now come to a criticism of the Civil Departments of my Presidency, on which subject, I understand, the Commission would like to hear my views. I may mention that a very exhaustive memorial criticising the working of these departments from the financial point of view was submitted in 1886 by the Poona Sarvajanic Sabha, of which I was Hon. Secretary for seven years, to the Finance Committee appointed by Lord Dufferin. In so far as the situation has undergone no change, that criticism has only to be briefly repeated on this occasion. Where the situation is altered, I must modify our observations of ten years ago.

GENERAL ADMINISTRATION.

The total charge under this head in 1884-85 was about 12½ lacs of rupees. In 1894-95 it was over 14½ lacs. A large part of the increase is due to exchange compensation allowance. About half a lac is due to the transfer of the charges of the Inspector-General of Jails, Registration and Stamps to this head. The increase in the Civil Secretariat is striking, being about 60,000 rupees. The expenses of the staff and household of the Governor have also increased from 86,000 rupees to over one lac. It has long been felt that the Bombay expenditure under both these heads is on an extravagant scale. In Madras they manage things much cheaper. Madras is a larger Presidency than Bombay and yet in 1894-95 its Civil Secretariat expenditure was only 3,06,400 rupees as against 4,14,000 rupees for

Bombay. Similarly the staff and household expenditure in Madras in that year was 46,000 rupees as against 1,07,000 rupees for Bombay. On this point I would suggest that the Staff and Household allowance in Bombay, should be commuted into a lump sum of about 60,000 rupees a year.

The intermediate supervising staff of Commissioners of Divisions also comes under this head. Its cost in 1894-95 was over 3½ lacs. This item of expenditure is a very heavy and perfectly needless drain upon the Revenues. This institution of the Commissioners introduces an unnecessary step, between the District and the head quarters of Government, causes culpable delay in the speed of dispatch of public business, and is opposed to the proper efficiency of the District Government. The Commissionership of the Central Division was moreover created twenty years ago in consequence of the pressure of famine, and it ought to have been abolished as soon as the pressure had disappeared.

LAND REVENUE ADMINISTRATION.

The charges under this head are about 65 lacs and have for some years past been more or less steady. In the Presidency proper, there are 12 senior and 9 junior collectors, with 41 Assistant Collectors. There is besides a large number of supernumeraries. Then there are about 50 Deputy Collectors and a large number of Mamlatdars, one for each Taluka. On an average, each District has one Collector, 2 Assistant Collectors, one or two supernumeraries, and 2 Deputy Collectors, with a Mamlatdar for each Taluka. When the Revenue Department was first organized, the other Departments of the State were not formed and the Revenue officers were the officers whom Government could regard as its principal executive officers. Collectors therefore found it almost impossible to conduct their duties efficiently and their staff had to be strengthened by the addition of Assistant Collectors, but during the last few years, most of the other Departments have been fully organized and each Department has now its special staff of

administrative and executive officers. Under these altered circumstances, therefore, there no longer exists the necessity of maintaining the staff Assistant Collectors under the District Revenue Officer, except so far as the necessary Provision of training some few covenanted civilians for District work might require. For this purpose, one instead of two or three—the present number of Assistants—would be more than sufficient. This change, without affecting the efficiency in the slightest degree, will relieve the State of a needless and costly burden.

The District in India is the proper unit of administration, the Collector being the chief representative of Government in the district. The present scheme of District Administration, however, is radically defective and entails a large waste of public money. The great multiplication of Central Departments, which has taken place in recent years, has while imposing a heavy strain on the finances considerably weakened the position of the Collector, and the machinery of Administration has, in consequence, become much more vexatious to the people than it was before. The great fault of the existing system is that the number of Inspecting, Controlling and Supervising Officers is wholly out of all proportion to the number of real workers. Government, in all its departments, fixes the salaries of its officers high enough to show that it trusts these officers and expects from them efficient and conscientious work; but after showing this mark of confidence, it imposes check upon check as if no officer could be trusted to do his duties. Perhaps such a state of things was inevitable in the early days of British rule, when everything had to be properly organized and various administrative reforms had to be carried out. But now that things have settled themselves, and most of the work done is comparatively of a routine character, it is a sheer waste of public money to maintain such a system of checks and over-centralization. I have already spoken of the Divisional Commissioners, who are at present only a fifth wheel to the coach. In the North West provinces, Punjab and

Bengal, there are, besides the Commissioners of Divisions, Revenue Boards of two or three members. This double or treble machinery serves no useful purpose beyond a nominal but very often vexatious check. It may be admitted that some check is necessary, but too much check defeats itself by becoming either vexatious or nominal or both. What is wanted is a check more real, by its being more on the spot. The District being a unit of administration, the Collector's position should be that of the President of an Executive Board, consisting of his Revenue Police, Forest, Public Works, Medical and Educational Assistants, sitting together each in charge of his own Department, but taking counsel in larger matters with the heads of the other departments under the general advice of the Collector-President. To this official Board, the Chairmen of the District and Municipal Boards may be joined as non-official representatives. These ten members, thus sitting together, and representing as many departments, would form the best check on each individual department. With such a self-adjusting, simple and effective system at work, the present complicated and less efficient system of check and over-centralization might be dispensed with to the great relief of the people and of the finances of the Presidency.

FOREST.

The expenditure under this head was Rs. 9,64,000 in 1891-92. In 1894-95, it was Rs. 10,34,000,—an increase of Rs. 70,000 in three years. The increase was mainly due to Exchange Compensation Allowance. The administrative charge in this Department is excessive. The salaries of the Conservators, Deputy Conservators and Assistant Conservators, who with the exception of one man are all Europeans, amount to no less than 3½lacs of rupees or one-third of the whole expenditure. The Department, moreover, is working in most unsatisfactory manner, causing immense discontent and irritation among the rural classes—a discontent gradually culminating in some parts in outbreaks of lawlessness. It also comes frequently into conflict with the Revenue Department. If the work be

handed over to and placed under the charge of the Collector with a Forest Assistant, its operations will be much less vexatious to the people, the conflict between it and the Revenue Department would be avoided and the arrangement would result in a saving to the State. The Forest Department is at present controlled by three Conservators, 19 Deputy Conservators and 9 Assistant Conservators. There are besides about 20 extra-Assistant Conservators. This excessively costly staff could now be reduced and replaced by much cheaper agency, if the suggestion made above were carried out. Moreover the work done by the lower paid establishment should be, as far as possible, handed over to the village officers who would do it much more efficiently and cheaply, as the small increase in their existing remuneration would be deemed by them as adequate payment for the extra work.

Forest, Irrigation and Agriculture are all at present separate Departments, each working in its own orbit, though they all are supposed to discharge duties, practically allied to each other. The promotion of the agricultural industry of the country is the common object of all, but the Departments, being separate, work on their own lines—not always convergent to the main end. And there is necessarily a considerable waste of funds and effort. Even under the existing system, if these Departments were amalgamated, one supervising establishment would do where we now have three. The change will be attended with advantage to the Agriculturists and relief to the finances of the country.

POLICE.

The charge under this head in 1894-95 was over 56 lacs of rupees. In 1892-93, it was less than 51½ lacs. The increase is chiefly due to the reorganization scheme carried out in 1894 at an annual cost of over 4 lacs for the Mofussil Police and about 1 lac for the Police of the Presidency town. As in the case of several other Depart-

ments, this Department is largely over-officered in the upper staff. In 1884, the Inspector-Generalship of Police was created with a salary of 24,000 a year. The creation of this office was not favoured by the Government of India itself for a long time, but it yielded at last to the persistent pressure of the local Government. This needless centralization, in addition to being expensive, has disturbed the harmony which previously prevailed in the district administration, when the District Police officer was a direct subordinate of the Collector of the District. The Police Department has no policy of its own to carry out, and it may well remain directly under the Collector in each District. I may mention that men like Sir Barrow Ellis were strongly opposed to the creation of the Inspector-Generalship.

The superior staff has been constantly on the increase. In 1879, the number of District-Superintendents and assistant Superintendents was 22. In 1886-87 it was 30. It now stands at 38 Europeans. There are besides about 9 Probationers. The institution of the grade of Police Probationers has all along been regarded by the Indian public as a great scandal, and evidence was offered before the Public Service Commission that all the 13 Probationers that had till then been appointed were relatives of persons occupying high posts in the Administration—men who had failed in qualifying themselves for any other career.

But while the Superior Staff is excessive and too costly, the lowest grades in the Department—the class of Constables—requires large improvement. A much better type of men must be attracted to the rank by offering adequate inducement. It is no exaggeration to say that the Indian Police of the present day outside the Presidency towns are a thoroughly incompetent, unscrupulous, corrupt body, causing vast misery to the bulk of the people. They are often found to be themselves actively aiding and abetting crimes—especially crimes connected with property. Outside the Presidency towns there is no detective service worth mentioning. A large in-

crease of expenditure is necessary, if the Department is to be effective for protecting and not harrassing the general population.

EDUCATION.

Here too a large increase of expenditure is necessary, if Government desire to discharge its duty adequately by the people. The charge under the head of education at present is about 20 lacs, of which 3 lacs are consumed by direction and inspection. Our percentages are no doubt slightly better than those for the whole of India, but that is hardly a matter for congratulation, seeing that what is being done is almost as nothing compared with what ought to be done. So long as we have only 9,000 public Primary Schools for over 25,000 towns and villages, and about 80 children out of every 100 of school-going age are growing up in utter darkness, so long the educational policy of the Government will always be a reproach to it.

In this connection, there is one point to which I am anxious to draw the particular attention of the Commission. That point is the absolutely inelastic character of the financial provision which is made for primary education in rural areas. In these areas, primary education is now entrusted to Local Boards, Government contenting itself with a Grant-in-aid to these Boards of one-third the total expenditure. Now the only revenue that these Boards have at their disposal is the proceeds of the one anna cess and these proceeds are devoted in certain fixed proportions to primary education, sanitation and roads. As our revenue settlements are for periods of 30 years, it follows that during these periods, the proceeds of the one-anna cess must be more or less stationary—which means that the amount that local Boards can devote to primary education, being a fixed proportion of these proceeds, must also remain more or less stationary during the currency of each period of settlement. And as Government will, as a rule, contribute only one-third of the whole expenditure, i. e.,

one-half the amount spent by the Board, it is clear that the resources that are available for the spread of primary education are entirely inelastic for long periods. I believe Sir James Peile had proposed, when he was Director of Public Instruction in Bombay, that Local Bodies should be empowered to levy special educational cesses, if they pleased. In the absence of Government finding more money for the education of the masses—a duty definitely accepted as a sacred trust—this seems to be the only possible solution of the difficulty.

LAW AND JUSTICE.

The charge under this head in 1894-95 excluding the cost of jails was 46 lacs of rupees. Of this sum, the expenditure on the High Court came to about 6½ lacs. It has long been a matter that an High Court is managed on a more extravagant scale than that of Madras, the expenses of the latter in 1894-95 being less than 5½ lacs. The great item of difference is the expenditure of the original side which in Bombay is about 2½ lacs and in Madras not even one lac. The Appellate side of the Bombay High Court which does the Appellate work for the whole Presidency is maintained at a cost of about one lac of rupees only. The expensiveness of the High Court is, however, not due so much to the cost of the machinery employed as to the monopoly enjoyed by Solicitors and Barristers whose fees represent a charge on litigation which is almost prohibitive. It is indeed high time that the system of the Civil and Criminal Administration of justice in Bombay was improved so as to render it less costly. The Finance Committee of 1886 made certain proposals about reducing the cost of the Bombay High Court, some of which have not yet been carried out. The Clerk of the Insolvency Court still continues to receive fees amounting to nearly the salary of a puisne Judge, for only nominal work.

The Judicial Department is specially a department for high posts in which the qualifications of Natives have been

repeatedly recognized. The Public Service Commission recommended that one third of the District and Sessions Judgeships should be set apart for Natives. No effect, however, has yet been given in practice to that recommendation.

The question of the separation of Judicial and Executive functions comes under Law and Justice. It is contended on behalf of Government that such separation would entail extra expenditure of something like half a crore of rupees for the whole of India. Now in the first place this appears to be simply an over-estimate. Assuming however, that the additional cost would be as high as that, it is much less than what was given to the European Services by one stroke of the pen in 1893—I mean the Exchange Compensation Allowance.

This year, in certain famine areas, sub-Judges are entrusted with criminal work also to the relief of revenue officers and the experiment so far has succeeded very well. A similar experiment was tried during the famine of 1877 with equally satisfactory results.

The Stipendiary sub-Judges and sub-Magistrates may with advantage be relieved of a portion of their lighter work, by the appointment of Honorary Magistrates and Arbitration Courts. Honorary Magistrates have already been appointed in the larger towns but benches of such Magistrates may be constituted in Taluka towns with great advantage to the Government and the people. Further the caste and trade Panchayats may be utilized for the purposes of settling civil disputes. There has already been a reform in the manner of disposing of petty cases, and Arbitration Courts have been recognized as cheap and efficient institutions for the administration of justice in small cases. If the same principle be extended to the Courts of subordinate judges, and if Civil juries are associated with the sub-judges in the disposal of suits involving larger amounts of money, as also in deciding questions regarding rights and customs, ample re-

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Ref will be afforded to the superior Courts, which may ultimately enable considerable economies to be effected.

PUBLIC WORKS DEPARTMENT.

The expenditure under this head, including Provincialized Railways and Irrigation and Civil Works was about 35 lacs of rupees in 1894-95, out of which about one-third was for establishment. The first two items came to a little over one lac, and the rest was for Civil Works. Except in Sind, we have no irrigation worth speaking of, and I think it would be a great advantage if the construction of storage tanks and wells in areas where the rainfall is uncertain were undertaken by Government on a large scale and in a systematic manner. As regards the Civil Works outlay, it is noticeable that the highly paid machinery of Executive Engineers &c. is still kept up in all the Districts, though in several of them the expenditure on Civil Works from the Provincial revenues does not exceed a merest trifle, and the works required by the Local funds are of a sort that far lower establishments can safely undertake. The reduction in the Executive Engineer's charges appears to be urgently called for.

MONOPOLY OF ALL HIGHER OFFICES BY EUROPEANS.

Similar criticism might be offered about the remaining departments, but I have no wish to weary the Commission with further observations of the kind. But there is one great evil common to all the Departments and a few words on that may be allowed. This evil is the practical monopoly of all the higher posts by Europeans. The following analysis of the Civil List for the Bombay Presidency for January 1897 will make my meaning clear:—

Covenanted Civil Servants:—or as they are now called Civil Servants of India. The total number of these Civil

Servants, attached to Bombay at present, is 156, out of whom only 5 are Indians, these 5 having entered by the competitive door in England. There are besides 8 statutory Indian Civilians. The Members of Council, the High Court Civilian Judges, the Commissioners of Divisions, the Secretaries to Government, the Senior Collectors are all Europeans.

City Magistrates:—There are four City Magistracies, two on Rx. 800 a month and 2 on Rx. 500 a month. The two former are held by Europeans (not covenanted), the two latter by Natives.

Land Records and Agriculture:—There are 6 posts in this Department with a salary of over Rx. 400 a month. They are all held by Europeans.

Forest Department:—There are 29 posts in this Department with salaries ranging between Rx. 400 a month to Rx. 1600 a month. They are all held by Europeans. There are 2 Europeans even below Rx. 400 a month.

Salt:—There are 12 posts with salaries ranging between Rx. 400 to Rx. 1,130 a month. Only one of these is held by an Indian.

Post:—The Postmaster General is a Civilian. There are 11 posts under him with salaries above Rx. 400. out of which 7 are held by Europeans.

Telegraph:—There are 12 posts in this department with salaries ranging between 400 and 100 rupees, and they are all held by Europeans. There are moreover 40 posts between Rx. 100 and Rx. 400 a month. Of these also 36 are held by Europeans.

Revenue Survey:—There are 10 posts in this Department with salaries above Rx. 400. They are all held by Europeans.

Accountant-General's Department:—The Accountant-General and Deputy Accountant-General are Civilians. There are 5 posts under them with salaries ranging between 400 and 1000 rupees, 4 of which are held by Europeans.

High Court Judges:—Out of seven Judges, two are Natives.

Government Law Officers.—There are 7 Government law officers of whom 6 are Europeans. Four of these get a Rx. 2000 month and above, one gets Rx. 1000 and the sixth man gets Rx. 250. There is only one native among these who is paid Rx. 300 a month.

Officers of the High Court:—There are 14 officers with salaries ranging between 400 and 2500 rupees a month. Of these 6 are Natives.

Prison Department:—The Inspector-General draws Rx. 2000 a month and there are under him 11 officers receiving Rx. 350 to Rx. 1200 a month. They are all Europeans.

Cantonment Magistrates. There are 11 such Magistrates with salaries ranging from Rx. 100 to Rx. 1250 a month. They are all Europeans.

Police:—There are 54 officers in this Department with salaries ranging between Rx. 250 and Rx. 1800 a month. of these only 3 are Natives and they are all drawing Rx. 250 a month. There are moreover 5 officers in charge of Railway Police. They are all Europeans and draw salaries ranging between Rx. 350 and Rx. 1000 a month.

Education:—The Director is paid Rx. 2500 a month and under him there are 45 officers receiving between Rx. 400 and Rx. 1500 a month. Of these only 10 are Natives, and with one exception, they get either 400 or 500 a month—the one gentleman mentioned as an exception is a Native Christian and draws 633 rupees a month.

Ecclesiastical :—There are 31 paid officers in this Department. They draw between Rx. 400 Rx. 800 a month and are of course all Europeans.

Medical :—The Surgeon-General draws Rx. 2500 a month and there are under him 59 officers drawing salaries between 400 and 1600 rupees a month. Out of these only 4 are Natives

Sanitary :—There are 7 posts in this Department with salaries between Rx. 400 and Rx. 1200 a month. They are all held by Europeans.

Political :—There are 66 officers in this Department, drawing salaries ranging between Rx. 400 and Rx. 3500 a month. Only two of these are Natives, one of them drawing Rx. 300 and the other Rx. 450 only.

Public Works :—There are 83 officers in this Department, drawing salaries between Rx. 250 and Rx. 2500 a month. Of these 23 are Natives.

The Subordinate Judgeships and Deputy Collectorships are the only branches of the public Service which are free from this practical monopoly by European officers.

APPORTIONMENT OF CHARGES BETWEEN ENGLAND AND INDIA.

On the narrower ground which the Government of India have chosen to occupy in this matter, they have, I think stated the case for India very effectively. I agree, however, with Mr. Dadabhai Naoroji and Mr. Wacha in thinking that the field, in respect of which equitable apportionment is necessary is much wider than that. I will add a few observations to explain my meaning:—

THE INDIA OFFICE CHARGES.

These stand at about £273,000, ought to be borne by England, or at least divided half and half between England and India. The Secretary of State for India, as a member of the Imperial Cabinet represents the Imperial Executive and discharges the Imperial function of general controlling supervision in respect of Indian administration just as the Secretary of State for the Colonies does for the Colonial Governments. The salary of the Colonial Secretary together with his office charges is borne on the Imperial Estimates. In strict justice, therefore, the India Office ought to form part of the Imperial Establishments and paid out of the Imperial Exchequer. I am, however, aware that it is urged on the other side that, under present arrangements, the India Office has to do much directive and executive work in regard to Indian administration which the Colonial Office is not called upon to do, and I should therefore be satisfied if the charges were divided half and half between India and England.

(2) ARMY CHARGES DUE TO RECENT ADDITIONS.

These increases were due to the panic caused by the Fenjeh incident and were alleged to be necessary for the better protection of the North-West frontier. Upper Burma was, however, subsequently annexed, British Beluchistan was organized, various frontier enterprises carried out, and almost the entire increased strength has been thus absorbed in these newly conquered territories,—a fact which shows that they were not really required for purposes of the defence of the North-West frontier.

Similar temporary additions were made at the same time, to the Imperial garrisons in other parts of the Empire in view of an imminent conflict with Russia. Mr Gladstone obtaining a large vote of credit for this purpose, but as soon as the emergency passed away, the garrisons were reduced. Only in India was the increased strength maintained.

These additions were in excess of the maximum defence requirements of the country as defined by the Army Commission of 1879 in view of frontier and other contingencies—even Russia and Afghanistan making common cause.

The additions were protested against when made by two members of the Viceregal Council including the Financial Minister who urged that in the first place they were not necessary, but that secondly, if they were wanted, that was for purposes of the Imperial policy and the Imperial treasury should pay for them.

This increased force, therefore, of 30,000 troops forms no part of our Indian Army proper, but is an Imperial garrison and serves as an Imperial Reserve, and the cost of it ought to be an Imperial charge.

(3) OUR ORDINARY DEBT.

Our ordinary debt as distinguished from our Public Works debt stands at present at 68 crores.

This portion of our debt would not have until now remained undischarged but for charges unjustly imposed upon us in the past in respect of various wars and expeditions in promotion of Imperial schemes or territorial expansion.

	Cost in crores.
First Burmese War (1823)	13
First Afghan War (1838-42)	15
Abyssinian War	.6
Second Afghan War	
(Total cost = 22 crores	
minus Imperial,	
contribution 5 crores	17
Egyptian War	1.2
	46.8

Add to this 67.8 crores thrown upon India since 1885 in pursuance of an Imperial policy as shown in the following Table :—

Frontier expenditure since 1885.	Aggregate charge during the period in crores.	Permanent annual charge in crores.
Military roads	1.250	"
* Strategic Railways... ..	14.000	.600
Special Defence Works	4.630	"
Army increases	22.000	3.900
(including Beluchistan garrison)		
Frontier extensions		
(1) Upper Burmah	14.920	.925
(2) British Beluchistan	"	0.086
(3) The Gilghit Agency and Protectorate	"	.220
(including Chitral)	"	"
(4) Somali Coast... ..	"	.012
(5) The Afghan Protectorate		.180
Cost of expeditions, &c. (exclusive of Burma.)	8.240	"
Political expenditure... ..	2.838	.457
Total in crores.....	67.878	6.038

We thus get a total of 114.6 crores of rupees, unjustly imposed by the Imperial Government on us in furtherance of

* The charge is met from capital and not from current revenue.

its own policy. If even half the sum were refunded to us, our ordinary debt will practically disappear.

I would mention in this connection that we have paid every shilling of the cost of British Conquest including even the cost of the suppression of the Mutiny (which was close on 50 crores); England contributing absolutely nothing in aid of all this expenditure, though her responsibility for the latter event was possibly greater than ours, in consequence of the withdrawal of European regiments from the country, despite the protest of the Government of India for service in the Crimea and Persia.

England has paid such charges for Imperial Conquest or settlement in respect of her Colonies. She has even paid the cost of the suppression of the Insurrection in Canada (1838-1843) out of Imperial Revenues. Nor has she ever called upon her colonies—not even the Cape—to undertake Imperial wars or to contribute towards their charge.

Upper Burma lies beyond the Indian frontier, and we have had no interest in its conquest and annexation except as a province to be held and administered as an Imperial trust. The conquest was effected in furtherance of Imperial policy and the commercial interests of the Empire, and no special Indian interest was ever here at stake.

British Beluchistan and the Gilgit Protectorate are beyond the line of our impregnable defences, and India has no concern with them except as Imperial charges.

These are new conquests, and as years pass by will require large expenditure for purposes of administrative improvement and material development. And it is suggested that they be taken off our hands—as Ceylon, St. Helena, and the Straits Settlements were in the past—and be directly administered as appanages of the Crown.

Bechuanaland and (South Africa) is administered as a Crown Colony, and is not thrust on the hands of the Cape Government.

POLITICAL EXPENDITURE BEYOND THE FRONTIER.

This is properly Foreign Office Expenditure as connected with the general foreign relations of the Empire. Foreign policy and control of foreign relations are Imperial functions, and charges in connection therewith, in whatever part of the Empire, ought to be borne on the Imperial Estimates.

India has no interest whatever beyond her territorial borders, and has only to maintain peace and order on her own side of the frontier. The Indus, the desert, and the Himalayan Wall are impregnable lines of defence on the North-West, behind which she can remain in perfect security.

All such expenditure, therefore as is represented by the subsidies to the Amir and other tribal chiefs, and other like charges, is strictly Imperial in furtherance of Imperial interests in mid-Asia.

The irreducible minimum of Europeans:—Lastly if England thinks that a certain number of European officers and a certain strength of the European Army *must* always be maintained in India, she must be prepared to pay a fair share of the cost thrown on India for the purpose, the maintenance of British Supremacy in India being a matter affecting the most vital interests of England.

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