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FOREWORD

In connection with Gokhale's Birth Centenary the Servants of India Society, Poona brought out, between 1966-68, a comprehensive collection of Gokhale's speeches and writings in three volumes dealing with the Political, Economical and Educational problems of his times. Subsequently while going through Gokhale's correspondence Mr. D. V. Ambekar, the Senior Member of the Servants of India Society, Poona, discovered a letter written by Dinshaw Wacha¹ to Dadhabhai Naoroji² in 1899 drawing the latter's attention to an article by Gokhale on "Indian Finance from 1879 to 1898" in the 'Madras Review' of May, 1899 edited by Karunakara Menon³. Wacha characterised this article as a 'capital one', in his letter to Dadabhai Naoroji. Mr. Ambekar therefore wrote to me asking me to secure for him a copy of the article published in the said 'Madras Review'. This article is from Volume three of the 'Madras Review' which is available in the Adyar Library. It is now published for the first time in a pamphlet form.

The administration of Sir James Westland, the Finance Member of the Viceroy's Executive Council from 1893-1899 was characterised by high taxation, lavish spendings and mounting public debt. He was unsympathetic to Indian aspirations, offensive and insulting in his manner and speech to Indian publicists and to members of the Governor General's Legislative Council. When laying down his office as Finance Minister, he claimed that the financial administration of the country under him as Finance Member was sound and satisfactory.

In this article, Gokhale effectively contested the claim of Sir James, with facts and figures, in clear and

dignified language and proved that the premises and conclusions of Sir James Westland were both **wrong** and misleading.

Even a lay reader who goes through this article will be impressed with the able manner in which Gokhale had marshalled his facts and figures and had pricked the bubble of Sir James Westland's empty boast.

This article, it is hoped will be read with profit and pleasure both, by students of public affairs and public Finance.

Servants of India Society,
Madras-14.
9-5-60

S. R. VENKATARAMAN,
Secretary

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1. **Dinshaw Edulji Wacha** (1844-1936) Member, Bombay Municipal Corporation and its President (1901). Member Bombay Legislative Council, Secretary, Indian National Congress 1896-1911; President; Indian National Congress 1901; Member; Indian Legislative Council and Council of State. N. Delhi.
 2. **Dadhabhai Naoroji** : (1825-1917) : One of the Founders of the Indian National Congress. Thrice its President : 1886, 1893 and 1906. Founder The East Indian Association 1867. Dewan; Baroda State 1874; Member British House of Commons 1892, Member Welby Commission 1897; Author of *Poverty and Un-British Rule of India* 1901; *England's Duty to India* etc.
 3. **Karunakara Menon**, Editor of the Madras Review, was also on the Editorial Staff of the Hindu, a noted publicist from Kerala, settled in Madras.

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INDIAN FINANCE FROM 1878 TO 1898*

by

Gopal Krishna Gokhale

It was a lucky circumstance for Sir James Westland¹ that his last Budget was a "prosperity" Budget, for it enabled him to leave the scene of his labours amidst general plaudits which drowned the voice of fair and impartial criticism. The sight of an overflowing exchequer led even veteran critics chivalrously to indulge in language of "generous" and "wholesale eulogy" in speaking of the retiring minister, and no one apparently cared to undertake the ungracious task of spoiling the harmony of the occasion by striking a discordant note. But the verdict of the hour will not necessarily be the verdict of history, and a few words on the manner in which Sir James Westland has discharged his stewardship of the Indian Exchequer will not be out of place in the present article. There can be no two opinions about Sir James' ability or his great mastery over the details of Indian Finance. We wish we could say the same thing of his temper or even his taste in debate or of his possession of those higher elements of statesmanship, without which no man, however clever, can become a great Finance Minister. Sir James never erred on the side of conciliation towards his critics, and a comparison of his first budget speech with his last discloses that in this respect he learnt nothing new, and unlearnt nothing old. His first budget speech, delivered in 1888, opened with a vigorous attack on "some of our public critics"; and after pointing out "almost a dishonest mistake" which they were

* From the Madras Review May 1899.

1. Finance Member, Government of India, 1893-1899. Member, Council of India. London.

in the habit of committing, and after attributing to them views which it was not difficult to demolish, Sir James dismissed them with the following words:— “With such people, I do not care to argue, and the Legislative Council is not the place where such arguments are called for.” Last year he used the following language towards the Hon’ble Mr. Sayani, in speaking of some observations which the latter had made:—

“I cannot help thinking that the Hon’ble Member (Mr. Sayani) for the moment had forgotten what his audience was. His statement of the inheritance of the accumulated misery of the Indian people; his statement of the highly-taxed and poverty-stricken condition of the Indian peasant; his statement of the unjust and ungenerous treatment which India gets from Her Majesty’s Government in England—these statements can be made with applause before other audiences whom the Hon’ble member had addressed. But in the Legislative Council of His Excellency the Governor General he is addressing officers of the Government and non-official gentlemen know that the statements are utterly over-coloured if not the contrary of the truth, and who do not render him that applause which in other audiences he may seek.” Similar extracts can be quoted from several other speeches of Sir James. The fact is that Sir James Westland has all along been a somewhat aggressive type of those members of the Anglo-Indian bureaucracy who are generally intolerant of all adverse criticism—and especially criticism coming from Indian sources—and who seem to imagine that their undoubted abilities and their intimate acquaintance with the details of administration release them from all obligations of a dignified courtesy in dealing with their non-official Indian critics. These men forget that the opportunities for forming such acquaintance with administrative details which comē

2. Rahimattulla Ibrahim Sayani, (1847, 1902.) Bombay Merchant, Member Imperial Legislative Council. President Indian National Congress, 1897.

to them so naturally, and for enjoying which they are in fact most handsomely paid, are denied to their non-official critics, who have to depend almost exclusively on such scanty information as these men choose to supply to the general public:

But transgressions on the score of taste or temper are, after all trivial matters, and a Finance Minister's real work **must be applauded or condemned on other and more substantial grounds.** The highest view of his function requires a combination of qualities, which, even singly, are rare in this world, and which, collectively, one comes across only at long intervals in a Turgot³ or a Gladstone.⁴ No one would of course dream of judging an Indian Finance Minister's work by so exalted a standard, but surely one has a right to expect, even from such a minister, something higher, something better than an attempt, repeated year after year, to secure merely an approximate balance between the credit and debit sides of Government accounts. A comprehensive mind, an enlightened farsightedness and a correct appreciation of the bearing of fiscal measures not merely on the immediate condition of the Government balance-sheet, but also on the ultimate well-being of the people—these qualities have always distinguished Finance Ministers, who have indeed not been Turgots or Gladstones, but who have certainly been statesmen, in a high sense of the term, and whose work has often lived long after their immediate period of office was over. We think there is no chance of Sir James' name finding its way into the category of such statesmanly ministers. Nor even in the humbler, though in some respects more difficult, role of forecasting, with any degree of accuracy, the course of the more uncertain elements of the financial situation, has Sir James been much

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3. Anne Robert Turgot (1727-1781.) A French Economist. and Controller General under Louis XVI.
 4. William Ewart Gladstone (1809-1898) Prime Minister of England four times 1868-1874, 1880-1886-1886, 1892-1894.

of a success. The two most uncertain factors in Indian finance during recent times have been **exchange** and **opium**. And in regard to both these, his anticipations have, as a rule, proved very wide of the mark, as may be seen from the following budget figures and actuals from 1894-5 to 1897-8:—

EXCHANGE

Year	Budget rate	Actual rate
1894-5	14d	13.1d
1895-6	13.09d	13.6d
1896-7	13.75d	14.45d
1897-8	14.86d	15.35d

OPIUM NET

Rupees in Crores

Year	Budget	Actual
1894-5	4.1	5.7
1895-6	4.1	5.1
1896-7	4.3	3.9
1897-8	3.2	2.8

We do not, of course, blame Sir James for these large variations. We only note them because they show how largely his budget equilibrium between revenue and expenditure has been disturbed by the uncertainty of those two factors. Most of the larger sources of Indian revenue are, comparatively speaking, very steady elements, exhibiting, under normal circumstances, a modest annual growth, in some cases not even proportioned to the normal growth of population and thereby forcibly illustrating the unprogressive character of the material condition of the people. And in framing Budget Statements, it is by no means difficult to form approximately

correct estimates of their proceeds. The difficulty comes in in the case of factors like opium on the revenue side or like exchange on the expenditure side, and it is a very great difficulty. And in dealing with these difficult factors, Sir James has, on the whole, not been very fortunate.

The principal fiscal measures of Sir James Westland's financial administration were the re-imposition of import duties and the conversion of 4 and $4\frac{1}{2}$ per cent debt into $3\frac{1}{2}$ per cent. Of these, the latter was a complete success, and Sir James is entitled to full credit for the skilful manner in which he carried out the scheme, though, as he himself has admitted, it was really rendered possible by Sir David Barbour's⁵ successful raising of a $3\frac{1}{2}$ per cent loan during his time. The re-imposition of import duties does not arouse similar feelings of unmixed satisfaction. Apart from the fact that it was an addition to the taxation of the country, the manner in which cotton goods were first excluded from the list of taxable commodities and were subsequently included with the protection of a counter-vailing excise, to be placed again on the favoured footing of a reduced Import duty with extended excise, at the sacrifice of a revenue of 50 lacs a year, gave rise to much popular indignation in this country at the time and cannot be regarded without a feeling of resentment even at this distance. Of course, personally Sir James was not responsible for the bare-faced subordination of India's interests to those of Lancashire which was then witnessed, and he dropped pretty clear hints at the time of what his own opinion really was in the matter. But the Secretary of State had given a mandate, which Lord Elgin's⁶ Government had decided to carry out. And it is as

5. Finance Member Government of India (1888-93.)

6. Bruce Victor Alexander, ninth Earl of Elgin (1849-1917) Viceroy of India 1894-1899.

a member of that Government more than in his individual capacity as Finance Minister that Sir James comes in for a share of responsibility in that deplorable business,

Coming now to the larger question of the present financial position, we must at the outset enter our strong protest against the persistent manner in which Sir James has year after year tried to minimize the true significance of the deterioration that has taken place in recent years in the position of Indian finance. Exchange has been his great stalking-horse. And his ridiculous attempt made three years ago to show that the expenditure of this country, so far from increasing, had, on a sterling basis actually gone down, illustrates to what pitiful shifts he has not hesitated to resort to accomplish his purpose. The fallacy of attributing to exchange all the troubles of the present financial position has, on several occasions, been exposed by responsible Associations, and their statements and views have been endorsed by so great an authority on Indian finance as Sir Auckland Colvin⁷, and it is therefore unnecessary for us to cover the same ground over again. But it seems to us that the question of paramount importance in this discussion is the extent to which the financial position has deteriorated, and compared with it the question as to whether it is exchange or opium or increase of expenditure, pure and simple, that has contributed most to this deterioration appears to be more or less secondary. And we think that so long as the people of this country buy and sell and pay their taxes in rupees, so long an increase or decrease in their burdens must be measured in rupees and rupees alone. Now enhanced taxation, increased expenditure and increased debt are the three simple tests by which, with due regard to the circumstances of each case, the deterioration in a country's financial position must be

7. Finance Member, Government of India 1883-87, Lt. Governor North West Province (1887-92).

measured, just as increased proceeds of old taxes, a lower level of expenditure and a smaller debt are the tests of an improvement in that position. Let us apply these tests to the present position of Indian finance, comparing it with what it was during the time of Lord Ripon.⁸ When Indian critics speak of the deterioration in the financial position, they speak of such deterioration from the level attained in the time of the Marquis of Ripon.

For obvious reasons, Sir James Westland has never relished this particular comparison. And whenever he thought of instituting one for his own purpose, he started two years previous to the time of Lord Ripon i.e., with the year 1878. Now this is not particularly fair, seeing that in that year the country was just emerging from a fearful famine and was already preparing to plunge into a disastrous war. However, we are prepared to meet Sir James on his own ground. A summary of 20 years' finance was published by Sir James in January last, the period taken being 1878-9 to 1897-8. An analysis of this summary furnishes interesting results.

And first as regards our Permanent Debt: The amounts of permanent Debt at the end of 1878 and 1898 were respectively as follows:

	1878	1898
Sterling Debt	£ 59,677,033	£ 117,274,680
Rupee Debt	Rs 74,954,520	Rs. 111,695,634

Now, for practical purposes, we must refuse to treat our total liabilities on this double basis. As we have observed above, so long as the taxes of this country are paid in rupees so long the burden of the liabilities,

8. Governor-General of India-1880-84.

which it must bear, must also be expressed in rupees for purposes of determining the true financial position. We must, therefore, convert, for arriving at a correct comparison, the sterling liabilities of the two years into rupees at the respective rates of exchange of those years. Now in 1878, the rate of exchange was 19.8 d; in 1898, it was 15.35 d. Therefore, the total Permanent Debt in 1878, expressed in rupees, was

$$\begin{aligned} & 74.95 \text{ crores} + 59.68 \times 240/198 \text{ crores} \\ = & 74.95 \text{ crores} + 73.32 \text{ crores} \\ = & 147.27 \text{ crores of rupees.} \end{aligned}$$

On the other hand, the sterling portion of the Permanent Debt in 1898 was £ 117.27 millions. Of this sum, £ 33.54 millions represented debt raised by Government for the purchase of certain railways from Companies, on deducting this amount we find that the figure of Sterling Debt in 1898 stood at

$$£ 117.27 \text{ — } 33.54 \text{ (millions)} = 83.73 \text{ millions}$$

This must be turned into rupees at the rate of exchange of that year, and we have, as our total Debt in 1898, expressed in rupees (excluding £ 33.64 millions).

$$\begin{aligned} & 111.70 \text{ crores} + 83.73 \times 24/15.35 \text{ crores} \\ = & 111.70 \text{ crores} + 130.91 \text{ crores} \\ = & 242.61 \text{ crores of rupees} \end{aligned}$$

The increase in our liabilities, as expressed in rupees during this period of 20 years is represented by

$$242.61 \text{ crores — } 147.27 \text{ crores} = 95.34 \text{ crores of rupees.}$$

The CAPITAL OUTLAY of Government during these twenty years on Railways and Irrigation works amounted to 77.98 crores, as may be seen by combining the figures given on pages 6 and 7 of the summary:

Railways 38.54 crores+25.08 crores the (equivalent of £ 17.55 millions, with exchange, as given on pages 6 and 7)=63.62 crores.

Irrigation 12.04 crores+2.32 crores (the equivalent of £ 1.88 millions, with exchange vide pages 6 and 7)=14.36 crores.

Total on Railways and Irrigation.
=63.62 crores+14.36 crores=77.98 crores.

Therefore 95.34 crores 77.98 crores=17.36 crores of rupees represents the net deterioration in the financial position, as indicated by the total volume of our Permanent Debt, expressed in rupees.

We think this is the only correct method of estimating the total burden of debt borne by a country, whose taxes are paid and received in rupees. The late Mr. Robert Knight,⁹ one of the wisest and most thoughtful critics of Indian financial administration, used for a number of years, earnestly to advocate the conversion of our sterling liabilities into rupee liabilities. If Governments had thought of carrying out such a scheme in 1878, their Sterling Debt of £ 59.68 millions would, in that year, have been represented by 72.32 crores of rupees. Again if such a proposal had been entertained by Government in 1898 (of course this is a large assumption, but we make it for the sake of argument) its Sterling Debt of £ 83.73 millions (£ 117.27 millions £ 33.54 mil-

9. Editor of the *Satesman*, Calcutta' a friend of India and her aspirations.

lions) would in that year have been represented by 130.01 crores. The deterioration, therefore, in the financial position, as indicated by our total Permanent Debt expressed in rupees, in this period of 20 years, however it may have been caused, is represented by 17.36 crores. It is true that a large part of this deterioration is due to the appreciation of gold in terms of rupees. But, as we have stated above, the deterioration is there, however it may have been caused.

It will be seen that in the foregoing calculation, we have taken no account of our Temporary Debt, as also of sums advanced by Governments to Municipalities and other bodies or the overdrawals of Assisted Companies. But as the two sides of this account balance each other almost exactly, our argument about deterioration remains equally unaffected by its inclusion or exclusion. This account stands thus:

	Rs.	£
Temporary Debt		6 millions
Savings Banks (net excess of deposits in 1898 over 1878)	8.79 crores	
Service Funds, etc.	2.48 ,	
Under-drawals of Assisted Companies in Sterling		2.86 millions
Total	11.18 crores	8.28 millions
	Rs.	£
Against this we have Loans to Municipalities etc., net	5.14 crores	
Over draws of Assisted Companies in rupees	15.83 ,,	
Excess balances in 1898 over 1878	1.48 ,,	1.45 millions
Total	22.45 crores	1.45 millions

Thus we have in this account to the credit of Government £ 8.85 £ 1.45 millions = £ 7.41 millions against a debit of 22.45 crores 11.18 crores = 11.27 crores, which means that practically the two sides balance each other.

It is true that owing to a substantial reduction in the rate of interest, the annual burden of Debt Services in the shape of interest charges has diminished rather than increased during these twenty years. But that only means, as Lord Welby¹⁰ pointed out so forcibly to the late Mr. Jacob¹¹ in his examination before the Expenditure Commission, that, owing to this deterioration, we do not enjoy the full advantage of a lower rate of interest; for, in the absence of this deterioration, our interest charges would have been still smaller than what they are at present.

We will next turn to Revenue and Expenditure. In his 20 years' summary, Sir James Westland takes as his starting point the year 1878. We have already shown above that that year ought not to be taken for purposes of a comparison, seeing that, in that year, the country was just recovering from a frightful famine and was already preparing to plunge into a disastrous war. And we have stated that the proper standard for determining all subsequent growth is the level of revenue and expenditure attained during the time of Lord Ripon. However, we will follow Sir James' example and begin with the year 1878. And we will compare the first four years of this period, i.e., from 1878-79 to 1881-82 with the last four, viz., 1894-95 to 1897-98, which are also the years of Sir James' administration for which the actuals are available. To make the comparison as fair as possible, as

10. Baron Welby of Allington (1832-1915.) Chairman Royal Commission which enquired into Indian Expenditure (1897).

111. Secretary to Government of India PWD and member Imperial Legislative Council at that time.

single years are sometimes unreliable for purposes of a comparison. It will be seen that the total of extraordinary expenditure for war and famine is nearly the same in both these periods:

Revenue (In crores of Rupees).

Heads of Revenue	Average for 1878-9 to 1881-2	Average for 1894-5 to 1897-8
Total net Revenue	49.17	60.46
Land Revenue, forest and tributes	22.29	29.67
Opium Net	8.05	4.38
Salt	7.11	8.60
Stamps	3.20	4.68
Excise	2.99	5.56
Provincial rates	2.78	3.62
Customs	2.31	4.40
Assessed taxes	.66	1.84
Registration	.27	.44

The increases or decreases under the different heads of revenue thus are :—

Total net Revenue	An increase of 11.30 crores a year in 16 years
Land Revenue, Forest and Tributes (net)	An increase of 4.38 crores
Opium (net)	A decrease of 3.67 crores
Salt	An increase of 1.49 crores
Stamps	An increase of 1.48 crores
Excise	An increase of 2.57 crores
Provincial rates	An increase of .84 crores
Customs	An increase of 2.09 crores
Assessed taxes	An increase of 1.18 crores
Registration	An increase of .17 crores

Expenditure (In crores of rupees)

Head of Expenditure	Average for 1878-9 to 1881-2	Average for 1894-5 to 1897-8
Total net Expenditure	48.95	61.67
Debt services	4.27	3.12
Army	16.60	22.86
Warlike operations	2.88	1.37
Military and special defence works	1.00	1.19
Collection of revenues	4.51	6.47
Civil services	16.78	23.02
Famine relief and insurance	.50	2.17
Railway construction (charged to revenue)	1.24	.007
Productive works	1.13	1.46
Surplus or Deficit	+ .21	- 1.21

The annual average increase or decrease in 16 years under the different heads of expenditure thus are:

Total net expenditure	An increase of 12.72 crores
Surplus or deficit	Worse by 1.42 crores (deficit)
Debt Services	A decrease of 1.15 crores
Army	A increase of 6.26 crores
Warlike operation (costing 50 lacs and above)	A decrease of 1.51 crores
Military and special defence works	An increase of .19 crores
Collection of revenues	An increase of 1.96 crores
Civil services	An increase of 6.24 crores
Famine relief and insurance	An increase of 1.67 crores
Railway construction charged to revenue	A decrease of 1.23 crores
Productive works (net charge)	An increase of .33 crores

The broad results of this comparison may be thus summed up:

The total net annual expenditure has, during this period of 16 years, increased by 12.72 crores, of which 11.30 crores is covered by the additional revenue raised, and 1.42 crores is left as a deficit. The net opium revenue, contributed by the foreign consumer, has during this period decreased by 3.67 crores. The additional revenue raised from the people of this country is, therefore, really represented by $11.30 + 3.67 = 14.97$ crores of rupees, leaving moreover an average annual deficit of 1.42 crores. From these figures, however, we must deduct the revenue and expenditure of Upper Burmah, which did not form part of British India till 1886. Taking these figures roughly at $1\frac{1}{4}$ crores and $1\frac{3}{4}$ crores a year, we find that the total net increase in the revenue raised from the people has been $13\frac{3}{4}$ crores, leaving at the same time a deficit of nearly $1\frac{1}{2}$ crores unprovided for.

The net increase in the revenue raised from the people of this country during this period of 16 years is therefore represented by 33 per cent, as may be seen from the following calculation:

	CRORES.
Average of total revenue in the first period	49.17
Deduct	
Opium receipts contributed by the foreign consumer.	8.05
Therefore net average revenue raised from the people of this country in the first period	41.12
Net increase in this revenue during 16 years i.e. 33 per cent	13. $\frac{3}{4}$

Increase of revenue becomes a source of satisfaction when it springs from the growing prosperity of the people, as evidenced by larger proceeds of old taxes. We regret to say that there is no room for such satisfaction in the increase of 33 per cent in 16 years, as noted above. An

examination of the heads of revenue under which increases have taken place will show that they are either forced increases, consequent upon enhanced taxation or else they have little or no necessary connection with the growing prosperity of the people. Thus, for instance, the Land Revenue (including Forest and Tributes) shows an increase of about $4\frac{1}{3}$ crores or 20 per cent. But this increase (a portion of which is due to Upper Burmah) only represents increased assessments levied by Government. Now we are aware that it is the fashion with some people to describe this Land revenue as rent pure and simple, and we are even free to admit that under conceivable circumstances it would approximate very closely to rent. But, in the existing circumstances of this country, it is absurd to describe this revenue as wholly composed of rent. For as levied at present it represents not merely the rent of the land, but Government who is the Landlord drives as hard a bargain as it can by virtue of its monopoly, and secures, along with the rent, what may be called a tax on the ignorance, helplessness, conservatism and attachment to the soil of the Ryot. Again, there is a large increase in the excise revenue, i.e., more than $2\frac{1}{2}$ crores. But in regard to this increase, Government itself has been always asserting that the increase was due not to increased consumption but to higher taxation; — which means that the poor people, who contribute the largest part of this revenue, have to part with much more on its account and therefore have much less left for buying bread and clothing for themselves and their families. Now we certainly do not object to such difficulties being put in the path of vice or temptation, but we do object to the proceeds of this enhanced taxation being regarded as evidence of the growing prosperity of the people. Similarly the increases under Stamps and Registration, whatever indications they may afford of the social condition of the people, cannot be accepted as evidence either way on the subject of their economic condition. Among our Revenue heads there are, in reality, only two, whose normal growth may be safely accepted as a test of the prosperity of the people. They are *Salt* and *Assessed taxes*, salt supplying an index to the condition of the poorer classes

and *Assessed taxes* to the condition of the well-to-do. There was, however, during this period, a considerable increase of taxation under Assessed taxes, and re-arrangement of taxation — composed first of a reduction and then an enhancement — under salt. And a useful comparison, therefore, is somewhat difficult to make. The increase under customs is due to increased taxation.

Turning now to expenditure, we find that during this period of 16 years, there is a net increase in average annual expenditure of 12 $\frac{3}{4}$ crores, or excluding Upper Burmah, of 11 crores. Of this increase, more than half is under the Head of Army. A decrease under warlike operations and an increase under Famine Relief and Insurance nearly balance each other. Even if 2 $\frac{1}{2}$ crores be deducted as roughly representing the excess charge due to Exchange under Army in the second period over the first, we still find that the increase in military expenditure, with the increase under military and Special Defence works, amounts to 4 crores a year.

To Sum Up: The total volume of permanent debt, expressed in rupees, shows an increase of 170.36 crores, uncovered by capital outlay on Railways and Irrigation works. Excluding Upper Burma, the total net Revenue raised from the people of this country has increased by 13 $\frac{3}{4}$ crores a year, and most of this increase is a forced increase, due to enhanced taxation and assessments. The only revenue, which did not impose any burden on the people, viz., the Opium Revenue, has fallen by 3.67 crores or nearly 50 per cent. The net expenditure, excluding Upper Burmah, has increased by 11 crores, of which more than half is under the Head of Army, excluding special operations. Extra burdens for War and Famine nearly balance each other. A decrease of 1.15 crores under Debt Services owing to a lower rate of interest, and another of 1.23 crores under Railway construction charged to revenue reduce the increases under collection of revenues and Civil Services to 5.82 crores, which includes the extra

charge for Exchange compensation as also the Civil expenditure of Upper Burma. The increase under Army, even if a deduction of $2\frac{1}{2}$ crores be made from it is as roughly representing excess exchange charge over the standard of 1878-82, stands at the figure of 4 crores, exclusive of warlike operations, and including an increase of .19 crore under Military and Special Defence works.

Thus, even taking 1878 as our starting-point, as Sir James Westland wants us to do, we find that the financial position of the country has undergone a large deterioration. When, however, Indian publicists speak of such a deterioration, they have in mind not the years which we have taken above, but the three following years, i.e., 1882-3 to 1884-5. They feel that, during those years, a level of revenue and expenditure was established and a direction given to the energies of Government which should have been, as far as possible, adhered to in subsequent years. But the policy of peace abroad and reform within which found favour with Lord Ripon was discarded by his successors in favour of reckless Imperialism, and most of the financial troubles of recent years are, in their opinion, due to this change of policy, which has resulted in the imposition of large additional burdens on the people for purposes not directly connected with their political, social or economical advancement. We will therefore see how the averages of Sir James Westland's four years, namely, 1894-5 to 1897-8, compare with those of the years 1882-3 to 1884-5.

Revenue (In crores of rupees)

Head of Revenue	Average for 1882-3 to '84-5	Average for 1894-5 to '97-8	Increase or Decrease
Total net Revenue ...	47.17	60.46	+ 13.29
Land Revenue Forest and Tributes net ...	22.78	26.67	+ 3.89

Head of Revenue	Average for 1882-3 to '84.5	Average for 1894-5 to '97-8	Increase or Decrease
Opium net ...	6.92	4.38	- 2.54
Salt ...	6.23	8.60	+ 2.37
Stamps ...	3.45	4.68	+ 1.23
Excise ...	3.79	5.56	+ 1.77
Provincial rates ...	2.77	3.62	+ .85
Customs ...	1.13	4.40	+ 3.27
Assessed taxes ...	0.50	1.84	+ 1.34
Registration27	.04	+ .15

Thus we have here in 13 years a growth of 15.83 crores (13.29 + 2.54) in the revenue raised from the people. Deducting about $1\frac{1}{4}$ crores for Upper Burmah, we still have an increase of over $14\frac{1}{2}$ crores, on $40\frac{1}{4}$ crores (47.17 - 6.92). This gives an increase of 36 per cent in 13 years in the revenue raised from the people of this country.

Expenditure (in crores of rupees)

Head of Expenditure	Average for 1882-3 to '84-5	Average for 1894-5 to '97-8	Increase or Decrease
Total net Expenditure	46.45	61.70	+ 15.25
Army	16.38	22.86	+ 6.48
Warlike operations (costing 50 lakhs and more)	.25	1.38	+ 1.08
Military works and Special Defence works	.93	1.18	+ .25
Collection of revenue	4.73	6.47	+ 1.74
Civil Services	16.83	23.02	+ 6.19
Famine Relief and Insurance	1.52	2.17	+ .65

Head of Expenditure	Average for 1882-3 to '84-5	Average for 1894-5 to '97-8	Increase or Decrease
Railway construction charged to revenue	·18	·01	- 17
Productive works net	·83	1·46	+ ·63
Debt services	3·88	3·12	- ·76
	<hr/>	<hr/>	<hr/>
Surplus or Deficit	+ ·72	- 1·21	- 1·93

Thus there is an increase of $15\frac{1}{4}$ crores in total net expenditure, of which about $1\frac{3}{4}$ crores is for Upper Burmah, leaving a net increase of $13\frac{1}{2}$ crores over the old standard of expenditure in 13 years. Of this $13\frac{1}{2}$ crores, nearly 2 crores is left unprovided for as a Deficit, giving us a little over $11\frac{1}{2}$ crores as expenditure met by raising additional revenue. The net increase in Military expenditure is represented by over $7\frac{3}{4}$ crores. Even deducting the excess charge for Exchange in the second period over the standard of the first, we find the increase in Military expenditure represented by about $5\frac{1}{2}$ crores a year.

Of the $14\frac{1}{2}$ crores of additional revenue raised from the people of this country in the course of this period, about $11\frac{1}{2}$ crores represents the proceeds of extra taxation (according to a calculation which we have made and which we think is approximately correct) and only about three crores represents the normal growth of old taxes. The assessment on land has been steadily increased. The Income-tax was imposed in 1886-7. In 1888 the salt duties were enhanced, a duty was imposed on Petroleum and the Income-tax was extended to Burmah. The Patwari cess was re-imposed in 1889. In 1894-5, Import duties were resorted to, and in 1896-7, countervailing excise duties were levied. All the taxes represent a corresponding exhaustion of fiscal reserves, especially as their proceeds have been required not for internal reform, but for external aggression.

We have said above that among all the taxes from which the revenue of this country is derived, there are only two, whose proceeds supply a sort of rough index to the condition of the people, and they are the Salt tax and the Income-tax. The Salt tax is of the nature of a poll-tax and, under normal conditions, the consumption of salt must increase in proportion to the increase in population. Turning to the statistical abstract for 1898, we find that the average consumption of salt during 1886-7 and 1887-8, the period immediately preceding the enhancement of the duty, was 3.40 crores of maunds; while the average for 1895-97 — the last two years given in the column — was 3.55 crores of maunds. The increase in nine years therefore comes to .15 crore, i.e., 4.2 per cent. Taking the average increase in population at 1 per cent, we have in nine years an increase of about 9 per cent in the population of the country, and yet we find that the consumption of salt during this same period has increased only by 4.2 per cent. Even if we confine ourselves to the years subsequent to the enhancement of the duty we find that the figures of consumption disclose a state of things equally sad. The duty was increased in 1888, and naturally the consumption received a considerable check immediately, but it nearly recovered itself, as it was bound to do in the course of a year, and something like a steady level was again attained. Beginning, therefore, with the year 1889-90, i.e., the year after the enhancement, and dividing the period of eight years for which the figures are given in this column (page 101, statistical abstract for 1898) into two equal periods of four years each, we find that the average consumption in the first period from 1889-90 to 1892-3 was 3.44 crores of maunds, while in the second period, i.e., from 1893-4 to 1896-7 it was 3.49 crores, giving us an increase of only .5 lakh or $1\frac{1}{2}$ per cent in four years, against a rough increase of 4 per cent in the population. The figures of salt revenue for these two periods tell the same tale. The average salt revenue during the first of these periods was 8.47 crores, while during the second period it was 8.51 crores of Rupees giving an increase of less than $\frac{1}{2}$ per cent. These figures have only

one meaning and they indicate, in the most unmistakable manner that in spite of official declarations to the contrary, the material condition of the mass of our countrymen as measured by their capacity to consume such an absolute necessities of life as salt is undergoing a steady deterioration.

Compared with salt the Income-tax returns are more satisfactory. They indicate during these two periods an increase from 1.62 crores to 1.79 crores of rupees, i.e., a little over 10 per cent in four years. But it must be borne in mind here, that the Income-tax is not, like Salt tax, of the nature of a poll-tax, and it has no necessary connection with the growth of population. Moreover Europeans in India pay it as well as Indians, and an increase in its proceeds does not necessarily indicate larger income for Indians themselves. Further being a direct tax, not quite suited to the habits and turns of thought of the people of this country, its returns are liable to natural fluctuations due to the success or failure of attempts at evasion. And lastly, when all is said, how poor are its returns compared with those in Western countries! An Income-tax of over $2\frac{1}{2}$ per cent in a country whose population is 200 millions, brings only about $1\frac{3}{4}$ crores of rupees though the taxable minimum is as low as 500 rupees a year. And the tax continues in the vicinity of this figure of $1\frac{3}{4}$ crores for a period of 8 years ranging during the time between 1.58 crores and 1.86 crores.

Thus though the Treasury is for the moment full and indeed appears to be overflowing, we would do well to bear in mind the warning of Sir James Westland himself that no extravagant conclusion should be drawn from this passing phenomenon. The fulness, moreover, is the result of a large amount of extra taxation, levied during a long

period of exceptional stress and storm, which, however, represents a corresponding exhaustion of resources which were available 14 years ago as fiscal reserves. No doubt, the voice of panegyric has recently been somewhat laid, but thoughtful students of Indian finance will not fail to recognize that the situation requires most careful handling, and is, indeed, not free from serious elements of anxiety.

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