

EAST INDIA (FINANCE).

RETURN to an Address of the Honourable The House of Commons,  
dated 26 March 1878;—for,

“A COPY of the REPORT of the DEBATES in the LEGISLATIVE COUNCIL  
of the GOVERNMENT of INDIA, on the 16th day of January and the  
9th day of February 1878.”

India Office, }  
28 March 1878. }

LOUIS MALLET,  
Under Secretary of State.

(Lord George Hamilton.)

Ordered, by The House of Commons, to be Printed,  
29 March 1878.

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COPY of a REPORT of the DEBATES in the LEGISLATIVE COUNCIL of the  
GOVERNMENT of INDIA, on the 16th day of January and the 9th day of  
February 1878.

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COPY of REPORT of the DEBATE in the LEGISLATIVE COUNCIL of the  
GOVERNMENT of INDIA, on the 16th January 1878.

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THE Honourable Sir JOHN STRACHEY moved that the Bill for the licensing of trades and dealings in the Punjab, the North Western Provinces, and Oudh, be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell and Colvin, the Honourable Nawáb Faiz Ali Khán and the Honourable Mr. Morgan, and the Mover. He said—

“ My Lord,—At the meeting of this Council last week, your Excellency stated that I should be able to explain to the Council to-day the course which the Government proposes to follow with reference to the Taxation Bills which were introduced three weeks ago.

“ His Honour the Lieutenant Governor expressed at the same time a strong opinion that no unnecessary delay ought to be allowed in passing the Bills into law.

“ He said that local legislation depended much on the shape which these Bills might take, and that until that shape was finally decided, doubt and unsettlement must remain in men's minds as to the extent to which their interests would be affected by fresh taxation. He said that this doubt and unsettlement were mischievous to the public and embarrassing to the Government, and besides this he urged this important fact, to which I myself drew the attention of the Council when the Bills were introduced, that the work of assessing the license tax ought to be carried out by the European officers personally before the cold weather now passing away was over; otherwise the work would inevitably fall into the hands of Native subordinates.

“ Similar representations have been made by several of the other Local Governments. It had originally been the wish of the Government of India that a somewhat longer period should be allowed to elapse before these Bills were proceeded with; but on reconsidering the question, the Government fully recognises the force of the reasons given by his Honour the Lieutenant Governor for the opinion that the Bills ought to be passed without needless delay.

“ If the measures proposed by the Government had been less favourably received, the case would have been different, and it might have been right to give more time for public discussion and criticism. The Bills, however, have now been before the public for very nearly three weeks, and it was a cause of much satisfaction to me to hear from my honourable friend the Lieutenant Governor, that he was satisfied that our measures had been generally well received, and that the necessity for further taxation had been loyally recognised.

“ The Government therefore proposes that the Bills shall now be gone on with in the usual course. I am about to move that they be referred to a Select Committee, and when the report of the Committee has been laid before the Council, it is proposed to proceed with the Bills as speedily as may be found convenient.

“ I have only one other point to notice.

“ At the last meeting of the Council, my honourable friend the Lieutenant Governor expressed a hope that I would take an opportunity of explaining the

## REPORT OF DEBATE IN THE LEGISLATIVE COUNCIL

scheme which the Government of India proposed to adopt in regard to the expenditure of the funds which we are now proposing to raise by fresh taxation.

"I think this wish of my honourable friend entirely reasonable, and before the Council is asked to pass these Bills into law, I shall endeavour to give the fullest explanation in my power in regard to this subject.

"I feel confident that I shall be able to satisfy the Council and the public that the resolution which the Government has proclaimed will be faithfully carried out, and that the proceeds of these new taxes will be expended for the purpose of providing what I have called an insurance against famine, and for no other purpose whatever."

The Honourable MAHARAJA JOTINDRA MOHAN TAGORE said: "My Lord,— I have listened with attention to what has been said by the honourable Member who has just spoken, and I crave your Excellency's permission to occupy the time of this Council with a few remarks. I feel sure that the people in general will in all loyalty willingly submit to the proposed taxation when it is shown that the exigencies of the State necessitate its imposition, and considering all circumstances, I am inclined to think that the proposed license-tax is the best that could be suggested, next perhaps to an income-tax with a high minimum of incidence. As a non-official Member of this honourable Council, I deem it my duty, however, respectfully to represent to your Excellency the strong impression which exists among the people that there is considerable room for retrenchments in the home military charges as well as in the army and public works expenditure here, and that no additional tax ought justly to be imposed on the people before such retrenchments have been effected. As to the practicability of the reductions, they are supported in their views by no less an authority than your Excellency's distinguished predecessor, Lord Northbrook; and this Council will remember the correspondence which passed between the War Office and the Duke of Argyll when his Grace was the Secretary of State for India, with regard to the depôt and recruiting charges. I am glad to see that the honourable Member in charge of our finances entertains similar views with regard to military expenditure, and although he said on a former occasion that your Excellency's Government will endeavour by representation to the home authorities to effect necessary retrenchments, he has unfortunately for us been able to hold out little hope of success. Now, my Lord, the people of this country have no voice in the British Parliament, and they have no exponent of their views in the India Office; they naturally look up to your Excellency's Government as the protector and guardian of their interests. I hope your Excellency will allow that, as loyal subjects, they have a right to expect that this Government will not simply represent, but represent with all the force and earnestness which sincerity of conviction imparts, that it cannot consistently with justice impose fresh burdens upon the mute millions mostly living from hand to mouth, until all possible reductions in expenditure have been effected. The generous instincts of the British nation and the love of fair play which distinguishes them will, I feel confident, be on the side of justice to India, though the adjustment of the financial relations of England with India on an equitable basis were to affect their own pockets and interfere with patronage in certain high quarters. But we are aware that reductions in expenditure cannot be made all at once, while the deficit in the revenue must be immediately met. Taxation, therefore, is a matter of necessity. There is a widespread apprehension however which, I confess, is not quite unfounded, that taxes once imposed are not easily or soon removed. For this reason I would take the liberty respectfully to suggest that the Select Committees to which the Taxation Bills are to be referred may be asked to give their special consideration to the question whether the Bills should not be so modified as to limit their operations to a certain period, say two or three years, so that there may be ample time for representation to the Home Government and the British public of the grievances of which we complain. This course, I submit, will be an assurance to the people that your Excellency's Government is in earnest to do all it can to effectuate reductions, and will inspire them with a confidence that no new permanent burden will be laid upon them until all efforts of your Excellency's

Excellency's Government to persuade the people of Great Britain to deal justly by the helpless millions of this their great dependency have absolutely failed.

"One word more, my Lord, and I have done. Regarding the application of the money to be raised by taxation, with every deference to the honourable Member in charge of the Bills, I am humbly of opinion that it should be formed into a separate fund with a separate account, and not be merged into the general revenue, so that it may satisfy the people that it is what in reality it is intended to be, a separate famine fund; they will also have an opportunity of knowing what portion of it, if any, is applied to the repayment of previous famine loans, and what portion is spent on the construction of famine insurance works, and how far those works answer the purpose for which they are intended; for, not to mince matters, there is a general conviction that some at least of the irrigation works which have been executed have turned out to be, as Colonel Corbett has shown, works of experiment rather than of experience."

The Honourable Sir ANDREW CLARKE said: "My Lord, the Council will, I trust, permit me to offer a few observations which, from the relations that are now recognised to exist between famine and public works, may not be wholly unacceptable or without interest; and the more so, as the administration of the latter being my particular function, some declaration of our policy may be looked for in the light of the teachings of our recent sad experience."

"It is hardly time for us to review the history of the famine that is passing away, though not yet completely gone, in the Deccan and Southern India. Scarcity and high prices of food there, as well as in other parts of the Empire, still remain and render it as difficult, as it is premature, to come to any finite conclusion as to the exact cause of the calamity, or to dogmatise on the remedies that should be applied to meet the recurrence of famine in the land."

"Unhappily, as handed down to us, we have many and varied precedents both administrative and economic, not all consistent however, and not all wise or good, for us to accept as standards for our guidance, or as models to imitate; some, in fact, are rather the reverse. You, my Lord, have discussed this section of inquiry in your Minute of last August. But whether looking backward or forward, our object is to ascertain what is the policy to accept, the practice to adopt, in order to enable us, if we cannot abolish famine—an end I fear hopeless to be attained—to do at any rate what we can to limit its area, to localise its scourge, to mitigate its intensity."

"But here I may ask, though no complete or satisfactory answer, I fear, can yet be given, to what are high prices, scarcity, or famine due? And why in recent years have these been so recurring, so severe, so virulent?"

"Are there causes, possibly as potent but silently at work, to bring about these visitations, besides mere atmospheric phenomena?"

"Is there less thrift than formerly? Is the surplus of full harvests no longer stored, but sold, and the proceeds dissipated? Has population increased, and in proportion food produce diminished? Have edible grains given place to more paying crops?"

"It is possible that these causes are at work here and there, in isolated places, due to special circumstances, but I am inclined to think they are not by any means general. Their consideration, however, calls for thorough scrutiny and investigation, a duty pertaining, in its early stages at least, to the economist and statistician rather than to the engineer."

"In connection with this, I would mention one incident of grave practical moment in the late famine. It is known that more than two-thirds of the autumn and spring harvest failed over an area inhabited by 30 millions of people, and that during the period, some 10 months, of the greatest intensity of this famine, the food imported could only have helped to feed one-third of this multitude; yet at the instant the fresh harvest was assured, prices dropped and import ceased. This might lead to the assumption that Southern India held within itself, even when its harvests had failed, stores of grain nearly sufficient to feed its people for the whole time, and yet we were assured on all sides at the end of last, and the beginning of this year, that there were no reserves of food, or next to none, in that country. Is it impossible to devise a means by which our knowledge on this all important point may in the future be, if not absolutely reliable, at least not absolutely nil?"

"Again, the facts of the grain trade of Northern India present some features which

which it may be worth while to note, and which suggest that vast reserves are still in hand, notwithstanding the enormous export trade of the last two years, and particularly of the present year.

"The export of wheat from Calcutta on an unusual scale commenced in May 1876, just after the spring or wheat harvest had been garnered. Wheat then sold at Cawnpore for 27 seers per rupee, and the export rose from 150,000 maunds in April to 540,000 maunds in July, but checked (apparently by a rise in price in July to 22½ seers), fell in August to 2,65,000 maunds. At the end of August the price again fell to 27 seers, and the exports rose to 560,000 maunds (the maximum of the year), in October. It was about this time that the signs of approaching famine were unmistakable.

"From the end of August the price rose till nearly the middle of December 1876, when it was 21 seers for the rupee, and the exports in January 1877 fell to 1,20,000 maunds.

"Now, it is since January 1877 that the extraordinary export has taken place, thus anticipating by at least three months the course of trade of the previous year; but prices remained constant from December till the beginning of April, at 20 to 21 seers.

"War was declared in Europe on the 23rd April 1877.

"By May the exports had risen to upwards of 1,000,000 of maunds, and with a slight check in June (the price had risen to 16 seers in May), reached its maximum (1,270,000 maunds), in August, the price having been 19½ seers early in June, and 18 seers early in July.

"From June till the early part of August there was no great variation in price, but in the latter half of that month the price rose to 15 seers, reaching its maximum in the latter half of September, when it stood at 11 seers. The autumn crops of Northern India had failed, and the export trade fell suddenly to 440,000 maunds in September, was 255,000 maunds in October, and 235,000 maunds in November.

"Thus, so far as we can see, the enormous abstraction of grain for export from Bombay as well as from Calcutta, in addition to what was sent to the famine districts of Western India, did not cause a greater variation in the price of wheat at Cawnpore between December 1876 and August 1877 than is represented by a difference of 4½ seers in the quantity obtainable for one rupee.

"But the moment one harvest had failed and the sowings for the next were in jeopardy, the law of self-preservation appears to have asserted itself, and we may, I think, deduce from the rapidity of its action, that the reserves are great, and if, as I was informed, more than 100,000 tons of shipping were left without freights, we have an index of the trade which had been reckoned on, by those most fitted to estimate the power of the supply, to equal the demand.

"No doubt there are tracts of country which, formerly growing food for home consumption, now grow produce for export, and depend for their support on supplies from without; but accepting this, what follows will, I think, show that this is a source of satisfaction rather than a cause for regret, since in the restoration of the balance we find the very weapon with which to fight famine: for the fleecy capsules of the cotton plant, or the jewelled diapers of the poppy, feed their cultivators with no less certainty than the crops of the rice swamp, or of the wheat field, feed those who raise them.

"The agricultural returns of India, from which much might have been gleaned, are not very complete, or rather they are not as yet in a very accessible form, but Mr. Bernard has been kind enough to give me a note which will make a review of them intelligible. He says—

"The best return I have been able to get of the area cultivated and the area under food crops in different parts of India, incomplete it is true for some Provinces, but still sufficient for our purpose, shows that in our most thickly-peopled Provinces there are about 75 to 80 acres of land under cultivation to every 100 persons, and that out of those 75 to 80 acres 65 to 70 are under food crops. For instance, Oudh with its dense population of 14 millions, has 9 million acres of cultivated lands, of which 8,200,000 acres bear food crops. Madras has 21 millions of acres under food crops for its raiyatwari population (excluding zamindaris) of about 27 millions. Mysore has 4½ millions of acres under food for its population of 5 millions. British Burma has 2½ millions of acres under food, with a population of 2½ millions. The Central Provinces, where the land is poor, and cultivation is slovenly, and where there are grown much cotton and oil-seeds, have only 13 millions of acres under food crops out of a total 18½ millions of cultivated acres, but then its population is only 9½ millions. There are great differences in Provinces, for instance,

instance, British Burma exports annually 800,000 tons of rice, that is to say, it produces from two to three times as much food as its people require. Assam, on the other hand, has also a very rich soil, a heavy and never-failing rainfall, enormous areas of virgin land, yet she does not produce food enough for her people, and has to import food from thickly-peopled Bengal. But so far as I know, Assam is the only Province in this case, and all the other Provinces of India produce enough food for their own support, and for export as well.

“ A great deal has been said of late years about the vast areas put down with opium, cotton, indigo, seeds and other crops, to the exclusion of food crops, and to the exploitation of India for the benefit of rich traders and of distant populations. But much of this kind of talk is due to ignorance; for out of the cultivated area of British India, estimated at about 160 millions of acres, only about 580,000 acres are under opium, and little more than one million acres under indigo, 8,000,000 oil-seeds, and 10,500,000 acres under cotton, most of it for home-consumption in India, while at least 130 millions of acres are under food crops. And an acre of food crop land will, in an ordinarily good season, support two people if the produce of one Province be taken with another. In Burma and Bengal one acre supports three to four people; in the Central Provinces and Bombay it supports less than two. No doubt the area under such crops as oil-seeds, jute, and oil-bearing roots, has increased greatly during the last 10 or 15 years. But then the total area under the plough has also increased vastly. In the Madras Presidency alone I find that Mr. Dalryell, no mean authority, wrote in 1867 that the cultivated land in certain districts of Madras had from 1856 to 1866 risen from 10 millions to 16 millions of acres, so that it is quite safe to say that the area of food-crop land in India is now as high or higher compared to the population than it was in old times, notwithstanding the great extension of non-food staples like linseed and rapeseed.”

“ My object in calling attention to this statement will be patent, and, I trust, conclusive. It is this, that even if drought and dearth were more extensive and widespread than they have been in the most disastrous of Indian famines, the Empire can still from its own soil feed itself, and I say this with the full knowledge that we have drawn rice from beyond the limits of the Empire.

“ The significance of this fact should go far to reconcile us to accept, not with cheerfulness certainly, but with resignation, the proposals of my honourable colleague; and this consideration recalls me to my more immediate object, that though the measures for which we now seek assent are the premium which we must pay for insurance (I fear only for a part insurance), and though it is to be hoped that sweet nature will give us a little longer time for recovery and restoration before she again withholds from us her bounteous and fruitful gifts, we must in wisdom and with prevision and energy, use the opportunity of husbanding with knowledge, as well as of distributing with certainty and rapidity, those gifts so that our peoples may not again suffer as they have in the past.

“ Severe as the dearth and consequent distress have been from which we are now emerging, there has been no dearth of suggestions for the remedy and prevention of a similar state of things. These suggestions are as varied in their scope as they differ in the means required to give effect to them, ranging from a scheme to cost only a hundred millions sterling, but the money did not come with the scheme, to the simpler and certainly less costly introduction of a patent two-wheeled cart for horse or bullock draft; my friend forgot to tell me how the cattle were to be fed, or to a cheap and simple windmill for pumping water, but I was not told how the water was to be raised when there is no wind, the normal atmospheric condition of India when water is most wanted.

“ And now, my Lord, in what I am about to say on the particular specific that has been so boldly proffered to us, on many sides from many irresponsible authorities, as the certain cure and remedy for all our ills, I desire most emphatically to record the fact that, though not an irrigation engineer myself (for my experience in this field of my profession has been very limited), I have approached the consideration of the subject as applicable to all India, prejudiced in favour not only of irrigation, but also of inland navigation, and that one of my dreams has been the hope that during the time I was to sit at this Council Board I would unite the waters of the Arabian Sea with those of the Bay of Bengal by an inland channel.

“ The stern realities that confronted me have dispelled this illusion, but at any rate this bare statement should clear me from the charge that because I have had larger experience in railways, I am therefore biased in favour of railway enterprises.

“ The construction of irrigation and navigation works must strike the most heedless as the most obvious way of preventing famines. Water in ample abundance

abundance, rushing and racing to the ocean only to be spread and lost in its broad bosom, has to be but bitted and curbed by dam or bund, and then so distributed as to fertilise the wide level plains of India, and to secure food and life for man and beast.

"A step further, and these running rills are deepened, extended, and converted into silent highways, to bear to foreign markets the redundant harvests of the tracts they traverse, and to bring back argosies laden with the wealth of other lands.

"This seemed simple and captivating, and in India, with its tropical sun, its certain (?) monsoons, and the prodigious rainfall along the ghâts and in some localities, nothing should be more sure.

"Others again have studied well our geography, have seen in the perennial supply, drawn by our northern rivers from the eternal snows of the Himalayas, an inexhaustible source of national wealth.

"Have these rivers been neglected? A glance at a map showing the districts of Northern India protected from drought by irrigation works will give a graphic answer.

"These protected areas form, it is true, but a small portion of the entire surface of the Continent, and of the balance left, little can unfortunately be reached by this perennial supply; for the area within its influence ceases a little south of the Jumna, and from Rajmahal on the east away to the far south and west all the immense region of Central India bounded by the Vindias falls to the Ganges, and is inaccessible to canal irrigation.

"This area, then, and that again to the south of the range I have named, may be said to be wholly dependent upon rainfall. And we are thus brought to see that, vast as is the country we have to deal with, mere magnitude is but one element of the problem to be solved.

"Much, very much, has already been done, especially in Southern India, and much more still can be, and will be, done in storing water; but the lessons which past and recent famines have taught us are that territories dependent on reservoirs, or 'tanks' as they are better known in India, offer, and at the best can offer, only an intermittent protection under the phase from which we are now emerging.

"Multiply these tanks as we may, they will stand us in but little help in such a famine as we have just passed through, due, as it has been, not to the failures of a single season, or of a single year. Deficiency of water in them originally, and ceaseless evaporation, are the influences which dry up one and dry up all when once the supply fails. And here, before I pass from this subject, I would desire to say that, although confidence in tanks cannot be assured, dependent as they are on the doubtful factor of local rains, yet in Madras and especially in Mysore, where there is the enormous number of 37,600 tanks ranging from the size of a village reservoir to a respectable-sized lake of 14 square miles, much has been done in recent years to place them in a condition of safety, improving, as far as practicable, their capacity. But in this direction still more has to be done, and every effort will be made to insist on the continuance of systematic action in perfecting these works.

"To replenish these reservoirs from other than their natural catchments, as has been suggested, by means of channels led off from the larger rivers, would, in nearly all cases throughout the centre of the peninsular, where the scourge of famine has been heaviest, be either wholly impossible, or relatively so if financially considered.

"The tempting idea of storing up the flood wave where the streams first issue from their birth place in the bosom of the Western Ghâts, unless in a very few exceptional positions, appears to be as deceptive as it is luring, judging from the experience of works of this character in the Bombay Presidency. No less than 27 works, more or less of this type, estimated to cost over two millions sterling have there been either completed or commenced as Famine Relief Works, with, it is much to be feared, little prospect of paying for many years to come.

"The greatest advocate for schemes of this character has lately stated that 10,000 such reservoirs, with an unfailing supply, could thus be constructed, and instanced as a case in point one capable of storing 1,600,000,000 cubic yards of water, and of commanding 'nine-tenths of the whole Peninsular of India,' which

which project, however, had in vain been pressed on the attention of Government.

"The officer whose duty it was to investigate this project, and who himself was at first most sanguine as to its success, informs me that, after several years' gauging the river which was to supply the reservoir, the available quantity of water turned out to be only one-fourth of that calculated above; and further, that judging from the experience of three other works of a precisely similar character which were experimentally carried out in the same chain of hills, the fact was clearly demonstrated that such works could not, at least under existing conditions, be made to pay. The land is there, the water is there, but the inducements hitherto held out to the cultivators to embark in irrigation have met with the same disheartening response as in the case of the Madras Irrigation Company's Canal, which has hitherto disappointed in the most marked manner the expectation held out when it was projected. I have said it would not pay, but to my mind this is a matter of secondary importance, if only it would not fail; but as a security against famine in times like those we have passed through, it would be a broken reed to lean on.

"In these situations, with *regur* or other unsuitable soils, rapidly sloping ground, and other drawbacks, the sparsely scattered, ignorant, and indigent cultivators, who perhaps have had no previous acquaintance with irrigation, fail to realise the advantage of incurring the outlay requisite for terracing their fields (often in such localities a serious charge), and it is thus to be feared that generations must be borne and die before appreciable progress can be made towards the desired goal.

"Until the general conditions with which we have to deal alter materially, or schemes hitherto tried without success, solve the difficulty of bringing water to the land without thereby imposing an unbearable burden on the country, we must accept as a fact that close on 550,000 square miles of the 740,000, comprising the Great Provinces of the Empire (exclusive of the Native States, Burma, &c.), cannot receive protection in any broad sense, and the vision of the 10,000 great reservoirs, conjured up by the enthusiastic projector, must be allowed to fade into dreamland.

"Another distinguished writer who has been quoted as a great authority, and whose opinion I admit is deserving of every respect, has stated that the great tracts of the Panjáb might, at the cost of some 10 millions, be irrigated without the risk of pecuniary loss, and that this would be an insurance against drought.

"This may be true, but the question is not entirely connected with famine, and considered from an irrigation point of view, the scheme has been already considered and abandoned, because the taxpayers of all India would have to find the money to execute it, and when executed, there would be for generations no people to enjoy it, the district containing but a handful of inhabitants.

"The same writer, when criticising our past expenditure in the Tirhoot famine, would also have that country irrigated. Press these principles to their logical sequence, and apply them to all the area of India, and we are brought face to face with an outlay of some 700,000,000 £ sterling!

"For a moment, however, admitting the dictum that 'there is not a district in India that could not be more or less irrigated,' and assuming that only 100 millions of acres (say 156,000 square miles) of its whole surface could have this great blessing conferred on it, at the rate specified, namely, 2 £ per acre (the Bombay works give 23½ rupees per acre for protection, exclusive of indirect charges), a capital outlay of 200 millions would be needed, and an annual burden imposed on the people of eight millions sterling to cover the interest charged at 4 per cent.

"A proposition so startling might be allowed to answer itself, or still better, by adopting an argument already used, that the taxation of India 'is almost without limit so high that you cannot turn the screw a bit more,' be condemned by those who have brought it forward for grave consideration; but as the best means of bringing home the very precarious nature of the revenue derivable from these protective works, the following sentence may be quoted from the Bengal Revenue Report for the past official year:—

"In Midnapore the rainfall was 75 inches more in the opinion of the raiyats than is good even for rice. Hence canal water was at a discount. Those cultivators who had



executed leases at the commencement of the season regretted that they had done so, and the result seemed to justify their view of the case, as numerous careful experiments made by both Revenue and Engineer Departments showed that the outturn of the irrigated crops was in no degree superior to that of the unirrigated. This following upon a previous year of good rainfall has brought the Midnapore Canal into the greatest disfavour. There was a large falling off in the leased area, which has again been followed by a very much larger decrease in 1877-78.

"This has the greater significance when it is recollected who the author is, and his devotion and attachment to this branch of his profession, for no better Irrigation Engineer exists in India than Colonel Haig.

"Again he observes—

"The previous year having been a very favourable one for the unirrigated crops, the area leased for in 1876-77 fell from 55,995 acres to 32,681, but as the season advanced and its real character developed, the lessees repented of their engagements, and endeavoured to evade them by every possible means, first clamouring for a remission of the Government demand on the ground that the water was of no value to them (which as it has turned out was true), and when this was refused, endeavouring to prove that water had not been properly supplied. The result has been disheartening for both Government and people. The revenue demands were enforced mostly by process of law, the people resisting them to the last. Very little of the demand for the year was recovered during the year, but the recoveries of arrears of former years were so vigorously carried on, that the actual collections exceeded those of any previous year except 1874-75.

"It is impossible to record this result with any satisfaction, as it seems certain that the arrears and the difficulty of enforcing payment were mainly, if not solely, due to the extreme poverty of the people. It is melancholy to read of 12,714 certificates having been issued for the recovery of the arrears after abandoning all claims for less than one rupee, and making remissions to a large extent on other grounds; and this in a district where the irrigators have, as a rule, dealt fairly with Government, and have always been ready to pay when they had the means. One can hardly read the description of the revenue operations of the year, and it may be added, of the previous years, without a wish that, if the state of the cultivators is such as it is described by the Collector and his subordinates, irrigation, which, according to them, only enhances the difficulties of the people in ordinary years, had never been introduced at all. The Deputy Revenue Superintendent remarks, 'The most potent cause about the gradual decline of the area leased is the indebtedness of the Midnapore raiyats. They are involved over head and ears; and it is a matter of infinite regret that their debts are increasing as their connection with the Government irrigation is growing older. Excepting during the year under review, the canal irrigation, as compared with the unirrigated crop, has always increased the yield from three to five maunds in the acre, but the Government irrigators are not in a position to benefit by it; all that they obtained from the fields go punctually to fill the coffers of the Mahajans, and they have finally to borrow money for the payment of the water-rates. The increased yield of the crop, if reserved for the liquidation of the Government debt, is sure to prove more than enough for the purpose; but no notice is taken of it, and when the irrigator is forced to pay for the irrigation of his land, he blames the canal for the increase of his debt.'

"Again, attachments and sales of the debtors' property were very frequent, and where they had not the desired effect, the debtors were arrested for the realization of the Government dues; and it is now a very common saying within the irrigable area that the major portion of the Government irrigators have been deprived of their plough cattle for the payment of the water rates. This is not very untrue, as the most valuable saleable property in the possession of the cultivators are the bullocks; and where we could catch hold of them no other movable or immovable property belonging to them was attached or sold. The number of sale notices and warrants for the arrest of the debtors issued during the year under review was unusually large, yet from the well-known poverty of the Midnapore raiyats, the result has not been as satisfactory as was anticipated.

"The part played by the Zamindars and Mahajans in the matter is shown in the following extracts from the Deputy Superintendent's reports:—

"The Zamindars, whose resistance to the spread of irrigation was hitherto passive, have now broken out in action, and many of them have openly prohibited their tenants from using the canal water on the penalty of incurring their severe displeasure. They have done this with the view of securing the realization of their own dues, and of preventing their raiyats from increasing their debts unnecessarily as they call it. The Mahajans also have been telling the raiyats not to resort to the canal any longer.

"For the Collector's explanation of the causes of this state of things reference may be made to the Revenue Report of 1875-76, paragraph 36. It should be noted, in passing, that the year 1876-77, in which coercive measures on so large a scale were found necessary for the realization of the Government revenues, was one of exceptionally high prices, and so far peculiarly favourable to the raiyats.

"I have at length, and I fear to weariness, made these quotations; not that I desire to repeat them in the remotest degree to depreciate irrigation, but to show that the subject is surrounded with other difficulties, perhaps  
more

more obstructive and more powerful than those which the engineer overcome or the financier deal with.

"What has been done already in the way of this artificial irrigation in part of India, its cost and its results, may be rapidly sketched.

"Take first, my Lord, this great Province of Bengal, with its 62,000,000 population, and its 48,000,000 acres of land under food crops, and its 7,500,000 acres producing industrial staples of one kind or the other, and consider three great irrigation schemes of Orissa, the Sone, and Midnapore.

"These three projects protect generally some 1,231,000 acres, or 2·2 per cent. of the whole cultivated area of the Province; they will, when completely preserved, that area from drought under the worst conditions yet known. In the last year water was taken from them for 360,000 acres, or only a little more than  $\frac{1}{4}$  per cent. of the total lands under crops. To obtain this result we have already spent close on 4½ millions sterling, and a little under 4 l. a acre will have been spent when the works have been completed.

"In the Panjáb, exclusive of ancient works, nearly 3½ millions sterling have been spent in irrigating a little more than one million acres. The Sirhir project, now drawing to completion, promises well, but none of the other numerous schemes for further irrigation in the Panjáb hold out fair prospect of immediate success.

"The same difficulty applies to the prosperous Provinces of the North-West where 8,500,000 l. have been already expended in irrigating, according to the last returns, some 1,390,000 acres, and in prosecution of works which will eventually command a much wider area. This accomplished, the Ganges and the Jumna, the perennial rivers of these regions, will have given up possibly all the treasures they have drawn from the glaciers of their source.

"An author, one indeed of our own circle, has in an English periodical alluding to our not having constructed the great Sardah Canal in Oudh, twitted us now in India for locking the stable door after the horse had been stolen and has compared us to a father who has fed the doctor, but has forgotten to feed his own child.

"In answer to this, I shall only quote an extract from the Secretary of State's Despatch of the 9th April 1873, in which he says:--

"At a time when the finances of India are burdened with the pressure of so many and such important public works, it was obviously impolitic to persevere in a vast undertaking costing upwards of three millions of money for the purpose of bringing water to the estates of landholders, who protested against the project as being unnecessary and a source of disease, while the opinions of the great majority of the local officers in Oudh, endorsed by every Chief Commissioner of the Province, and shared in by the Lieutenant Governor, were that the proposed canals were not wanted and would not be a financial success."

"Let me pass on to Madras, where, as far as I can gather from the facts, some six millions sterling have been spent on irrigation schemes, or rather where this amount has been calculated without taking into account the dead stock value of the ancient native works. The results are certainly better there, for whilst in ordinary years some five million acres receive the full benefits of irrigation, in the very worst years 1,600,000 acres are effectually protected; yet Madras, with its 32 millions of people, has even then but 7 per cent. of its agricultural industry secured from disaster in years of ordinary rainfall, and a much smaller area in years of drought.

"In Bombay, exclusive of Sindh, with 19 million acres under cultivation, some 17,000 canals now be irrigated, and when the works which are now under construction are completed, costing at present estimates more than two millions, it is hoped, at all events, some eight to nine hundred thousand acres may be protected.

"I could go on giving dry facts, but in themselves they would, I fear, convey but a small idea to the mind of the vast work already accomplished in this country, far exceeding all that has been hitherto done as regards irrigation by collected Europe with the great canals of Italy and the reservoirs and dams of Spain; and I should assuredly fail were I to undertake the still greater task of practically bringing home the boundless nature of the effort which some would have us undertake, were we to rely on irrigation alone as an universal insurance against famine.

"It must also be distinctly borne in mind that the early irrigation engineers, who have left an imperishable name in connection with the works of their creation, naturally, and indeed necessarily, selected those fields in their enterprise, where all the elements of success lay in happiest combination. Where, in fact—

"Mill sites fill the country as thick as you can cram 'em,  
An' desput rivers run about a' beggin' folk to dam 'em."

"One of these engineers, not the least distinguished, nor the least loud in his upbraidings at the shortcomings of those whom he has left behind in India, for not following his good example, has quite forgotten that he has himself plucked the choicest plums off the tree and has left us only the kernels. Take for example the Kistna Delta Irrigation alone. What have we there? a garden, it is admitted. But then, from the 31st December till the 1st July, it places under contribution, and claims exclusive right over, all the water from a catchment of not less than fifty times its own area.

"Having now, however, entered upon those tracts where these advantages no longer exist in such profusion, the least want of prudence may, by bringing about failures, injure the very cause which those, who most earnestly desire the extension of irrigation, have most at heart.

"I think that I have, however, sufficiently shown that the administrators of this country, whether civil or professional, have ever valued the precious treasures of its rivers and storm waters.

"In short, as far as I can ascertain, we have spent some 24 millions sterling, and for this we have some 14,000 square miles actually irrigated with more or less certitude as regards permanency of supply. In other words, we have had to pay 1,700 £ for each square mile, or something under 3 £ an acre.

"Even if we had the water at command and it were otherwise practicable to protect all the agricultural land of India, it would demand on this basis, an outlay of at least some 300 millions sterling. This would build some 40,000 miles of railway, the fourth of which would give us an insurance not against famine, but certainly against extreme scarcity, distress and death from want.

"I said just now if practicable, because, in order to irrigate, we must have water, either annual from heaven or perennial from the snows of the Himalayas. The first we must regard, I fear, as precarious and uncertain; and as for the last, great as is the extent of the region over which the snow waters have their influence, and though possibly more may yet be garnered of their generous and perpetually recurring flow, we have already in the Panjáb and in the North Western Provinces, especially in the latter, appropriated so great a quantity of it, that we fear we are approaching the limits of the supply. This last year we are told that the Ganges Canal was strained to its utmost, and at the tail of its distributaries the cultivators got but a scant supply; thus rendering more doubtful than before, the wisdom of drawing off any further supply for the proposed Eastern Ganges Canal.

"It is in years like the past one that the great advantages of irrigation are so apparent. We have evidence that the undeveloped Sone has already saved harvests, which must otherwise have perished, of more than a million sterling in value, whilst in the recent visitation in Madras the irrigated districts of the Godavery, Tanjore, and Trichinopoly have practically paid their land revenue in full. The Kistna district, where the irrigation project is not complete, has had remitted some 15 per cent.; but in the unirrigated districts, remissions ranging from 30 to 70 per cent. have prevailed, whilst they have drawn from the irrigated districts food to the value of some 150,000 £ exported by sea alone.

"I will not trouble the Council with any observations as to the embankments or inundation projects of parts of Bengal, of Burma, or of Sindh. I only allude to them at all as significant of the fact that the rulers of this country, Native as well as British, have in more ways than one, in the present as in the past, thought out the difficult problems that this struggle against nature has from time to time presented to them.

"So also I will not now say anything of the water-logging of land, of the raising of the spring level, of fever and other alleged evils, which even if I admit as existing at all, I admit only to say that a remedy for them by drainage exists.

exists, though its cost, a heavy item with low-lying stiff clay soils, must be added to that of the original works.

"Let me, when mentioning drainage and the necessity for applying the severest examination to irrigation schemes, quote what one of the apostles of irrigation himself says when speaking of promoting indiscriminate and wide-spread irrigation; 'We should,' he says, 'make sure that we may not turn the irrigated districts into vast swamps, decimating the inhabitants with fever, and reducing, instead of increasing, the fertility of the soil.'

"And here I may remark that the nature of the soil has been a factor which has been too often wholly ignored, not only in schemes projected but since completed.

"I trust it will not for one moment be thought, because I have said what I have, that I am in the most remote degree opposed to, or the enemy of, irrigation; far from it, I believe I am, by the course I have taken in applying to every scheme and estimate that has come before me since I have taken my seat at this council the closest inquiry and the most minute scrutiny as to the soundness of the one and the accuracy of the other, a truer friend to irrigation than the romantic enthusiasts who can only see that in water there is a cure for every ill, or the orator who, from the vantage ground of his great eloquence, makes easy the task, and would guide us through a maze of which it is reserved for statesmen yet unborn to find the clue. So in saying this I wish it to be understood that we do not purpose to neglect in the future irrigation works which give prospects of being not only beneficial in ordinary years but in years of scarcity. Many projects are now under inquiry of which I hope this may be said, though of some of them the full cost, of which would come to some 15,000,000 £ sterling, I find it already recorded that 'none of them are so urgently needed, in view to the prevention of famine, as to render it essential to extend financially the scale of operations in irrigation works.'

"I have already alluded to the projected through water communication from Karachi to Calcutta, estimated to cost 5,000,000 £. If this line of navigation, passing as it does across the Peninsula through regions flooded by the great waters from the Himalayas, stretching to both seas, traversed by a network of rivers, flowing through a natural physical formation, fulfilling in short all the engineering conditions favourable to inland navigation, offer little or no prospect that, until years have elapsed, its practical influence as a means of communication will be felt, and that as a reproductive work there is but little hope for any return, how does the problem stand in other parts of Hindústán?

"Here and there, as around this city, local works of this nature, isolated and apart, have been a success, and many other navigation canal projects are likely, in this limited form, to be carried out from time to time, but any connected system of internal navigation seems a remote possibility.

"The irrigation and combined navigation systems of the Godávári and Kistna, projected to open up traffic from the Eastern seaboard to the country of their sources and even to the Western Gháts, and ultimately to dehouch at Carwar on the Western Coast, give little prospect or encouragement for us to anticipate from them the great benefits or facilities predicted by their projectors. It is not difficult to understand this when the main link in the chain, that of the Madras Irrigation Company, is closed for six months of the year, because the source of its water-supply is closed to it for that time! Even if this source were a constant one, the extension of the navigation to the coast is barred by physical difficulties of apparently an insurmountable character. I may be told all this can be remedied by storage tanks; I grant this might be possible, but without counting their cost, or other difficulty of even a more serious nature which, as a financial undertaking, will make the original scheme a still more hopeless affair than now when the returns on the work do not come within a lakh per annum of the maintenance and establishment charges irrespective of interest on capital, recent experience tends to show that these aids will, in the hour of our direst need, fail us.

"Still I do not desire to condemn these schemes altogether, and I hope to see something practical done with them; possibly, a remodelling of the works may ensure better results.

"The East Coast Canal, the most promising project of all, will demand, in order to secure its ultimate success, the solution of difficulties which will try

the skill, genius, and daring of another Cautley, owing to its having to cross the drainage of the whole Peninsula.

"I fear, then, that as far as our knowledge goes, we cannot look forward to being able at any early period in India's future to see established a connected system of inland navigation. No doubt in districts favouring their construction we shall see navigable canals introduced and extended, but, judging from the past, their use and general adoption must at best be necessarily a matter of slow growth, and in the centre of the Peninsula, where they would be of the utmost service in case of the recurrence of any such famine as we have now passed through, it may be doubted whether any connected line of real utility could be constructed with advantage.

"Accepting the difficulties of the position as thus briefly portrayed, it is evident that the only practical course at the present moment is to recognise the mutual inter-dependence of the different parts of this vast country, and provide the means of distributing the surplus of one part to meet the deficiency of other parts.

"Happily we have not suffered simultaneously throughout India; the surplus produce of one part has been available for transport to other parts, and the enormous export of wheat which has been concurrent with the late calamity has shown that India has been able as a whole to produce more than it could consume.

"I do not lose sight of the fact that the people of Southern India are not a wheat-eating people, but from the experience of the late famine and of that of 1874, it is evident that the calamity must be indeed frightful when India herself and the neighbouring rice-producing countries accessible by sea cannot feed any afflicted part.

"Even if on the whole empire the scourge of famine fell, and the food of its people had to be ocean-borne, how entirely dependent must the country still be on its internal communication!

"The point, then, at which I have arrived is that land communications have been our main stay in the recent famine, and must ever be.

"I do not purpose to enter again upon the vexed question of waterways against railways. Even could I bring myself to consider that the former were possible in places where the latter exist, I could not shut my eyes to the facts which are patent to every one.

"We have a system of railways, and we can say that they are now paying investments in the matter of direct returns. These railways have taught the people the advantages of rapid locomotion, and the merchant and trader know well without such teaching the value of the telegraph and of the railway in the matter of quick returns. The railway system must continue to expand and will expand till every inhabitant of India is within 50 to 100 miles of a line.

"But there is an argument for railways which has especial force in a time of famine. A grass famine may be said to be as bad as a grain famine. For if the cattle on which the tilling of the ground is dependent cannot get fodder or even grass, the people are indeed in a bad way. Their only resource is to take time by the forelock, as thousands have done in Upper and Central India in the course of the last few months when scarcity threatened, and, as in the case of a water famine, emigrate to distant tracts in order to save their cattle.

"We have not neglected the extension of railways in connection with the lessons taught us by the famines of the last few years. The Northern Bengal, the Tirhoot, and the Irrawaddy Valley lines all received an impetus from famine if they do not owe their early existence to it. The recent calamity has precipitated the construction of the Dhond-Manmar line into an almost accomplished fact, and has given a stimulus to at least two other lines in Southern India. Similarly the threatenings of scarcity, now happily almost passed away, which came upon us a few months ago, have given an impetus to the projected lines of Central India and Rājputāna.

"The Government has not hesitated, notwithstanding the severe strain upon its resources, to devote during the present year upwards of a million sterling to railway lines over and above what it had arranged to spend this time last year.

"And whatever views may be held on the subject of railways, there is this justification for their extension, that since October 1876 they have carried into

into the heart of the afflicted districts upwards of one and a quarter million tons of food grains, representing the supply of  $7\frac{1}{2}$  millions of people for 12 months at 1 lb. per head per diem. But continuous as has been the inward current of food, the work of the railways has at times been far heavier than would be gathered from the even distribution of the quantity named over the entire period. Thus, in the three months ended December 1876, the Great Indian Peninsula Railway carried into the districts afflicted nearly 27,000 tons monthly, besides the larger proportion of the grain (44,000 tons in the three months), exported by sea to the Southern Mahratta ports of that Presidency.

“ In July and August of this year, when the intensity of the famine was at its maximum, that railway carried almost the same quantity.

“ And during those two months the Madras Railways distributed almost 200,000 tons of food.

“ The effect of a prompt supply of such a quantity of food can only be estimated by a consideration of the direful effects of its non-supply, and I shall not be accused of exaggeration when I say that the railways have saved Southern India.

“ The work done by a railway is only partly appreciated, unless the distance over which the goods are transported is considered.

“ The rice exported from this port, Calcutta, was not carried over any great length of railway, but the wheat of Upper India, which was carried in large quantities to Puna and even as far as Bellary, and the grain of the Central Provinces, was carried over hundreds of miles descending and ascending the Western Gháts. The waste of power over the gháts and the risk attending it have been eliminated for all time by the construction of the Dhond-Manmar line.

“ But vital as is the assistance which the railways have afforded, it must not be left out of sight that this aid was rendered with a concurrent unprecedented export trade, and, consequently, augmented general traffic.

“ Thus, in the first half of the current year, on all the railways of India there were about  $4\frac{1}{2}$  millions of tons of goods lifted against  $3\frac{1}{2}$  millions in the corresponding period of 1876.

“ The pressure during the past year has been very great, and no doubt more or less loss and inconvenience has followed from this strain on the resources and means; but considering the distances traversed and the consequent impossibility of preventing detention of rolling-stock, the working has, on the whole, been creditable to railway management in India.

“ In considering the effect upon the English railway system of the construction of the Channel tunnel, the diversion of rolling-stock to Continental railways has been discussed as a matter which would call for very special arrangement. Our English railway managers would not, I apprehend, view without misgivings the concentration of a moiety of their waggon-stock at Berlin, Vienna, or St. Petersburg; yet the diversion from the lines of Northern India of a couple of thousand wagons was a frequent occurrence during the recent pressure, and on one occasion the number of waggons thus absent was close upon 2,800.

“ Perhaps a few words from me here in further explanation of what has been already stated by my honourable Colleague in reference to this railway traffic and the preference given in September to food destined to the famine-stricken district may not be amiss.

“ Very early in February of last year the power of the Great Indian Peninsula and Madras railways to deal with the increase of traffic thrown upon them arrested our attention, but both Companies then thought that nothing special was needed to facilitate their operation.

“ But on the 5th March, I find myself writing, when ordering engines from our State lines in Northern India to be placed on the metals of the Madras line, that ‘the Great Indian Peninsula is now in need of engines to work its own lines,’ so rapidly had grown the demands from various causes on the rolling-stock of the lines. This growth of traffic led to many suggestions all pointing to the direct interference and intervention of the State with the management of the lines and the direction of trade. On this I find I again wrote, pointing out that more engine power was all that was needed, adding—

“ From the north and west the lines in correspondence are working as one system, and their capacity is only limited by their united haulage power, which no new organisation or fresh administration can possibly improve; whilst, on the contrary, the introduction of

foreign interference will inevitably tend to irritation and friction; and misunderstanding, confusion, and chaos will take the place of hearty co-operation and management which at present exist between the managers, who are mutually aware of their individual difficulties, and that these arise from physical and material causes requiring only time for their removal.

"At this moment throughout the whole of our railway system, a number of other circumstances, and not the famine alone, has caused a sudden expansion of traffic. All railways are taxed to their utmost, and even on the far Indus Valley, where by the opening for goods traffic of a portion only of the line last January, the flotilla on the river was released for more concentrated traffic, an unexpectedly large trade has sprung up, and the wheat of Sindh and of the Northern Panjab is seeking a market not only in the Deccan, but even in Europe itself. All this has to be watched and nurtured, and any rough or rude remedy, dictated by the momentary necessity for removing a block on a line traversing a district of Bombay or Madras, might irreparably throw back the growth of this trade and industry."

"Again—

"I hope I have shown in this note that no exceptional administrative measures are really needed to meet the present pressure, which I am confident can be satisfactorily overcome without them."

"This I wrote in March of last year.

"To do more than the railways were already doing could only be effected by two measures—one the doubling of the lines, the other the procuring of additional engines.

"The first was out of the question, even if it could have been done in time to be of use in such a crisis; the second, owing to the exceptional gauge adopted in this country, was really almost as impossible as the first, since we have in Europe no reserve from other systems to fall back upon. The only alternatives left then were to contribute stock from the Northern lines, although on them, too, the pressure had fallen, and to give preference to food consigned to Southern India. Still reluctant to press, till forced by inexorable necessity, either of these courses on the railway administration, it was not till the calamity in Southern India was assuming yet darker features, that with your approval, my Lord, I wrote confidentially to the several railway agents on the 27th July a letter, which with the permission of the Council I will now read—

"Dear Sir,—The situation in Southern India appears to be graver now than ever. It is causing the Viceroy to consider with anxious solicitude the means to be adopted in order to mitigate the terrible distress which seems imminent from want of food in Mysore and Madras, and it points to our being forced to take exceptional measures for facilitating the transport of grain into and within these countries.

"This, I fear, will have to be done at the sacrifice of certain trade interests, for in face of such a crisis preference must be given to food-grain traffic.

"The haulage power and the stock on the Madras, and very possibly on the Great Indian Peninsula line, will have to be increased by contributions from other lines; and Lord Lytton feels assured that he may reckon on the co-operation of other companies should such a course be forced upon us.

"I trust that it may not come to this. But I invite your aid and co-operation to help us, and in the meantime I write this to ask you to consider what you can do to regulate and increase famine traffic, so as to give it a special service and preference over all other consignments on your lines, and to see what powerful goods engines (the gradients of both the Madras and Great Indian Peninsula Railways are bad) and covered or high-sided stock you can supply to the Madras line, in order to distribute what is sent from the north or by water. The latest information shows that the Madras Railway must have 16 powerful goods engines and 400 waggons without loss of time.

"I write this, therefore, to prepare you for what is probable. Please consider this in the meantime as very secret and confidential, but in case the worst comes to the worst, I should like to know beforehand what are your views on the course suggested."

"I need not dwell upon the correspondence and negotiations that followed the issue of this circular.

"The agents of the northern railways did as much as was in their power to do, but fortunately it was not necessary to insist on preference on these lines, though the Government of Bombay were compelled at the end of July or beginning of August to urge on the representative of the Great Indian Peninsula to give food consigned to the famine districts preference over other goods.

"Hardly had this been done when the correspondents from the Calcutta press in Madras telegraphed to their principals in this city, 'people are asking, should not the railways now carry food only?'

"I give these facts to show that this subject was fully considered, and that

we did not lightly, nor without very great reluctance, urge on the companies those exceptional steps, a necessity as imperative, if not more so, than the necessity of war.

"The same distinguished Statesman who has advocated irrigation as the treatment for famine has asserted that we have abandoned this remedy in favour of railways, the agents that support our military policy.

"That in the alignment of these great highways the part they might play in the defence of the empire in time of war was not overlooked by the great Proconsul who first gave them to India, is incontrovertible; but if they have not yet helped to deliver us in time of war, they most certainly have in time of famine, nor have they failed to deliver us from some of the accidents of war. After the tempest of the great mutiny had calmed down, those who were then responsible for the future peace of India, decided that a British force of a certain strength should always be in the land. The extension and part completion of the railway system has permitted of a reduction in recent years of this force, which at the very least falls not far short of, if it does not exceed two millions sterling a year. Thus besides having saved India some thirty millions already, it has saved to England a corresponding drain on her people.

"Nor am I, I believe, over sanguine, when I express the idea that, judging from what has been the development of traffic on the essentially military lines of Northern India, their designers will be agreeably disappointed at finding that as commercial lines they will not be such a drag on the finances as has been anticipated, whilst of this I am sure that they will be found to be the most powerful pacificator of our troubled frontiers.

"I have purposely avoided making any observations as to what should guide us in our administration, either civil or professional, when famine with all its suite of evils is really in the land; and I can scarcely be anticipating any final conclusion if I express the opinion that in proposing works for the exigencies of famine they must be chiefly of a character suitable for unskilled labour, requiring little skilled supervision, and able to be executed by concentrated gangs whose wages can be paid with the least opportunities for speculation. Far be it from me to say that we should have no work for the artisan or the skilled labourer. This class suffers just as much as, if not more than, the mere cooly or the simple agriculturist. But as the bulk of the labour is ignorant, the bulk of the work must be simple, and as the skilled supervision is limited (unless you divert it, and then you create mischief, from those works which must go on in any case), there exists still stronger reason that the work should be such as earthwork, collecting and breaking stone, a kind of work easy to supervise and to pay for.

"The various classes of works suitable for relief objects taken in their order are tanks; road, river, and railway embankments; irrigation channels, canals and drainage works; and I agree with those who think the last three are the last to be undertaken, because if these are not thoroughly well designed, they are the cause of very serious and absolute mischief. I would dwell upon this point, as I cannot too strongly reiterate the intention and, I believe, the instructions of the Supreme Government, that in view to the efficacious working of this policy it is primarily essential to have in reserve and ready the full and clear engineering details of such works, elaborated in quieter times by the professional officer in concert with the local civil authorities.

"To this precaution I attach the highest value, because I wish most distinctly and emphatically to disclaim, both on my own part and that of the officers of the Public Works Department generally, that we regard famine as the opportunity for advancing our schemes or airing our pet projects. The initiative in these matters should be taken by the civil administrators, who are primarily responsible for the good government and material prosperity of the peoples committed to their charge.

"In saying this, however, I do claim for the Public Works Officers of the State that to them should very early in a campaign against famine be entrusted the agencies to fight it, and that operations be not postponed till to scarcity and lack of means are added disease and emaciation among the people, so say nothing of the demoralisation inseparable from the pauper's dole, or the existence prolonged only by the relief ration.

"This is the more essential in this country, where it is not from a total absence of food within the country itself that men perish, but from the absence of



means of acquiring it. They are deprived for the time of winning their bread by their usual callings, because we have not in this country, from its social relations and the functions Government has taken on itself, men of enterprise or philanthropy, as we have in our own Western Home, who see in the failure of a harvest, or of an industry, openings for giving to the labour thus set free employment in works of utility, of improvement, or even of luxury.

"In advocating this as the true course to follow, I am conscious of the fact that it means a larger first outlay; but it also means a very considerable decrease in the unproductive expenditure which ordinary famine relief means.

"In what I have said I have rather reviewed the past, and dealt with what has been done already in the way of those material improvements which may to some extent have counteracted the full effect of failure of harvests, from time to time, in parts of this great Empire.

"I have dealt with the accomplished facts of the past, and avoided profuse promises as to the future; for I believe the narrative of the past will carry to men's minds the conviction that those to whom has been hitherto entrusted the guidance of affairs in this country have not failed or neglected their duty in these respects; and this will be a sufficient earnest that this path of duty is not now likely to be abandoned."

The Motion was put, and agreed to.

#### ADDITIONAL RATES (NORTH WESTERN PROVINCES) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Bill for the levy of Additional Rates on Land in the North Western Provinces be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell, and Colvin, the Honourable Nawáb Faiz Ali Khán, and the Honourable Mr. Morgan and the Mover.

The Honourable Mr. MORGAN said that when the honourable Member in charge of the finances made his statement with reference to the additional taxation which would be necessary, as Mr MORGAN understood him, he stated that it would be necessary to provide about 1,000,000 £ sterling for what he called the Famine Fund, and 600,000 £ as what might be termed a working balance in the finances. The sum which he proposed to levy by the imposition of the taxes, Bills regarding which were now before the Council, was, Mr. MORGAN understood, about 800,000 £. But it was not stated at the time how much was expected to be received from the tax on trades and dealings, and how much from the land tax. At the time these Bills were brought forward, as he understood the honourable Member to say, it was not intended that they should be passed so early as it was now actually proposed that they should be. But on the suggestion of his Honour the Lieutenant Governor, the passing into law of the Licensing Bill, which was the only Bill which applied to Bengal, had been accelerated, and, as he believed, very properly so. But of course the arguments of the Lieutenant Governor with reference to that Bill which concerned new taxation were so cogent that there was no reason for him to raise any objection to its acceleration. But it appeared to him that the same argument did not apply to the levy upon the people of an increased tax upon land in the North Western Provinces. There it was well understood what the existing rate was, and therefore the levy of an additional rate of 2 per cent., which he understood was agreed upon, would be raised without any difficulty at all. It was not a question of the supervision of revenue officers, inasmuch as all the data were before them. He would therefore suggest that the consideration of the Bills for the levy of an additional rate upon land might be postponed without any detriment to the raising of the rates in due course. And it appeared to him that this might be done with greater reason, inasmuch as the necessity for the raising of further money by taxation must depend, to a large extent, on the equilibrium which was to be established in the Budget, which was not at present before the Council. Of course he made this suggestion with due deference to his Lordship, but he would suggest that the consideration of these Bills should be postponed until the Council was in possession of further details with reference to the Budget, and with reference also to the amount which was likely to be raised under the Bill which had already been referred to a Select Committee.

Committee, in respect to the licensing of trades and dealings in the North Western Provinces.

The Honourable Sir JOHN STRACHEY said: "I do not know whether the Honourable Member who has just spoken has quite appreciated all that I intended to say at the beginning of the present sitting of the Council. All I am proposing at the present time is that these Bills should be referred to a Select Committee, not that the Council should take any action upon them in the way of passing them into law. I intended to say that this was all I intended to propose at the present moment, and that after the Report of the Select Committee had been presented, the Bills should go in the ordinary course. I should like to say a very few words only with reference to the remarks of the Honourable Member regarding the possibility or propriety of postponing the consideration of the Bills affecting the proposed additional taxation upon land, while the Bill for imposing a license tax, he thought, might be gone on with at once. But I would point out that if we do not proceed with these Bills *pari passu*, the whole basis of the scheme which I laid before the Council three weeks ago will really be disturbed, for it is an essential part of that scheme that these new taxes should be imposed equally, as far as one can do these things equally, both upon the commercial and agricultural classes. It will disturb the whole of that scheme if we legislate for the commercial classes only, and leave the agricultural classes out. Also, as I pointed out, the necessity for imposing these rates in Northern India is justified on this ground, that we have already imposed this rate in Bengal and unless we impose similar rates in other parts of India, there is really no justification for the measure already taken in Bengal; and it is desirable that we should apply the same general system, so far as one can do so equitably, in one Province as in another. I quite admit that if there were special reasons, as there are in the case of Madras and Bombay, for not imposing additional rates on land in Northern India, that would be a very good ground for acting differently. But I endeavoured to show the Council that there was certainly nothing in the condition of the agricultural classes in the North Western Provinces to justify any exceptional treatment. I think that it is quite essential that, if our measures for taxing the commercial classes have to be gone on with, our measures for taxing the agricultural classes must be gone on with at the same time. For if the measure imposing taxation on land should not be accepted, then a reconsideration of the whole subject of the new taxation will in my opinion become imperative, and we shall not have provided that insurance against famine which, in the opinion of the Government, it is necessary to provide.

"I will merely add now, with reference to the other remarks made by the honourable Member, and also to those of the Honourable Mahárájá Jotíndrá Mohán Tagore, that I shall endeavour at some future opportunity to give as full information as may be in my power upon every point to which reference has been made."

The Motion was put, and agreed to.

#### ADDITIONAL RATES (OUDH) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Bill for the levy of Additional Rates on Land in Oudh be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell, and Colvin, the Honourable Nawáb Faiz Ali Khán, and the Honourable Mr. Morgan, and the Mover.

The Motion was put, and agreed to.

#### ADDITIONAL RATES (PANJÁB) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Bill for the levy of Additional Rates on Land in the Panjáb be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell, and Colvin, the Honourable Nawáb Faiz Ali Khán, and the Honourable Mr. Morgan, and the Mover.

The Motion was put, and agreed to.

## ADDITIONAL RATES (CENTRAL PROVINCES) BILL.

The Honourable Sir JOHN STRACHEY then moved that the Bill for the levy of Additional Rates on Land in the Central Provinces be referred to a Select Committee, consisting of the Honourable Messrs. Stokes, Cockerell, and Colvin, the Honourable Nawáb Faiz Ali Khán, and the Honourable Mr. Morgan, and the Moyer.

The Motion was put, and agreed to.

COPY of REPORT of the DEBATE in the LEGISLATIVE COUNCIL of the GOVERNMENT of INDIA on the 9th February 1878.

THE Honourable Sir JOHN STRACHEY moved that the Report of the Select Committee on the Bill for the licensing of trades and dealings in the Panjáb, the North Western Provinces, and Oudh, be taken into consideration. He said:—"My Lord,—In asking the Council to take this report into consideration with the object of passing the Bill into law, I shall have little to say regarding the measure itself. The reasons for which new taxation is required, and the principles on which the actual proposals of the Government are based, have been so fully explained already, that it is quite unnecessary that I should enter into them again. That further taxation is unavoidable to enable the Government to meet, as one of the ordinary charges of the State, the obligation of preserving the lives of the people in time of famine is admitted, I think I may say, by all reasonable men. The form which this fresh taxation should take is, on the other hand, a subject on which it is inevitable that differences of opinion should exist. I have stated on behalf of the Government the reasons which have led us to the conclusion that the trading and agricultural classes are those on which the obligation of contributing for the prevention and relief of famine more especially rests. These are the classes on which as a whole, and on which almost alone, the pressure of actual famine falls. They ought, therefore, to contribute for their own protection. In regard to the commercial and trading classes, there is also this strongest of all justifications for taxing them, that, excepting always that comparatively very small section of them which is composed of Europeans, they now pay almost nothing towards the expenses of the State. There is, moreover, this further reason, that although the trading and agricultural classes are the first to suffer when famine occurs within the limits of their own Provinces, they benefit immensely, taking them as a whole, by the occurrence of famine in other parts of the Empire. The misfortune of their neighbours brings to them wealth and prosperity.

"On the other hand, the professional classes and those who depend on fixed incomes for their support, although they suffer from the high prices caused by famine, are seldom the recipients of actual relief from the State; under no circumstances do they derive any advantage from famine when it occurs, and they have no power of passing on to others the burdens placed on themselves. The small officials and servants receiving wages are in this country very numerous, and there is certainly no class on which it would be less equitable to impose taxation for such a purpose as this.

"I quite sympathise with the feeling which makes so many people regret and protest against the apparent injustice of exempting from further taxation the happy possessors of large incomes derived from professional, or official, or other sources. But I will not enter into this question. Its real meaning is, in my opinion, simply this: Would not an income tax upon all classes of persons and property have been better than the measures which have been actually proposed by the Government? I leave it to others to answer the question. For my own part, I have already said that I was always a supporter of the income tax while it lasted, but I do not think that its re-imposition at the present time would be politic or just. Under such circumstances, moreover, as the present, Government has to consider what is practicable, and although

although I do not mean to say that it was really impracticable to restore the income tax, I freely confess that I should have been sorry to have had to propose it until the public was convinced that no other means existed of obtaining the additional revenue which was required. I said before, and I now repeat, that in my opinion, we have to choose between measures such as those which are now before the Council and an income tax. There is no other alternative that I, at least, can see.

"The objections to a license tax, like that described in the present Bill, are obvious. The tax necessarily falls comparatively lightly on those who can best afford to pay it. Here again, I say, if you refuse this condition, you can only remove it by subjecting the commercial classes to an income tax. The objection that we were proposing to tax the rich too little has been to a certain extent removed by the change which the Select Committee has made in the Bill, and which I hope the Council will accept, by which the maximum fee chargeable will be 500 instead of 200 rupees. The change will give us very little more money, and it involves no principle; for whatever sum may be fixed as the maximum fee, must be fixed in a purely arbitrary manner. If, however, raising the amount to 500 rupees makes the tax seem more equitable, this is itself an advantage. As to the objection which has been raised in some quarters, that this tax will fall mainly on the poor, I content myself with simply denying the fact. It will touch no person whose net earnings are less than 100 rupees a year; and if anybody asserts that in the Provinces to which this Bill refers, any man is poor who possesses in income of 100 rupees a year, he is ignorant of the facts. Such a man is not poor; he is a man far removed above poverty, and well able to pay his contribution towards insuring the country against famine. To say that our new taxation will fall upon the poor is either an error or a calumny.

"As I shall show again presently, exactly the same thing is true regarding the additional rates which we propose to levy on the land. My old friend, Sir George Campbell, told the British public the other day, that his soul was 'filled with anguish' when he thought of the iniquity that we were committing in imposing taxes on the poorest classes for the benefit and at the instigation of the rich. Now I am not going to make a counter-attack upon Sir George Campbell. If I could ever be inclined to do so, it would not be in this Council room in Calcutta, in the great Province which owes to him, in my judgment, a lasting debt of gratitude for the admirable, but often far from pleasant, work which he performed as its governor. But Sir George Campbell, with all his great qualities, has never been distinguished by his reticence.

"I remember on one occasion telling him myself, when he had issued a certain wonderful circular, that if his Secretary had done his duty, the manuscript, instead of being sent off straight to the press, would have been accidentally mislaid for a fortnight. It is a pity that Sir George Campbell's letter to the 'Times' did not suffer a similar fate; he might then have learnt that he had been knocking down the creations of his own fancy, and he might have written, as I hope his sense of justice will make him do now, an eloquent tribute of admiration to our measures.

"We are doing none of those things with which Sir George Campbell has charged us. By the Bills now before the Council, we are imposing no fresh taxation whatever on the poor; and as to the Salt Tax, in regard to which our imaginary proceedings have made Sir George Campbell so especially unhappy, I will say now, what I have said before, that we have taken the greatest steps ever yet taken in India for reducing the pressure of this tax upon the poor, and giving to the mass of the people the largest possible supply of salt at the cheapest possible rate. In Northern and Central India, not only are we imposing no fresh burdens on the poorest classes, but we have already benefited these classes by the removal of taxation on salt to the extent of 200,000 l.

"There is another fact bearing on the License Bill to which I must call attention. It is, as I have said, proposed that no person shall be liable to the tax whose annual earnings are less than 100 rupees. This does not appear on the face of the Bill, and the reason for this is that as the measure will extend to several Provinces, and will have to be applied under conditions which vary considerably in different districts, it is not certain that the same minimum limit of taxable income will everywhere be appropriate. For independently of other considerations, the purchasing power of money varies greatly. Under the

existing license tax in the North Western Provinces, no one is taxed whose presumed income is less than 200 rupees, and it may be found desirable to make no change in this respect. We desire to leave a wide discretion to the Local Governments, which are in the best position for forming sound opinions on such a subject. While, however, the Government of India allows this discretion to be exercised for the relief of the taxpayers, it gives no such authority to extend the incidence of the tax downwards. Under no circumstances will the tax touch any one whose annual earnings are less than 100 rupees. Nor is this all. It will be observed that the lowest fee payable under the Bill is one rupee. The Bill declares that any person may claim to have the fee charged against him reduced or remitted altogether, if he can show that it falls at a higher rate than two per cent. on his annual earnings. Applying this rate of two per cent. to an income of 100 rupees, the minimum fee would be two rupees, and not one rupee. The meaning of this is that the Government desires to leave to the local authorities entrusted with the administration of the tax a discretion to reduce the demand when they are of opinion that it would fall heavily. Thus it will often happen in practice that the poorest classes affected by the measure will pay at the rate of one per cent. only instead of two per cent., the rate charged on the higher incomes.

"I need not say anything further about the License Bill. I think it will be convenient if I ask your Excellency and the Council to allow me to pass now to the other taxation Bills under which additional rates will be imposed on the land in Northern India. Those Bills are so closely connected with the Bill actually before us that they can hardly be considered separately, and I hope that the Council will agree with me in thinking it desirable that the discussion of the whole of our measures should take place while the present Bill is before us. My reason for saying this is that it is, as I have already fully explained, an essential part of the policy of the Government that this new taxation should fall both on the commercial and agricultural classes, and that so far as may be practicable each class shall bear an approximately equal burden. This principle has already been to a great extent carried out already. Additional rates similar in character to those which we are now proposing to levy in Northern India have already been imposed in Bengal, and the Bill taxing the commercial classes of that Province will, I presume, soon become law. We desire to apply the same principle to the other Provinces, the only exception being that, for reasons which have been stated at length to the Council, it is not thought proper to impose at the present time fresh taxation on the agricultural classes in Madras and Bombay.

"When these Bills were introduced I said that the justice of imposing new burdens on the agricultural classes would be more questioned than that of imposing them on the traders, and referred prominently to the objections which had been and would continue to be urged against fresh taxation of this kind, on the ground that it infringed, or would be thought to infringe, the conditions of the settlement of the land revenue. I declined, and must still decline, to discuss the question of the right of the State to impose such taxes; for as I have already said it is impossible that any Indian question could be named which has been more completely argued out during a long course of years than this, and no question could be named which has been more distinctly closed by positive decisions of Her Majesty's Government. I have now a right to assume (I am now quoting the words of the Secretary of State) that—

"the levying of such rates upon the holders of land, irrespective of the amount of their land assessment, involves no breach of faith upon the part of the Government, whether as regards holders of permanent or temporary tenures."

"I feel that I may also, without impropriety, decline to discuss the question whether, apart from the right to impose such taxes, the condition of the classes on whom in Northern India the actual burden will fall is such that they can pay without hardship the amount which it is now proposed to levy. That amount is one per cent. on the rental of the land. I do not, I hope, undervalue the opinions of those officers, some of them men who are entitled to be listened to with high respect, who think it inexpedient to impose any fresh taxation on the land. But this I assert that it is impossible for any one who knows anything of the real condition of the proprietors of land in any part of Northern India, to say that these rates will be more than an insignificant burden. It must be remem-  
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bered that they, in common with the existing local rates to which they will be an addition, will be payable by the landlord, and will not fall on the poorer classes interested in the land. I do not deny that it will very frequently happen that the landlord will do everything in his power, and will often succeed in making his tenants pay the amount charged against him. But the same would be true of every other tax which could be imposed upon him, and this objection has no special force in the present instance. Neither can it be disputed that within the limits authorised by law, and justified by custom, rents will in the long run inevitably be raised by landlords, whether they are taxed or not, as they think consistent with their own interests, so long as the tenants will pay them. Tenants, however, are rapidly learning to protect their own rights, and it is not so easy as it once was to impose upon them demands unauthorised by law.

“ Before leaving this part of the subject, I may add that the Government of India has no intention of actually levying these additional rates in the North Western Provinces until the country has completely recovered from the serious loss which it suffered from the almost total failure of the last summer crops. The Lieutenant Governor has been informed that no additional demand will be made until the next agricultural year. The Government of the Panjáb has decided that no similar reasons exist for deferring the collection of the new rate in that Province.

“ There is one objection to the imposition of new rates on the land which I fully admit is a real one. It is an objection which it has always been clear we should have to meet, and it received the careful consideration of the Government before these measures were proposed. I cannot state that objection more clearly than by quoting the following passage from the letter from the Government of the Panjáb which has been laid before the Council:—

“ The Lieutenant Governor would duly record, with reference to the Bill for enhancement of the local rates, that he believes that, although it will give rise to no active discontent or expression of dissatisfaction, it will still be regarded by the people with some dissatisfaction, as involving a further departure than that taken in the original Local Cess Act, from the principle of the fixity of the land-revenue demand. This feeling of dissatisfaction will not be the less strong from the fact that the money raised under the new Act will possibly be spent out of the Panjáb. To a trained intelligence it is easy to distinguish the proposed impost, which is no more than a tax upon rent, from an enhancement of the Government share of the produce of the land. But his Honor doubts whether it is possible to persuade uneducated zamindárs, the more especially that the revenue is no longer taken in kind, but in cash, that the demand is not an increase on the amount of land revenue which has in each district been fixed for the term of settlement. The Lieutenant Governor does not, however, imagine that there will be any difficulty in collecting the enhanced tax, or that after a short time, the irritation caused will not pass away.

“ Although we have not received from the other Provinces objections similar to these which have come to us from the Panjáb, there cannot be the least doubt that they will be felt as much in one Province as in another. They were urged in 1871 in the North Western Provinces, when new local rates were imposed in the permanently-settled districts; they were urged at the same time in Oudh; they were urged in the Panjáb; they will everywhere be urged now, and they will be urged again hereafter, if it should ever become necessary to place additional taxation on the proprietors of the land. Exactly the same objection was raised to the imposition of the income tax on profits derived from land. The Government has, for years past, done its best to make people understand the essential difference between the land revenue and taxes of this kind; and in 1871, when the laws were passed under which the local rates in Northern India are imposed, the Legislature enacted, in the plainest possible language, that these rates ‘shall be paid by the landlord independently of, and in addition to, any land revenue assessed on the estate.’

“ In spite, however, of all that has been done, the old ignorance continues. Nor can we expect that it will soon disappear among the people, when we find that economical heresies, such as those to which I have alluded, still form part of the faith of many of our own officers. Objections to taxation of this sort, based on opinions which have their sole origin in the ignorance of the people, cannot be answered, although this does not make them less real. Among all the difficulties and dangers with which we have to contend in India, those to which we are exposed by the ignorance of the people are incomparably the most serious. It is, unhappily, true that our most enlightened and useful measures

are, as a general rule, precisely those which are the least popular. If any man supposes that we earn the present gratitude of the people of India by abolishing sati and infanticide, by female education, by constructing railways and canals, by making the towns and country healthy, or even by improving the laws, which add to the security of life and property, that man is greatly mistaken; but this is no reason why we are not to persevere with our work. So I say of these Bills. I do not pretend that the people who have to pay these taxes will like them; but it is, in the opinion of the Government, necessary that they should be imposed, and we trust the Local Governments when they tell us that, while they can suggest no better form of taxation, they are satisfied that the measures now proposed will lead to no serious dissatisfaction which it might be politically unwise to face, and that such dissatisfaction as may arise will soon pass away, as it has passed away in similar cases before.

"In concluding the remarks that I desire to make on the Bills now before the Council, I will only add that the Government of India is fortunately enabled to say that its policy is cordially approved by all the Local Governments which these Bills will affect, not only with regard to the proposals that specially affect the land, but to all the measures by which we hope to provide the necessary insurance against famine; and further, that these Governments confidently look forward to the successful application of these measures in their respective Provinces. I do not doubt that these assurances will be as satisfactory to the public as they have been to the Government of India.

"A desire has been expressed that I would explain more fully than has hitherto been done the manner in which the Government proposes to apply the proceeds of these new taxes. I shall, I feel certain, be very readily able to do this to the satisfaction of the Council, for nothing can be clearer than the principles on which the Government proposes to act.

"I can hardly do better, in the first place, than ask the Council to look at the brief official Statement of Objects and Reasons, which was published with the new Taxation Bills when they were first introduced. That Statement explained, in a few words, the reasons for these measures. It was said that the necessity was imposed upon the Government of India of bringing the public revenues and expenditure into a state of proper equilibrium; that famines could no longer be treated as exceptional calamities, and that the obligations entailed by them must be provided for among the ordinary charges of the State. The periodical occurrence of famine must, therefore, enter into the calculation of the Government in making provision for its ordinary yearly wants, and such a surplus of ordinary income over expenditure must be provided in each year of prosperity, as would make a sensible impression on the debt which it might be necessary to incur in times of famine. To enable the Government, it was said, to meet these obligations, additional taxation was necessary.

"The object, which I thus stated, is a perfectly simple one. These new taxes are required for the sole purpose of giving us, year by year, a sufficient surplus of income over expenditure to meet these famine charges, which had not hitherto been taken into consideration in our yearly accounts. It seems to have been supposed by some that the primary object of the Government of India was to give to the Local Governments the proceeds of these new taxes, and to transfer to them, in some mysterious manner, certain indefinite obligations in relation to the future charge arising from famine. There could be no greater mistake, and I am sure that I have never said anything to justify it. These great calamities can only be met by aid of the resources of the Government of India, and it is these resources that must be strengthened to meet the obligations they impose. Although then, as I shall presently explain, we shall use the Local Governments as our agents in levying these taxes, their proceeds will mainly go into the Imperial Treasury. With their help, we hope to secure that surplus revenue, which will enable us in the future to discharge the heavy obligations which the periodical occurrence of famine entails upon the country, without being driven into the fatal course of constantly increasing the public debt, and the burden it involves.

"As I previously explained, we start with the hypothesis, that in every 10 years the Government of India will have to spend 15,000,000 *l.* on the relief of famine. The case will be put into its simplest form, if we assume that the whole of the 15,000,000 *l.* will have to be spent at once at the end of this period, and the arguments I am about to use will not be in any way invalidated

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by this assumption, though it be not strictly true. Now, as the very foundation of our policy is the resolution not to permit this expenditure to create a constantly increasing charge for interest, the expedient of simply borrowing when the occasion occurs, and thus increasing the annual charges on account of debt, say, by 600,000 *l.* in each period of 10 years, must, of course, be set aside; and it follows that we can only obtain the 15,000,000 *l.* which we require by saving up an equivalent sum in years of prosperity. If we provide for this purpose a *bond fide* surplus of 1,500,000 *l.* a year for 10 years, we shall have obtained our 15,000,000 *l.*

"As we cannot keep our annual savings locked up in a separate box, it is inevitable that when the actual necessity for spending the 15,000,000 *l.* arrives, we shall have to borrow the money, so that what we have practically to do is this—we must reduce our debt by 1,500,000 *l.* year by year during the whole period, or by 15,000,000 *l.* in the 10 years, thereby reducing the yearly charge for interest at the end of that time by 600,000 *l.* Then, when the necessity for spending the 15,000,000 *l.* arrives, we can borrow that amount and incur a fresh charge for interest of 600,000 *l.* a year, and be no worse off than we were 10 years before. This process, by which, in periods of prosperity, the charge for interest on debt is gradually reduced, thus constantly restoring the exhausted power of borrowing without increased taxation, is what the Government virtually proposes to adopt.

"In India, however, the policy has been deliberately and wisely accepted of borrowing every year large sums of money for the construction of the railways and canals which it is absolutely necessary that the country should possess if its material advancement is not to be arrested. Even if the financial consequences of this policy had been less satisfactory than they have been, it might still have been our duty to persevere in it, though it should have called for increased sacrifices from the country in the form of taxation. But experience has shown beyond the shadow of a doubt that, looking at the matter even from a purely financial point of view, we could have done nothing wiser and more profitable than go on investing capital in these undertakings; and that so long as these investments are prudently limited, as they have been up to the present time, so that the growing income derived from the works keeps pace with the charge for interest on the borrowed funds, they may be continued with complete financial safety.

"It was on considerations such as these that Lord Lawrence in 1869, in his Minute on railway extension, assuming that the revenues could, without objection, bear a yearly charge of about 13 millions, to meet the interest on capital outlay on productive works in course of construction, &c., during the period in which their income is becoming developed, based his proposals for the gradual, but systematic, prosecution of this class of works, and that the Government of India has been since acting with most satisfactory results. The forecasts relating to the extraordinary expenditure on railways and irrigation works that have from time to time been prepared in the Public Works Department have supplied sufficient evidence of the prudence with which this part of our financial policy has been conducted, and it is only necessary to follow the same principles in the future to ensure equally sound results.

"The truth of these remarks can readily be established. In the first place the net charge for the interest on the guaranteed railway capital, which was upwards of 18 millions sterling in 1870-71, was reduced by the growth of the income to less than 300,000 *l.* in 1876-77, while in the present financial year, partly, no doubt, from the increased famine traffic, the interest will be more than covered. And though next year quite so good a result cannot be anticipated, it is certain that in these six years a net improvement of more than 1½ millions has been secured for the public revenues by reason of these works. During the same period the total expenditure on State railways has reached a sum involving a gross charge for interest now amounting to 700,000 *l.*, against which we already have a net income of 300,000 *l.* yearly, leaving a net charge of 400,000 *l.* The irrigation works carried out in the same years have led to an increase of interest-charge of 400,000 *l.*, set off by an increased net income of 200,000 *l.*, leaving a net charge of 200,000 *l.* On the whole, setting off the increased charge of 600,000 *l.* against the improved income of 1½ millions, the general result is an improved financial position of 600,000 *l.* a year, notwithstanding



the large investments made in the new works, a considerable part of which is necessarily not yet productive, though it is rapidly becoming so.

“The same general result is plainly indicated otherwise by the fact that the total charge for interest on debt of all sorts and guaranteed railway capital is in the present year less than the charge in 1870-71 by about two millions, to which sum should be added the net increase of income due to public works, amounting, say, to 500,000 *l.*, to show the improvement in the general financial position, which, if not directly due to the prosecution of these works, has, at all events, been consistent with a continued average expenditure upon them of hardly less than four millions a year. It must also be remembered that these results have been secured during a period in which very exceptional seasons of scarcity have occurred, involving charges of some 16 millions sterling.

“We assume, therefore, that the Government will continue to borrow money on these principles for such productive works.

“Now, it would be obviously absurd to pay off every year debt to the amount of 1,500,000 *l.*, and simultaneously to incur fresh debt to the same extent. What, therefore, we have to do, in the actual circumstances of the case is, by applying to the construction of these works the proceeds of the new taxes, to reduce by 1,500,000 *l.* a year the sum which we might otherwise have borrowed. The ultimate financial result of this, as will readily be seen, will be practically the same as that which would have followed if we had devoted every year 1,500,000 *l.* to the actual repayment of debt. For, returning to our former hypothesis, we shall, at the end of our 10 years, thus have prevented borrowing to the extent of 15,000,000 *l.*, and our annual charge for interest will then be less by 600,000 *l.* a year than it would otherwise have been. We could, therefore, if occasion required, borrow 15,000,000 *l.* for the relief of famine, and be in no worse a financial position than we were at the beginning of the period of 10 years.

“The soundness of this argument depends of course on the assumption that the works which are constructed from our annual contribution of 1,500,000 *l.* from the public revenues will be really reproductive, that is, that they will at the end of the 10 years produce an income at least equal to the interest which we should have to pay if we had then to replace by borrowing a sum equal to that furnished from the new taxes for their construction. This assumption, however, has no special or peculiar significance in connection with these new arrangements; it is (as I have just explained) the justification of our whole policy of borrowing money for works of public improvement. Whether we construct our railways and canals with borrowed capital, or pay for them out of this famine insurance fund, we equally assume that they will eventually give us a return of more than the ordinary charge for interest on the outlay; and, to repeat what I have said before, experience has now been sufficiently prolonged to show conclusively that, notwithstanding all the mistakes that have been made, the gradual growth of the income of the productive public works has been sufficient to protect the Imperial Treasury against any increase to the actual charge for interest on debt. This explanation will show the Council how, either by the direct discharge of debt, or by the investment of money in productive works, if the circumstances of the time should render that course most suitable, charges on the revenue may be extinguished, or new income created, which shall enable the Government to borrow in the future to the full extent to which the proceeds of the new taxes are applied, and that a true famine insurance fund will thus have been created.

“I have hitherto spoken as if the subject concerned the Imperial Government alone; and I have made no reference to the part in the arrangements which will devolve upon the Local Governments. Vitaly important as this part will, in my opinion, be, I might indeed almost pass it by on the present occasion, because it is not the subject now before this Council. We are really merely asking this Council to authorise the imposition of new taxes for the purpose of improving the financial position of the Government of India to such an extent that it will be able to undertake, with its ordinary revenues, by help of the arrangements that I have described, the duty of preserving the lives of the people in time of famine. At the same time the Government is most ready to give every explanation in its power to the Council on all parts of its policy, and I will as briefly as possible state the manner in which the action of the  
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Local Governments may be expected to conduce to the great end we have in view.

"I have on former occasions stated to the Council, with a persistency which I am afraid has sometimes wearied them, that the keystone of the whole financial policy of the present Government is the enforcement to the utmost of the responsibility of every great province of the empire for meeting its own local wants. We have given to the Local Governments largely increased powers; we declare that they alone are competent to deal wisely with the details of administration; that they have advantages which we cannot possess of seeing what the r own provinces require; and that it is only by acting on these principles that we can obtain either good provincial administration, or exercise that intelligent power of control on the part of the Imperial Government which we look upon as essential to the prosperity of the empire. It is childish to suppose that the Government of India increases its strength by meddling with details about which it knows nothing.

"A great deal has been done, and a great deal remains to be done, in carrying these principles into effect; and the most serious duty now before us is their application to the great problem of preserving the country against famine. I do not now pretend to say how this application of these principles is in detail to be carried out. The whole subject of the measures to be taken for the prevention and relief of famine is so vast that it would be mere foolishness if I were now to attempt to enter upon it. It is, as the Council and the public are aware, about to be referred to a special commission of inquiry, and certainly no greater question had ever to be studied than that on which they will have to deliberate and advise.

"If, therefore, I now am asked to describe how this money, which the Government of India proposes to devote to the relief and prevention of famine, is to be spent, I can give no exact reply. I cannot tell the Council what railways and canals will be constructed; still less can I tell them what systems of relief will be acted upon when millions of starving people have to be fed, or what changes of administration will be necessary to enable the measures of prevention and relief to be carried out under the best possible conditions. All that I can say with certainty is this, that if the great works for increasing the productiveness, and for improving the communications, of the country are to be wisely chosen, and wisely and economically executed, and if the income which they yield is to receive its best development; if again, when famine actually occurs, sound principles of relief are to be applied with real efficiency and wisdom, it will be through the agency of the Local Governments and the local authorities that these results will be obtained, and not by the action of the Central Government. Among all the responsibilities which we desire to impose on the Local Governments, the greatest of all will be that of protecting the people of their own provinces against famine. The working out in detail of the arrangements by which we hope that this object may eventually be accomplished will be a work of time. We do not disguise from ourselves the fact that many of the efforts which may be made before prolonged experience has been gained may, hereafter, be found to have been erroneous; but this is no reason why we should now hesitate to take the first steps, which seem to us at the present time to be required. We can do little more now than declare the principles which we intend to follow. I have already explained those principles. While we say that every Province must be primarily responsible for supplying the wants which arise within its own limits, we have not been able to devise any plan by which the actual expenditure for the relief of widespread famine could be charged directly to the Local Governments. When a famine occurs, local resources are necessarily for the time swamped and overwhelmed, and the whole resources of the Empire must be employed for the relief of the afflicted territory. On the other hand, to enable the Imperial Treasury to bear such great occasional burdens, all the provinces must, year by year, contribute what I have called mutual assurance payments, which payments go to form the surplus to be stored up for use in time of need; not, of course, to be stored up idly in the treasury, for that would be a reckless, purposeless waste, but stored up in the shape of unemployed borrowing power, which would otherwise have been consumed. Thus, as I have said before, resources will be created upon which the central authority will draw whenever it is found

necessary to discharge the obligations arising from what I have called the dead weight of famine expenditure.

"To maintain the principle of provincial responsibility, and to give to the Local Governments a substantial interest in the efficient and economical levying of the new taxes, these taxes will be imposed provincially; and we desire, so far as possible, to distribute the funds which will become available for the construction of railways and canals among the Local Governments with some regard to the amount of the local contributions. Although, as I have already explained, it is necessary that the special resources now created shall be at the complete command of the Government of India, we shall leave to the Local Governments, to be spent by them, a margin from the new taxes, just as we have left them a margin of the revenues from excise and stamps, which have lately been made provincial. The imposition, provincially, of the new taxes will bring home the sense of provincial obligation more fully than would have been the case if the taxes had been treated as Imperial; and the propriety will be more readily acknowledged of leaving the Local Governments to construct and maintain and profit by the works to which these new taxes will contribute.

"There is an additional advantage which we hope will result from these new measures. To whatever extent we can supply funds from the produce of the new taxes, we shall be less dependent than heretofore on borrowed money for the means of constructing our reproductive works; and we may hence reasonably hope to be able in future to provide funds for these purposes with more regularity and certainty than has hitherto been possible.

"I see in another direction also promise of further relief to the Central Government, and of great benefit to the Provincial Governments, in respect to the debt to be hereafter incurred for works of local utility. Both in Bengal and in the North-Western Provinces, steps which have been attended with marked success have already been taken for obtaining subscriptions to loans in the localities interested in works of this character. I hope that it may be found possible to develop and systematise such a means of providing the capital that may properly be borrowed for works of improvement; and that local contributions may be successfully sought under conditions which will interest the classes directly benefited by such works, not only in the provision of the funds required for their construction, but in the proper management of the works when they are completed, and in the development of the revenue which they produce.

"The arrangements which we are now making will be in complete harmony with those which were initiated in March last. The Imperial Treasury will be protected, if not wholly, at least to a very great extent, from past and future charges on account of interest on the capital invested in railways and canals. The provincial revenues will have to supply to the Imperial Treasury, or to hold at its disposal year by year, a sum equal to the interest on the capital expended on all the reproductive works, constructed either with borrowed money or funds supplied from the new taxes; and assuming that the works are judiciously designed, executed and managed, this sum will be provided by the income which they produce. The surplus income yielded by the works will go to increase the provincial revenues. These arrangements will give the best possible security for the judicious selection of the works, their economical construction and management, and for proper attention being paid to the development of the income they should produce. Their failure will entail burdens which the provincial revenues will be required to meet; their success will add to those revenues and to the resources at the command of the Local Governments in the most advantageous manner possible for the country, without more taxation and through the instrumentality of works which constantly add to the wealth of the community at large.

"I think, my Lord, that I have now made it sufficiently clear how we propose to apply the 1,500,000 £. which we hope to provide as an insurance against famine. We shall apply it virtually to the reduction of debt; and when the calamity of famine actually arrives, we hope, not only to be able to meet it without throwing fresh burdens upon the country, but to find that our means of giving efficient relief have been immensely increased by the useful works which we have carried out in the preceding years of prosperity.

The honourable Mr. THORNTON said: "My Lord,—Having been employed for some 20 years in the Panjáb, and had opportunities, in the course of my service, of becoming more or less acquainted with every district of that Province, I desire to trouble the Council with a few remarks upon the Bills now under consideration, chiefly by way of supplement to the statements contained in the speech of the honourable Mover.

"With regard to the License Bill, I have little to say, except that there has been, on the part of the district officers of the Panjáb, a chorus of consent that, if additional taxation is necessary to provide insurance against famine, no classes can be more justly called on to contribute than the trader and the artizan, for none have benefited more from British Rule, and none have paid so little for the advantages they enjoy. The form of the tax has been generally approved, and if, as we are assured by the honourable Mover will be the case, though it does not so appear on the face of the Bill, the tax is not to affect persons with incomes of less than 100 rupees per annum, it certainly cannot be regarded as a tax upon the very poor.

"But it is to the Bill for the levy of additional rates on land in the Panjáb that the greatest objection has been raised. It has been urged on the one hand that the land cannot bear the additional burden it is sought to throw upon it; and on the other, that it will be regarded as a mere addition to the land revenue demand and in breach of the engagements made at settlement. Now, in regard to the first point, personal observation enables me confidently to endorse the opinion of the honourable Mover, that the landowners of the Panjáb can well afford the proposed insignificant addition to the local rates; for, in common with most observers, I am satisfied that, owing partly to the moderation of the land revenue assessments, partly to the security of title derived from the record of rights, partly to the room for extended cultivation, partly to improved communications and other results of British administration, the agriculturist of the Panjáb is, as a rule, eminently prosperous and thriving. But individual opinions upon a point like this are less valuable and less convincing than a few plain facts, and I trust, therefore, it will not be deemed out of place if I take up the time of the Council in citing a few facts in support of my assertions.

"I will begin, then, by endeavouring to give some proof of my assertion regarding the moderation of the land revenue assessment in the Panjáb. For this purpose I cannot do better than call the attention of the Council to page 9 of the General Summary prefixed to the Panjáb Administration Report for 1875-76, where will be found a concise history of the land revenue assessments of the Province from before its annexation to the present time. The substance of the information there given is as follows:

"Under the Sikh Government the principle of land revenue administration was a very simple one. The State, as proprietor in chief, took from the land all that it could get; in other words, it absorbed and appropriated the entire rental. It handed over whole tracts of country to the mercy of farmers of the revenue, and the farmer of the revenue often took as much as one-half the gross produce of the land, besides a multitude of cesses under the names of *rasám*, *nazráná*, and the like, and exorbitant *finés* on succession. After the first Sikh war the Panjáb came, not under the dominion, but under the paramount influence of the British Government, and one of the first points to which the attention of the British advisers of the Sikh Darbár was turned was the oppressive character of the land revenue administration. Accordingly, the State demand was reduced and settlements made of the land revenue, for terms of years, on the basis of the State taking, not *half*, as previously, but *one-third*, of the gross produce. This arrangement was at the time hailed with delight by the agricultural population as a very liberal concession. Then came the second Sikh war, followed by the annexation of the Panjáb; and very shortly after annexation, measures were taken to introduce what are termed regular settlements into the Panjáb; these are, as most of the Council are aware, settlements of land revenue for terms of years, made after careful survey and enquiry into assets. Well, when these regular settlements were first introduced in the Panjáb, the system then in force in the North Western Provinces was adopted, under which the State's land revenue demand was limited to two-thirds of the net assets or landlord's rental, amounting to about one-fourth of the average gross produce; that is to say, the British Government commenced its revenue system by claiming as its share of the rental just half the amount

that had been taken by the Sikhs. Since that time a further concession has been made, and the State's demand has been further limited to *half* the net assesses or rental, and all more recent settlements have been and are being made upon this principle. And it must further be observed that, though the assessments are levied upon the principle of the State, as chief proprietor, taking half the rental, in practice the amount taken is considerably less than half the rental. Measured in kind the State's demand may be said never to exceed one-sixth of the gross produce; it is frequently not more than one-eighth, one-tenth or one-twelfth; and in some tracts where the rainfall is scanty, it is not more than one-fifteenth of the average gross produce, the value of which is calculated at its average price for a period of from 20 to 30 years. Let us now see what effect this liberal policy, working in combination with the other causes I have adverted to previously, has had upon the position and prospects of the agriculturists in the Panjáb. One result is that there is a striking difference in the amount of land revenue demand in British territory on the one hand, and in the territory of adjoining Native States on the other, a circumstance greatly conducive to a feeling of contentment in the British subject. Another result is that the land revenue, even after new assessments involving considerable increment of demand, is collected with the greatest ease; another effect may be seen in the improved clothing and manner of life of the agricultural population; but perhaps the increasing wealth of the peasantry will be better gauged by the following facts taken from the returns appended to the Administration Reports. In the year 1868-69, the first year for which the statistics of area and cultivation prescribed by the Government of India were prepared, the cultivated area of the Panjáb Province (exclusive of course of Native States) was in round numbers 20,100,000 acres, and the land revenue demand 217 lakhs of rupees. This demand fell at an average rate per cultivated acre of one Rs. 1. 1. 3., a rate of incidence which experts will admit to be very moderate in comparison with the rate of incidence in other parts of British India, and still more so in comparison with rates prevailing in adjacent Native States.

"In 1872-73 (five years later) the cultivated area had increased from 20,100,000 acres to 22,600,000 acres, and the revenue demand, though it had been intermediately increased in the ordinary course of settlement, fell at the average rate of only Rs. 0. 15. 7. per cultivated acre. In other words, extension of cultivation had reduced the revenue demand per acre by 10 per cent. I regret my inability to produce statistics of more recent date, but the reason is that, with a view to save labour and inconvenience to the people, the statistics from which I have quoted are prepared, not annually, but quinquennially. But I have little doubt that the next quinquennial return will show a similar if not a greater extension of cultivation, and I am informed that the Spring-crop, now in the ground in the Panjáb, is by far the most extensive ever known.

"Concurrently with this expansion of cultivation and the steady reduction in the originally moderate rate of incidence of land revenue, there has been a most remarkable increase in the selling price of land. At the time of annexation, such was the crushing character of Sikh taxation, that ordinary agricultural land had scarcely any market value at all. In the year 1859, when I had the honour to hold the post of Secretary to the Financial Commissioner of the Panjáb, the average selling price of revenue paying land was, I recollect, a little less than four years' purchase of the assessment; in 1868-69, 10 years later, the average selling price of land was 18 years' purchase of the assessment; in 1873-74, or five years later, it was 28 years, and by the last return, that for 1875-76, it was 30 years' purchase of the assessment.

"Now, as the agricultural interest of the Panjáb is not made up of a limited number of large landed proprietors and a mass of tenantry, but is composed chiefly of a multitude of small landowners, this enormous rise in the value of land does not mean, as it would mean in the case of England or Bengal, that a few individuals have become millionaires, but that the mass of the agricultural population are, so far as the value of their land is concerned, more than six times as well off as they were twenty years ago.

"With these facts before us, it is impossible to believe that the slight increase now proposed to the local rates will cause any serious inconvenience; for what does the Government ask? Why, it asks a body of landowners, whose property has more than sextupled in value, to pay a famine insurance rate for that property, amounting on an average to one farthing per acre per annum.

"But

"But though the general condition of the Panjáb peasantry is such as I have described, I would guard myself against being supposed to assert that such condition is universal. Here and there it may be that, owing to special causes, the state of the agriculturist is not so prosperous; for instance, on the banks of those great irrigation works, the Western Jumna and Bári Doáb Canals, there are cultivators whose physique and energies have been destroyed, and whose lands have been defertilised, by that fashionable panacea—high level irrigation. In their case, and in the case of other exceptionally circumstanced tracts, some relaxation of the demand may be required; but for such cases ample provision is made in the proposed enactment, for in clause (d) of Section 15 it is declared that 'the Lieutenant Governor of the Panjáb may by notification from time to time \* \* \* exempt wholly or in part any portion of the territories under his government from the operation of this Act; or exempt any land from liability to pay the whole or any part of any rate under this Act, and cancel such exemption; and it is matter for satisfaction that the working of this provision, as well as of the other provisions of the enactment, will be in the hands of one who is perhaps better acquainted with the character, feelings, and resources of the people of the Panjáb than any other living Englishman.

"But while there can be no doubt that the landowners of the Panjáb can generally well afford to pay the slightly enhanced local rate it is proposed to levy, it is equally certain that the enhancement will be regarded, like the original rates imposed in 1871, as an addition to the land-revenue demand, and practically, if not literally, an infringement of the engagement made at settlement; and, do what you will, the Panjáb landowner will continue of that opinion. Explain to him with all the lucidity a trained intellect can command, that the land-revenue is the share of the rental taken by the Government, as proprietor-in-chief, and that the local rate is a tax on rent taken by the Government as Government; and he will reply, in the present instance it is to be hoped with a smile, that this appears to him to be a 'distinction without a difference.' This being the case, it has been suggested in the correspondence which is before the Council and in the public Press, that it would be better, in the event of its being necessary to tax the agricultural population, to dissociate such taxation from the land, and levy it in some other shape, such as a house-rate or an income-tax. Theoretically, there is much to be said in favour of the proposal, but looking at it from a practical point of view, I cannot agree in the suggestion, for the practical inconveniences would, I feel sure, outweigh the theoretical propriety of the arrangement. Assuming, as we must assume, that the Government is not precluded by the land-revenue engagements from levying an additional rate upon the land, and assuming, as we must assume, the necessity for taxing the agriculturist, I can conceive no other form of taxation less open to objection by the taxpayer than the one which has been adopted, namely, a percentage on land revenue. Any other of the alternative forms of taxation which have been suggested has the great disadvantage of involving, *inter alia*, special enquiry and assessment and a special agency for collection; the form of taxation proposed in the Bill has the great advantage of involving nothing of the kind.

"We have now got thus far in the consideration of the Bill: we have attempted to show that the additional tax upon the land is insignificant in amount, that the Panjáb landowner can afford to pay it, and that the form of taxation proposed is, upon the whole, the best that can be devised in his interests. The fact unfortunately remains, that the tax will cause a certain amount of dissatisfaction and distrust in the minds of the taxpayers. Not indeed that there will be any active discontent, for the landowner in the Panjáb is far too loyal, far too well disposed, far too well off to think of disobedience; but there will undoubtedly be a feeling of dissatisfaction which it seems desirable, if possible, to mitigate, even if it may not be possible to remove it altogether. What then can be done to mitigate this dissatisfaction? Well, as to this, I think, perhaps, we may learn a lesson from the past. In the year 1871, when the local rate was originally imposed, there was considerable dissatisfaction among the landowners; but this has, we are told, completely died away. And why has it died away? Because it was arranged that the local rates should be made over to district committees on which the landowners were to be largely represented, and spent before the eyes of the people in the districts for which it

it was raised; hence, in the year following, the imposition of the rates, the Lieutenant Governor of the Punjab was able to report as follows:—

“ Any dissatisfaction which may have existed at the time the cess was first levied has now died away, as the people see that the funds are expended for their benefit.”

“ Now I am perfectly aware, that this course cannot be exactly followed in the present case. The funds cannot be made over to committees, and spent in the districts from which they may be levied; but may not something be done to show the taxpayers and the public generally, clearly and unmistakeably, that ‘famine insurance’ is not a mere pretext for raising money for general purposes, but that the tax is *bona fide* expended on the object for which it is raised? My friend, the Honourable Mahārājā Jotindra Mohan Tagore, has dealt with this subject, in a letter addressed by him to the Bengal Government, in his capacity of Honorary Secretary to the British Indian Association, a copy of which has been laid before the Council, and his suggestions seem worthy of consideration.”

The Honourable Mr. COLVIN said:—“ My Lord, I wish to make a few remarks upon the subject of the Land Rates Bill.

“ Some doubts have been expressed, both in this Council and outside it, as to the propriety of adding any further to the contribution which is already made by the land towards the necessities of the State.

“ I think that some of these doubts and objections may arise out of mistaken impressions relating to the history and nature, and the pressure, of our land-revenue upon the people, and that these may be dispelled by a further and fuller knowledge of the facts. The subject of the land revenue in India is tedious and uninteresting, intricate in some of its details, and, above all, it is strange and unfamiliar. The ideas out of which it has grown, and which it has not yet ceased to represent, are so different from anything which we are accustomed to see in England, that it is not easy to get rid of the distorting medium which our English experience constantly interposes between ourselves and the true facts.

“ Erroneous impressions about it, therefore, are not uncommon, and it may not be out of place if I recall what the actual position of the land-owning class is in those Provinces to which the Bills now before the Council are intended to apply. I propose to do this as generally and briefly as it is possible for me to do. I must ask for the forbearance and patience of the Council if, in what I propose doing, I unavoidably go over ground which to many honourable members is only too familiar. But it would be difficult to make the arguments which justify additional taxation of the land easily intelligible to everybody, without first giving some sort of statement of the facts upon which they rest.

“ The land revenue in Upper India, as everybody knows, is only a portion of what would be called in Europe the landlord’s rents. The State, or the Sovereign, is the paramount landlord in India, and the share of the rent taken by him in old times, however it may have been restricted in theory, was in practice limited by nothing but the power of the subjects to offer, in some shape or other, an effectual resistance to his demands. It is not an incorrect description, I believe, to say that this was the state of affairs to which the British Government succeeded in all of the Provinces to which the Bills before the Council relate when they passed into its hands. I mean, that the division of rents between the Ruling Power and the land-owning class was subject to no limitation except that of

‘ The good old rule, the simple plan;  
That those should take who have the power,  
And those should keep who can.’

“ The precise amount of the share which was left by the proprietor in the early days of our rule cannot now be ascertained. It was supposed to be a certain portion of the total produce; but as nobody could say, either now or then, what the total produce is, this leaves room for indefinite speculation. It is pretty certain though, that in the earliest acquired Provinces, the North-Western Provinces, it was something less than one-fifth of the rents paid by the cultivators. For in 1822, when the first regular settlement was contemplated

plated, and steps were taken towards adjusting the respective shares of the landlord and the State for a longer term of years than heretofore, it was declared that at least 20 per cent. of the entire rental of each estate should be left to its owners. In less than 20 years after 1822, fresh settlements, which lasted for a term of 30 years, were made, and by these the landlord's share of the rental was increased from one-fifth to one-third of the rental receipts. But the liberality shown and concessions made by the State did not stop here. When the settlement for 30 years, which has just been referred to, expired, fresh arrangements were entered into, by which no less than half of the rental was given up to the land-owning class, and an equal division was made between them and the State of the profits derived from its ownership. This is still the proportion in which the rents are divided between the two; one-half goes to the proprietor of the estate, and one-half into the public purse. This is an immense advance for what has become the landlord class from the poor and insignificant position which they occupied when they first came under the control of the British Government. Looking to the proportionate amount only of the rental which they now enjoy, and comparing it with their former share, we see that they are more than twice as rich as they were. But even this conveys no adequate idea of the great improvement which has taken place in their circumstances. It is not only that they have obtained a larger share of the produce, but that the value of that produce has enormously increased. Contrasting the present prices of agricultural produce with those of (say) 60 or 70 years ago, I doubt if I exaggerate when I say that its money value has doubled, and it would perhaps be safe to say that the land-owning class as a body, instead of twice, are four or five times as rich as they were at the beginning of the century. An illustration of the progress made in the Panjáb has been given by the honourable Member who spoke last, and the fact which he has mentioned, that land which used 30 years ago to sell for three or four times its annual value will now fetch 20 times the amount of its revenue and more, is true of many other parts of the Provinces for which the Bills have been framed. Everywhere there has been an extraordinary rise in the value of land. The cost of living, on the other hand, has no doubt increased. So far as this is caused by a rise in prices of the commodities that the agricultural classes have to buy, it is, of course, a drawback to their prosperity; but in so far as it is due to greater comfort and a higher standard of living (and I believe this to be a more potent cause than the other) no abatement is necessary. Making all necessary drawbacks, the fact of their great advance in wealth and prosperity is too plainly evident to be called in question. It must be borne in mind, too, that whatever the industry and intelligence of the proprietary class may have been, this improvement in their position is, in very great measure, due to the direct action of our Government. It is scarcely too much to say that it has created proprietary rights in the soil. It has secured them by maintaining good order and tranquillity. And it has added indefinitely to their value by furnishing marvellously improved and accelerated means of communication, and by opening markets for the produce of the land, of which the people of two generations back never even dreamed.

"This is the history of the way in which the lauded interests of the North Western Provinces have been dealt with. It can scarcely be said that the conduct of the Government towards them has shown any inclination to oppression and rapacity. The history of the other three Provinces in which it is now proposed to add slightly to the taxation of the landlord classes, differs in no important respect from that of the North Western Provinces. They passed into our possession later, when our policy had become more liberal; therefore they never received so small a share as the proprietors of the North Western Provinces were restricted to in the early days of our rule. In none of them, speaking generally, has the Native proprietor's share been less than one-third of the entire rental since they became British territory. And now, I believe that it nowhere is a smaller proportion than one-half, indeed in many parts the proprietors are actually in the enjoyment of more than a half.

"So far I have spoken of what is generally meant by the word land revenue when it is used in this country, that is, the Government share of the rental in each estate.

"I come now to those rates which are levied from land, in addition to the land revenue. These rates are taxation in a direct shape.



“They are not claimed as part of the great customary rent-charge which the State receives from the land and which constitutes its land revenue. They are levied from time to time, as direct taxation, apart from that rent-charge, and are paid by the landlord out of that share of the rental which furnishes his own income. I will not stop now to consider the justice of this form of taxation, though it appears to me as right and just as taxation in any shape can be. I wish at present only to consider the nature and amount of these rates.

“They vary in the different Provinces to which the Bills before the Council are applicable. They are highest in the North Western Provinces, where they amount to 5 per cent. on the rental. They are lowest in the Central Provinces, where they do not exceed  $2\frac{1}{2}$  per cent. In Oudh they are  $2\frac{1}{2}$ ; and in the Panjáb  $3\frac{1}{2}$  per cent. upon rental. A portion of these rates is old, and a portion of recent imposition.

“The 5 per cent. which is taken in the North Western Provinces is no new taxation. It has been levied for a great many years past. I mention this because I have seen exception taken to the levy of the additional rate of 1 per cent. for famine purposes, which is now proposed, on the ground that only so lately as 1871, the people of the North Western Provinces were subjected to new and extraordinary taxation which swallowed up 5 per cent. of the entire rents of their estates. It is as well that a misapprehension of this sort should be corrected. The truth is that the Local Rates Act, 1871 (except as far as it related to that small portion of the North Western Provinces which is permanently settled), did not impose any new taxation at all. It merely legalised rates which had been actually collected for a long time prior to 1871. It should be clearly understood that the 1 per cent. now under consideration will, if passed, be the only new tax (excepting the income tax) which has been imposed upon the land-owning community of the North Western Provinces as a body for the last 20 years or more.

“In Oudh, of the  $2\frac{1}{2}$  per cent. which the native proprietors pay,  $1\frac{1}{2}$  was newly imposed in 1871, and  $1\frac{1}{2}$  was of older standing.

“In the Central Provinces the  $2\frac{1}{2}$  of the rental which is paid, dates entirely, I believe, from the last settlements, that is, from 10 or 12 years ago.

“In the Panjáb the existing rates were first imposed in 1871. These rates are high, but we have heard from the honourable Member who spoke last how very far they are from being a heavy burden upon the resources of the people, and how little dissatisfaction they created, though they were much heavier than the rate which is now proposed.

“The present relation between the State and the land, then, in the Provinces of which I am now speaking, may be summed up broadly thus:—That the State in its capacity of landlord enjoys one-half of the rents paid by the land, and that it also directly taxes the native proprietors of the soil by rates applied to local purposes which range between  $2\frac{1}{2}$  and 5 per cent. of the entire rents that pass through their hands.

“The measures now before the Council, if passed, will raise the amount of this latter payment by 1 per cent. all round; and some doubts have been expressed, as I said at the commencement, of the propriety of such taxation.

“These objections, so far as I have seen or heard or understood them, have been directed partly against the justice of the proposal, and partly against its expediency.

“As regards the injustice of such taxation, it is said, in the first place, that the agricultural classes are already contributing more than their fair share to the general revenues of the country.

“Well, it is true that the land revenue does supply rather more than two-fifths of the total public income of India. Judged by our European standard, this may naturally seem an excessive amount. But if we wish to judge rightly, the first thing that we have to do is to put European standards out of our head, and to consider facts, not as they exist in other countries, but as we find them in this. If the landlords of England were compelled to-morrow to resign one-half of their rental to supply the public necessities, no doubt it would be felt as nothing short of confiscation. In India, as we have seen, taking one-half of the profits of land, is making a large and liberal concession to its owners. We must not lose sight of the fact that it is not the income which a man has never had, and which he has never dreamed of having, that he feels

it an oppression to be deprived of. It is the money deducted from his ordinary and accustomed means of living that he misses, and the taking of which comes home to him as taxation. Looking at the question from this, which seems to me the true point of view, and remembering that what they pay as land revenue has never formed part of their income, I do not think that it can fairly be said that the proprietors of the land are unduly burdened. Their accustomed means of living, so far from being less, are much greater than they were in former times. If we take the case of the North Western Provinces, where the rates are considerably higher than anywhere else, and add the amount of them to what is paid to the State in its capacity of landlord, we find that out of every 100 rupees of rental, not more than 55 rupees go into the treasury, namely, 50 rupees as land revenue and 5 rupees as taxation. If we add the 1 rupee, which it is now proposed to take, it will be 56 rupees. Half a century ago, 80 rupees would have been required; and up to 20 years back 66 rupees would have been demanded by the State. The landowners therefore are receiving much more, and contributing much less, than they have ever done in times past. I have taken the case of the North Western Provinces as that in which the claims of the State are largest. The argument, of course, is still stronger in the other Provinces, where the payment made by the proprietors is smaller. In the face of these facts it seems to me impossible to make good any case for further indulgence towards agriculturists as a class. Assuming that they are in a position to contribute without hardship towards the funds which are required for the general protection of all classes from famine, I would ask, how they can be exempted from doing so without inflicting very great injustice on all other classes? The population of the Provinces to which the Bills now under consideration are intended, to apply, is mainly agricultural. The proportion which the agriculturists bear to the entire population in them ranges between 56 and 64 per cent.; roughly speaking, it is about 60 per cent. We can judge from these numbers what the effect would be of exempting the agricultural class entirely. It would compel two-fifths of the people to pay for the support of the entire community in all future times of scarcity and famine. It seems to me sufficient to state a consequence of this sort, in order to show how impossible it would be for the Government, with any regard to justice, to exempt the agriculturists from taxation.

I go on now to consider those objections which, without impugning the justice of taxing the profits of agriculturists, throw doubts upon the expediency of doing so. A principal objection of this sort is that the prosperity of the country mainly depends upon its agriculturists, that the great majority of these are very poor, and that to impoverish them further, by taxation, is, if not to kill, yet to injure very seriously, the goose upon which we depend for our golden egg. Now the fallacy of this argument, as it seems to me, is that it confuses the cultivators of the soil with its proprietors. The cultivators do, no doubt, form the mass of the agricultural community, and I fear that many of them are very poor. But I agree with the honourable Member in charge of the Financial Department in demurring to the next step in the argument, which is, that imposing 1 per cent. upon the landlords will make the cultivators poorer. I do not believe (generally speaking) that such a tax will affect them at all. The class which is taxed is that of landed proprietors, of men who live, not by cultivating the soil, but by enjoying the rent which is paid for its occupation by the actual cultivator. A powerful landlord, I am quite prepared to admit, can do a good deal that is irregular in this country, as in others, without being checked. But I think that this is very far from being true of all proprietors of land in the Upper Provinces of India, where large properties are the exception and not the rule; and I do not believe that illegal methods of transferring the incidence of this tax are likely to be generally successful there. Nor am I convinced that the legal powers which landlords have of enhancing their rents will help them to shift this tax on to their tenants. This will be evident if we consider the practical working of any attempt to do so. Suppose that a proprietor owns an estate with a clear annual rent of 100 rupees; he is enjoying 45 rupees of these under the existing settlement, and paying 55 rupees to the Government, 50 rupees for land revenue and 5 rupees for rates. When the extra 1 rupee of taxation is imposed, he will be receiving only 44 rupees and paying 56 rupees. Suppose, again, that this proprietor is entitled, under pre-

sent rules, to enhance his rents, so that they will yield him 105 rupees instead of 100 rupees, and that he does so. Still, by raising his rental, L<sup>r</sup> has not recovered his extra 1 rupee of taxation. This right of raising his rents does not depend upon the taxation which has been laid upon him, but upon grounds altogether irrespective of that. He could have improved his rental therefore up to 105 rupees in any case, and will still be poorer by the additional 1 rupee that he has to pay into the Treasury.

"I do not mean to say that calculations of this sort can pretend to anything like mathematical accuracy or to be of universal application; but, making every allowance for the working of unforeseen causes, I think that the most reasonable expectation regarding the incidence of the proposed tax is, that it will not fall upon the poor and laborious tenant class.

"A further argument which has been used against the proposed tax is, that it is a breach of faith, and as such, likely to lead to serious political dangers.

"So far as the tax can be said to have met with any opposition at all, I believe that the misgivings which have been felt have originated in feelings, more or less well defined, of this nature. And if such a feeling were deep-seated and universal, even though it might not be well founded, it would furnish a very strong ground of objection. It is worth while, therefore, to see what amount of real force is contained in it.

"In doing this, I do not purpose to waste the time of the Council by any arguments directed to show that no breach of faith is actually committed by the imposition of a rate upon land, distinct from, and in addition to, the fixed demand upon it on account of land revenue. That controversy was fought out and settled some years ago, and the results of it have been sufficiently referred to by the honourable Member in charge of the Financial Department in his speech to-day. Those who have still any doubts upon the conclusion which was then finally adopted, that the limitation of the land revenue does not confer an absolute immunity from direct taxation, in every shape, upon the classes who pay it, can look back to the records of the discussions then held, and they will, I think, find their doubts satisfied.

"I only wish now to say a few words upon the political importance which may rightly be given to any impression, right or wrong, on the minds of the people of this country, if there be such an impression, that they are being oppressed or unfairly dealt with.

"In the first place, I question whether the levy of an additional 1 per cent. will give rise to any strong feeling at all.

"In judging of its probable effect upon the people, I think we may dismiss from our minds all distinctions of land revenue and land rating, of the State's share as landlord, and its requirements as tax collector. It is not that I believe that these distinctions do not really exist. On the contrary, I have no doubt that they do, and that they are highly important. But I should not say from my experience that the people take much account of them. It is so happened that, from motives of convenience and economy, the manner in which the land tax has been levied, and the machinery for levying it, have been the same as those by which the land revenue has been collected. It is not by any means necessary that this should always be the case, and I hope that the advantages to be gained by changing the present mode of taxing the land, for one that distinguishes it more clearly from the land revenue; will, in time, outweigh what I admit to be at present the much greater counterbalancing advantages of the existing system. When that time comes, a distinction between land revenue and rates may perhaps arise in the minds of the landed proprietors who pay them. But at present I doubt if they draw any practical distinction between the two. They pay so much into the Treasury. The Government may credit the money as it pleases; but to their minds it is one payment, and the whole of it made out of their own pockets, because the actual cash has passed through their hands, and they hold a receipt for it. It does not occur to them that the greater part of it, namely, that which represents their land revenue, has been paid over to the ruling power in the same way by their forefathers from time immemorial, and that it will continue to be so paid through any length of future time that we can look forward to, by themselves and their descendants, and that therefore this money has never belonged to them in any proper sense of the word. But though this payment, regarded from their point of view, may be a large one, it does not seem so to them.

them. They have always been accustomed to make it, and do not grumble at it. Nor do they trouble themselves with any nice considerations of the precise percentages in which the profits of the land should be divided between themselves and the State. All that they are concerned about is, that their means of subsistence should never be seriously curtailed. I hope that it has been sufficiently shown to the Council to-day, that there is no danger of any such considerable curtailment from the addition of another rupee per cent. to their payments, and, as long as this is the case, though they may not like the extra payment, as who does like making payments, there will be no dissatisfaction, I believe, such as a Government need take any account of.

"So far as to the likelihood of any strong feeling being aroused by the measures before the Council. Next as to the 'breach of faith' objection, I cannot help thinking, when this argument is used by the tax payers, that it is employed more for the effect that they hope it may produce upon those whom they are addressing, than because the argument carries any very great force to the speaker's own mind. The levy of cesses or rates in addition to land revenue has been familiar to the people for generations, and in some of the Provinces affected they have been paying much heavier rates than are now demanded for many years past without a murmur. If they had really felt this to be a breach of faith, I think we should have heard more of this objection before now.

"Again, any objection which is taken on this ground to the proposed tax, is just as applicable to an income-tax, which has been levied from the agricultural classes at different times during the past 16 years. The cases are precisely similar. I know of no argument which applies to the one, that does not equally apply to the other. Yet, though I cannot say that the income-tax was anything but an extremely unpopular tax in the part of the country where my experience has been, yet I do not remember that there was any strong or general feeling against it on this ground in Upper India. The agriculturists did not expect to escape from having to help in bearing the common burden, and submitted without serious discontent to their share of it during the continuance of the income-tax. I do not know why we should suppose that they will be more suspicious and less reasonable now.

"I have referred now, as far as I am able, to the principal arguments which I have seen urged against further taxation on the land; but in conclusion, I would remark that they do not appear to have found anything like general expression. It is true that expressions of opinion in matters of this sort are apt rather to follow, than to precede, measures in this country. It is one of the recognized difficulties of the Indian Government that there are such imperfect means of ascertaining the sentiments, and feeling the pulse, of its subjects. In the Provinces which will be affected, there is no Press which faithfully reproduces public opinion. That opinion must be sought for and found as best may be. The surest means that exist at present of learning the course of public sentiment is through the local officers of Government who are distributed over the country, who are in constant communication with people of all classes, and who will not hesitate to express frankly and fearlessly what they believe to be the general feeling of the country. Now, it is from these local officers that the local governments and administrations derive their information, and by them that they are in great measure guided in their action. It is a significant fact, then, that of the local governments and administrations concerned, with whom the responsibility will rest of collecting the tax, there is not one that has expressed any doubt or hesitation about the taxation of the land. They have on the contrary signified their cordial approval of it. This, I think, is the best assurance that it is possible for us to have, that the measure is not radically distasteful to the people affected, and the best assurance that there will be no great difficulties in enforcing it.

"But even if these difficulties were likely to be far greater than I anticipate, I do not the less think that it is not only proper, but absolutely necessary, to carry the proposed measures into execution. The taxation of the land must not be judged of by itself; it must be regarded in connection with the whole scheme of which it forms a part. That scheme is intended to provide for the famine expenditure of the whole country, an expenditure which is no old and recognised want of the administration, but one, the necessity for which has only come to light within the last few years. It is a charge which the old ways and

means of the Empire are quite inadequate to meet; and the money which is to be raised will be applied for the benefit of all. In providing the money for a new and general necessity of this kind, it would be so grossly unjust to exempt upwards of one-half of the population from stirring so much as their little finger towards lifting the common burden, that the difficulties and perils of any such course would, I am convinced, be far greater than any which can result from the measures which the Council are to-day asked to pass."

His Honour the **LIEUTENANT GOVERNOR** said:—"My Lord,—Though the measures now under the consideration of the Council do not immediately affect the Provinces under my charge, they are the outcome of a policy which applies to the whole country, and I hope that I may be permitted to say that I think that the explanation which has been given by the honourable Member will be considered to be perfectly satisfactory. There is one fact on which my honourable friend has laid considerable stress, which cannot be questioned, and that is, that the policy in respect to famine-relief and famine-prevention, which has been accepted by the Government of India, I believe with the full concurrence of all parties, both in this country and in Europe, cannot be carried out without an increase of means, and these means can only be obtained by an increase of taxation. This being admitted, I must say that it seems to me, and I find that it is the opinion of most well-informed and thinking men, that no measures could have been devised more likely to be efficient, equitable, and unoppressive, than the measures which have been determined upon by your Excellency's Government.

"There is no question that the proper principle to follow in respect to the raising of revenue for such purposes as that which has led to the present schemes of taxation is, that all having a permanent interest in the welfare of the country should bear their share of its burdens. The measures now before the Council adjust the incidence of taxation upon all interests, whether trading or landed interests. And though it has been alleged that the taxation has been thrown altogether on the poor, the license-tax does not touch any of the quite poorest classes, because those who have incomes of less than 100 rupees a year are exempt, and though it may be difficult for men who know nothing of the country to realise, practically, a native with an income of 100 rupees a year is in a better position than a European trader or mechanic in Europe with an income of 100 *l.* a year; I am sure that every one really acquainted with native habits and modes of life and requirements will agree with me that this is so.

"I see that some objections have been raised to the levy of cesses on the landed interests of the North Western Provinces on the ground that the cesses now levied do not extend to Bengal. Those who argue in this way seem entirely to forget that Bengal set the example of contributing such a cess to the Imperial Revenues, and last year relieved the Government of India of nearly 300,000 *l.*, by imposing on the land charges hitherto borne by the Imperial Government. It would have been most unreasonable and unfair that this taxation should have been maintained in Bengal while the landed interests of the rest of India were left free. Last year the only taxation imposed on the North Western Provinces was a low license-tax, while Bengal raised enough to meet the demands of the Imperial Government by a cess on land; this year the Government of Northern India have supplemented their trades license-tax by a cess upon land, while Bengal has supplemented its cess upon land by a license-tax.

"It is nothing to the point to urge that the results leave the Bengal zamindár in a better position than the North Western Provinces zamindár: that really has nothing to do with the question. The object of the present measures is not to equalise the incidence of the assessments and charges upon land throughout India, but to levy an additional rate for a special purpose from one end of India to the other. Out of the money (1,500,000 *l.*) now required by the Government of India for the construction of works to prevent famine, Bengal will contribute 600,000 *l.*, or nearly one-half; and the outcry that she has been unduly favoured is most unjust and unfounded. It must be remembered that, till the last settlement, the zamindárs of the North Western Provinces had to pay to Government two-thirds of their collections, while they retained one-third. For no very apparent reason, when the new settlement was made,

made, they were only called upon to pay half, keeping one-half. Admitting as I do that it is sound policy of the Government of India to limit its demands on the country to its actual requirements, and to distribute the burden of taxation as evenly as is practicable on all classes of the people, I should be sorry to condemn the principles of the present settlement; but the fact remains that, if the present settlement had followed the lines of the old settlement in respect to the shares of Government and the landholders, Government would, setting new cesses aside, have received two millions more per annum than it receives now. And making all allowances for new cesses, including those now imposed, the landowners of the North Western Provinces are receiving  $1\frac{1}{2}$  millions more than they received before. And now that its imperative requirements have increased, I do not consider that there is anything unjust or unreasonable in Government imposing upon the classes who received these great benefits the same burden which is imposed upon all other classes; and, after all, the entire fresh charge thrown upon the landowners in the North Western Provinces is only 80,000L or 90,000L.

"Of course it requires no very great ingenuity to find some sort of objection, theoretical or practical, to every kind of tax; and I am sorry to have to say, that those who are loudest and most unreasonable and impatient in their demands that Government should take upon itself the liability of relieving and preventing famine, and of constructing extravagant works of irrigation, are the first to put into the mouths of the people reasons why no one should contribute anything towards such a purpose. But the money has to be raised, and, this being so, I must congratulate your Excellency's Government as to the substantially fair and even manner in which this liability has been distributed."

The Honourable Sir JOHN STRACHEY said:—"My Lord,—In the discussion that has now taken place on the Bills before the Council, several questions of importance have been referred to, but I have said already all that I feel called upon to say upon most of them, and some of these questions have been completely disposed of by preceding speakers. There are, however, still a few points which have been raised, on which it seems right that I should offer some further explanation.

"First, as to the suggestion that these taxes should be imposed only for a limited period of time, in the hope that greater economy in military expenditure, or otherwise, may render their retention unnecessary. This suggestion has not been repeated to-day, but it was made at one of our former meetings, and I then promised to notice it.

"In reply to this, I would remind the Council that, before the Government resolved to introduce these measures, it carefully inquired whether any present reduction of expenditure could be made, and for the reasons I before stated, it was satisfied that, so far at least as the civil expenditure was concerned, no substantial relief could thus be obtained. In regard to the Home Military Charges, I sufficiently indicated the anxiety of the Government to obtain their reduction, or if that were not practicable, at least to prevent their increase; but here the remedy is neither in our hands, nor in those of the Secretary of State for India. If any remedy is to be found, it can only be applied by the British Parliament. The circumstances, however, are obviously not such as to give any justification for our relying on such a reduction of charge as could affect our present calculations.

"Next, I must remind the Council that we have still not provided for a considerable part of the ordinary surplus of half a million, which we are bound to secure irrespective of the special surplus of  $1\frac{1}{2}$  millions to constitute the insurance against famine, and that we have reckoned on future possible increase of income or reduction of charge to make good the sum that we still had to provide.

"Again, it is to these possible improvements of income, or to increased economy, that we have to look for meeting those future unforeseen charges for which experience shows that we must be prepared, and we may consider ourselves fortunate if such charges can thus be met without fresh calls for taxation.

"Lastly, the causes which have led to our present demands are unfortunately permanent, and not temporary, and the resources we create to meet those demands must be permanent also, or at all events they must continue until

evidence is forthcoming that such a change of circumstances has arisen as will justify our abandoning them.

"It was suggested at a previous meeting of the Council, and the proposal has been urged in a memorial received from the British Indian Association, that a separate fund should be created from the produce of the new taxes, for the objects now in view by the Government. I think it desirable to make a few observations on this subject. It may first be said that the money obtained by the new taxes, will in fact be applied, either to discharge of debt, the special origin of which cannot be ascertained, or to the construction of useful remunerative works of precisely the same description as those on which a far larger sum has hitherto been spent year by year, partly obtained from the general revenues, and partly from borrowed funds. It is not the intention of the Government to reduce this outlay; on the contrary, it hopes to be able to increase it. To create any separate fund, therefore, would be to make a perfectly arbitrary and artificial distinction between a small part of the outlay, say 1½ millions, and the larger part, say three millions, on works in themselves not really distinguishable in their character or objects. Such a division would be, not only useless, but mischievous, and could not practically be maintained. It would necessarily lead to artifices in adjusting the grants and accounts, which would create suspicion and cause much trouble to all concerned.

"In fact, what the Government desires is to establish a sense of the obligation under which it is placed in respect to the expenditure due to famine, which shall be felt in the same way as the obligation to provide proper Courts of Justice, Police, Education, and so forth. For none of these objects has it ever entered into the mind of any one to suggest a special allocation of the revenue or a separate fund. Nor can any greater reason be found for a separate famine fund than for separate funds for any of those other objects which are obligatory on the Government.

"The intention of the Government is to obtain the means of meeting the charges that arise in all parts of India on account of the relief of famine, whenever such calamities occur. This could not be done if the additional income obtained were specially allocated for expenditure in the provinces where it was raised, and there never was any such intention. At the same time it is held to be desirable to employ the Provincial Governments in obtaining the funds, and in supervising their application, so far as it takes the form of an investment, in useful works of a remunerative character. It is with this exclusive object that it has been proposed to make the new taxes provincial, so that the best possible agency shall be secured for their collection and for administering their outlay in detail.

"I will not attempt to state in detail the reasons why the persons responsible for the administration of the finances reject separate funds of all kinds, unless under very special circumstances, as productive of confusion and complication, without any counterbalancing advantage. It will be enough, probably, after what I have already said on this point, to reconcile the Council and the public to the decision of the Government, not, in the present case, to create any separate fund, if I point out that any other determination might lead to results probably not contemplated by those who have suggested the establishment of a separate fund; I mean that this might involve the necessity for imposing more taxation. Suppose, for instance, that the produce of the new taxes were by law strictly set apart from the general revenues, and paid into a separate fund only to be applied to specified purposes. If, then, any sudden change of circumstances arose, calling for seriously increased expenditure, or causing a considerable falling off in the revenue, we should have to choose between the imposition of fresh taxes and the abrogation of the law constituting the fund; for I set aside the idea of meeting ordinary charges by borrowing as a course financially inadmissible. This dilemma might arise, though the pressure was likely to be only temporary; nor can any one say that such a contingency would be at all improbable, or that it might not occur at any moment.

"With all my desire to see the pledges maintained that we have given, as to the application of a sum not less than 1½ million as an insurance against famine, I think it would be irrational, under many circumstances that I can conceive, to object to the temporary diversion of any necessary part of the revenue from this purpose, with a view to obtaining relief which might be no less urgently required than that which experience has taught us to be requisite in meeting famine.

When

When I introduced these Bills, I used the following words: ' Without thinking of a future far removed from us, events might of course happen which would render it impossible even for us who have designed these measures to maintain our present resolution.' I now merely repeat this, though I equally repeat what I before said, that ' I hope no desire to carry out any administrative improvement, however urgent, or any fiscal reform, however wise, will tempt the Government to neglect this sacred trust.'

" While, however, I cannot give any hope of the constitution of any separate fund or account of the produce and application of these new taxes, I would remark that it has already been publicly announced by Her Majesty's Government in the House of Commons, that it is intended to take steps for placing before the public, in a clearer form than that hitherto followed, accounts of the capital and revenue, income and outlay of the larger productive Public Works, whether carried on wholly or in part from borrowed funds. The Government is now considering the means by which this intention may best be acted on, and I trust that the reasonable desire of the public to receive in a full and thoroughly comprehensible shape accounts of the financial results of these undertakings will thus be complied with.

" The British Indian Association, in the paper to which I have already referred, have proposed as a proper and sufficient way of meeting the charge arising from famine, that the sum required to pay the interest on debt created in time of famine should be met by special taxation. It is precisely this view that the Government of India rejects as quite incompatible with proper financial principles. It is the capital charge that must be paid off, not the interest. To adopt the course proposed by the Association would lead to the constant increase of debt and taxation without limit, a course which cannot be admitted.

" The Association also appears to regard it as sufficient if provision is made from time to time for the discharge of the obligations arising from debt incurred in the past. It has not a word to say as to the future. Here, again, the policy of the Government is essentially different. The Government declares that it has exclusively in view the future, and that its primary object is to provide a revenue that shall enable it to meet future famines without permanent increase of debt or of annual charge on the revenues; and it proposes to combine with this a system which, by judicious application of its increased means, shall secure the provision of those material improvements to the country which experience shows to be the best, nay, the only real, means of alleviating the pressure caused by famine when extreme drought occurs, while they are constantly adding to the wealth and prosperity of the people.

" It now, my Lord, only remains for me to acknowledge, on behalf of the Government, the loyal spirit in which our measures have been received by all classes of the public, and to thank the Members of the Council who have taken part in our deliberations, here or in Committee, for the aid and support which they have given us."

The Motion was put, and agreed to.

The Honourable Sir JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put, and agreed to.

#### ADDITIONAL RATES (NORTH WESTERN PROVINCES) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on Land in the North Western Provinces be taken into consideration.

The Motion was put, and agreed to.

The Honourable Sir JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put, and agreed to.

#### ADDITIONAL RATES (ODDH) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on Land in Oudh be taken into consideration. He said.—" My Lord, There is only one point in regard to this Bill which I wish to mention. In all the Bills for imposing additional



additional rates on the land, it has been assumed by the Government that no questions are now under discussion regarding the propriety of altering the law under which the existing rates on land are levied.

"On this ground we have not been able to meet the wishes which in regard to some matters have been expressed by the Local Governments, that this opportunity should be taken of amending the existing law.

"If such amendments are desirable, they must be separately considered hereafter. The sole object of our present measures is the imposition of new taxation for certain purposes. So far, therefore, as the existing rates on land in Northern India are concerned, our present Bills do nothing more than re-enact the existing law. To this general statement there is one exception only, and it is to be found in the present Bill relating to Oudh.

"In March last Act VII. of 1877 was passed, authorising the Government of the North Western Provinces to appropriate a sum, not exceeding one-tenth part of the local rates, for the purpose of meeting charges on account of railways and canals of general provincial utility.

"This Act has received the approval of the Secretary of State. The Lieutenant Governor and Chief Commissioner of Oudh has, as the Council is aware, asked that a similar power to that which I have just described should be given to the administration of Oudh, which has now been united to that of the North Western Provinces. The Government considers that the circumstances of Oudh are so similar to those of the neighbouring Province, that there can be no objection to applying the same principle in both cases.

"This view has been adopted by the Select Committee, and, in accordance with the wishes of the Local Government, the necessary alteration has been made in the Bill as it was originally introduced."

The Motion was put, and agreed to.

The Honourable Sir JOHN STRACHEY also moved that the Bill as amended be passed.

The Motion was put, and agreed to.

#### ADDITIONAL RATES (PANJÁB) BILL.

The Honourable Sir JOHN STRACHEY also moved that the Report of the Select Committee on the Bill for the levy of Additional Rates on Land in the Panjáb be taken into consideration.

The Motion was put, and agreed to.

The Honourable Sir JOHN STRACHEY then moved that the Bill as amended be passed.

His Excellency the PRESIDENT said:—"I have listened with great attention, and, I may add, with great satisfaction, to the comments made to-day upon the Bills which this Council has now passed into law. I do not wish to detain unnecessarily the attention of the Council; but, before I put the last question moved by my honourable colleague, I desire to make a few observations on the origin and objects of the policy embodied in those Bills.

"Now, when this Government undertook the onerous task of effecting, in the revenues of the State, an increase sufficient to enable them to provide an insurance fund for future famines, I certainly could not have ventured to hope that the measures which, under the experienced guidance of my honourable friend and colleague, Sir J. Strachey, we prepared for that purpose, would have been discussed so generously, and received so favourably, as they have been, by this Council, and by all classes of the community represented in this Council. Those measures I can honestly affirm to be, at least, the result of long and anxious deliberation, guided by a scrupulous study of the social interests affected by them, and animated by a most earnest desire not consciously to add one unnecessary fraction to the existing burdens of the community. But taxation is an instrument which painfully resembles that of the dentist. Resort to it is, unfortunately, often necessary; but it is never pleasant to the patient, even though it may promise him relief from acute distress; and the operator is fortunate if his fingers be not bitten by the teeth he is called upon to extract. In the present case, although we have endeavoured to inflict as little pain as possible in the performance of an unavoidable operation, we were not unprepared for a little natural shrieking. But the success of the operation has been largely due  
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to the admirable behaviour of the patient: and, on behalf of our present measures, I feel bound to express the thanks of the Government, first of all, to those local administrations on whose valued co-operation our whole financial policy is so largely dependent; secondly, to the Press of India, for the discriminating judgment and high public spirit with which it has recognised the difficulties of our position, the sincerity of our good intentions, and the necessity of our present action; thirdly, to those enlightened exponents of native opinion who have generously acknowledged the justice of the principles on which we have based our measures; and, finally, to the Members of this Honourable Council, for the practical aid they have given to the improvement of those measures in Committee, and the moral support with which they have honoured them in their passage through debate.

"Our measures, however, have not been wholly exempt from criticism; but their most adverse critics have been the persons who are least acquainted with the details of them, and none of those critics have favoured us with any practicable proposals in substitution of our own; they have told us, nevertheless, that, if these measures are well received, it is not because they deserve to be well received, but because those who have so received them are not affected by them, and those who are affected by them cannot make themselves heard. In short, to put the case as it is put by one of our censors, we have heaped upon that willing horse, the poorer classes, all the burdens which ought to have been placed upon gayer steeds.

"Now, undoubtedly the taxes which will come into operation by the passage of the Bills before us must, to be successful, have a wide incidence. But the same condition applies to taxation in all countries, as well as to taxation in India; and in India, where the mass of the population is poor, it is impossible to obtain a large increase of revenue, such as we now require, from any tax which falls mainly on the rich. Vast private fortunes certainly exist in India; but the owners of large fortunes constitute but a very small proportion of the population; and I know of no circumstances which would justify, or any process short of confiscation which could enable the Government of this country to concentrate upon the backs of its few rich subjects the main burden of that taxation which is necessary for the protection and improvement of its many poor ones. The European community in India, non-official as well as official, is a very hard working, but certainly not a wealthy, one; and it was one of the most remarkable facts of the old income tax, that only a comparatively small portion of the whole revenue obtained by that tax was covered by the upper layer of the schedule.

"My honourable colleague, Sir John Strachey, has already shown that it would be a gross misrepresentation of the present license tax to say that it falls only on the very poor, and that, as a matter of fact, this tax touches no section of the community which can be fairly regarded, or rated, as other than a well-to-do class, if due regard be had to the known standard of life in India. But, then, we have been told by some other critics that we ought not to have exempted from the operation of this tax official and professional incomes. Now, I will not dwell upon the fact that the continued depreciation in the exchangeable value of silver has already very grievously reduced the incomes of those Government servants who, during the past two years, have been so nobly labouring (many of them at a great sacrifice of health, some of them at the sacrifice of their lives, all of them with a prolonged sacrifice of personal comfort), in aiding the Government to preserve the lives of its subjects from famine. I will not pause to ask whether a further deduction from their pay would be the State's fitting reward to its brave soldiers in that great campaign against so formidable an invader; but, of course, had we decided to tax official incomes, we could not possibly have exempted from taxation professional incomes of all kinds; and, if taxation were extended to professional incomes, where could the extension of it be stayed? At what further point could we have legitimately limited our application of the principle under which income was taxed? There is no conceivable form or source of income, whether derived from land, commerce, investments in public securities, the profits of literature, science, industry, or anything else, which could, in that case, be fairly exempted from taxation. And thus we should be brought, inexorably brought, to what is really the only practical alternative to our present measures, the revival of the hated income tax.

“ Now, no one can acknowledge more readily than I do that a scientifically adjusted tax upon all denominations of income is *prima facie*, wherever such a tax be practically possible, the wisest and fairest distribution of the public burden. The old Indian income tax did not completely fulfil these somewhat ideal requirements. Its incidence was unequal, and its assessment a fruitful source of perennial grievance. But, for my own part, I confess that, had I found it in existence, I think my inclination would have been rather to reform and maintain it at a minimum rate than to abolish it altogether. Science, however, may sometimes prolong the existence of the living; but it is another matter to resuscitate the dead. The income tax was abolished by the administration of my predecessor; and I have no doubt that those who abolished it, and who were in the best position to judge whether the popular opposition to it was well justified, had good grounds for their conclusion that its theoretical merits and ascertained financial convenience were insufficient to compensate the practical social mischief of the general heart-burning with which it was regarded by all classes of the community. Our predecessors, when they abolished the income tax, not appreciating, as we were bound to appreciate them, the great additional burdens likely to be caused by famine, did not provide any other means of meeting financial emergencies, foreseen or unforeseen. Thus, with a depreciated silver standard, which greatly enhances the cost of all liabilities payable in gold, the present administration has been suddenly called upon, not only to pay the heavy bill for two years of unprecedented famine, but also to make pecuniary provision for the insurance of the country against future calamities of a similar character. Now, I need hardly point out how much more difficult it is to revive an unpopular impost than to retain it. But I can truly assert that the present Government of India would not for a moment have shrunk from confronting that difficulty, had it not recognised in the measures now before the Council a wiser and a sounder policy. The task we have undertaken, and which we hope to accomplish, is, not to distribute the public burdens according to *doctrinaire* ideas of abstract science or symmetrical perfection; but to provide sufficiently for the present requirements of the State in the manner least provocative of social inconvenience and popular discontent, by distributing the incidence of the burden which has to be imposed, along what is indicated, by the actual circumstances of the country, as the line of least resistance.

“ We have felt that the two great classes of the community from whom we could most equitably collect our famine insurance fund are the trading and the agricultural classes. The grounds of this conclusion have been lucidly explained by my honourable friend, Sir John Strachey, and I need not now revert to them. The first step in the taxation requisite for the fulfilment of the obligation imposed upon us was taken last year in the shape of a cess on the agricultural classes of Lower Bengal. This year it is supplemented in that Province by a license tax on the trading classes. In the North Western Provinces the basis was laid last year by a contribution levied from the trading classes; and that contribution will now be supplemented by a cess upon the agricultural classes.

“ The necessity of a famine insurance fund, and the duty of the Government to provide such a fund, have been generally acknowledged. But equally general must be, I think, the acknowledgment that, in our selection of the sources of this fund (which are necessarily limited), we could not, with any show of reason or justice, have maintained the agricultural cess in Bengal had we shrunk from subjecting to a similar obligation the agricultural classes in the other Provinces of Northern India. On that point, I think, the observations of my honourable friend the Lieutenant Governor of Bengal are quite unanswerable. Nor is it less undeniable that, from the same point of view, and for the same reason, we could not justly maintain the license tax upon the trading classes of the other Provinces, if we did not impose it also on the trading classes in Lower Bengal.

“ I think, then, I may fairly claim for the measures now before the Council at least the modest merit of an equitable distribution of famine charges between the two great classes of the community who are, collectively, best able to bear them, and on whom such charges most reasonably fall. I think that no apology is needed, either to the community at large, or to those classes in particular, for our decision not to resort to the revival of the income tax. But one thing I cannot too plainly or positively assert. Had we failed to secure the assent of  
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this Council to our proposed taxes upon trade and landed property, we should have had no choice but to revert to the obnoxious income tax. There is absolutely no alternative that would adequately meet the requirements of the present occasion.

"In speaking of the agricultural cess, I have not alluded to Madras and Bombay, because, as the Council is aware, we have decided not to extend this tax to the two Southern Presidencies. Our reason for that decision has been twofold. In the first place, we considered that, after two years of severe famine, the agricultural classes of Southern India are scarcely in a condition to bear any present increase in their direct contributions to the State; but our second reason for not augmenting the direct taxation of these classes in Bombay and Madras was really our chief reason; and it was that, on altogether other grounds, quite independent of our requirements on account of famine, it had become necessary to increase the salt duties of those Presidencies. It thus happens that, in consequence of the steps taken in the prosecution of a great fiscal reform, which has been the continuous aim of the Government of this Empire under at least four successive administrations, we have found ourselves justified in relieving the agricultural classes of the two Southern Presidencies from additional taxation which, at a time when other parts of the Empire were being subjected to increased burdens, we could not otherwise have foregone.

"Now, here I would ask leave to remind the Council that the taxation of salt is a part of the fiscal system which the British Government inherited from the Native Rulers of India. The history of our present salt duties is a separate one for each Province. Except in one respect, which I will mention immediately, these provincial duties have had no connection with each other; and hence that irregularity in the rates of them which the Government of India has always desired, and is now endeavouring, to rectify. The only historical connection between these local salt duties is to be found in the common origin of additions made to them in connection with the abolition of a mass of most vexatious transit duties with which the whole surface of this Empire was formerly covered. Under Native rule, tolls were taken on all roads and navigable rivers; and, in spite of their irregularity, these early transit duties were probably less harassing to trade than the forms which they subsequently assumed under the regulations of the East India Company; for those regulations added to the original tolls all the refinements and checks of an elaborate customs system. About half a century ago, the Government recognising the intolerable inconvenience of these multiplied checks upon internal trade, decided to abolish them, and substitute for them higher rates of duty upon salt. This great reform is mainly due to the enlightened advice of Sir Charles Trevelyan, then a member of the Bengal Civil Service. Thus, by the Act of 1837, the salt duty in Bombay was fixed at eight annas per maund, and early in the following year all the transit, or inland customs, duties were abandoned in that Presidency. The town dues, trade taxes, and other imposts of a similar nature, were relinquished in 1844; and the Bombay salt duty was again raised to 12 annas per maund. The fiscal result of these reforms was investigated in 1855, and it then appeared that the extinction of the condemned imposts had involved a loss of revenue amounting to more than 34½ lakhs of rupees, whilst the enhanced duty on salt had yielded only a revenue of less than 21½ lakhs. Thus, on behalf of fiscal reforms in the Bombay Presidency alone, the Government had sacrificed more than 12¾ lakhs of rupees. In Madras, the loss of revenue incurred on behalf of the same purpose was still greater. The transit and inland customs duties, which the Act of 1844 abolished in that Presidency, had yielded a net revenue of about 31 lakhs rupees. In abolishing them, the Government raised the price of salt to 1-8 rupee per maund; but, under the orders of the Court of Directors, no more than 1 rupee per maund was levied for many years. This increase in the salt duty yielded less than 9½ lakhs, while the revenue already surrendered had amounted to 31 lakhs. Again, in 1853, the tobacco monopoly in Malabar and Canara was also relinquished; and finally, in 1860, the Government abolished the trade tax, which yielded about 11 lakhs of rupees. Thus the slightly increased salt duty in Madras was accompanied by the surrender of about half a million sterling of revenue.

"I think these facts sufficiently prove that the history of the southern salt duties is not one which the Government of India has any reason to recall with self-reproach. I may add, however, that a similar policy has been pursued in

Bengal and the Upper Provinces of India. The Bengal transit duties were abolished by the Act of 1836, and the Bengal salt duty was fixed in the following year at 3-4 rupees per maund. The Act of 1843 abolished all import and export duties on the frontiers of the North Western Provinces, with the exception of the duties on salt, sugar, and cotton; and the cotton import duty was abandoned in 1855; the salt duty in the North Western Provinces having been fixed in 1843 at 2 rupees per maund, with an additional assessment of 1 rupee on all salt passing eastward of Allahabad. The annexation of the Panjáb was followed by an increase of the salt duty of that Province; but that increase was part of a general measure which extinguished simultaneously all the export, import, transit, and town duties previously levied in the Province. It will thus be seen that the present system of comparatively high salt duties in British India is the result of an enlightened and beneficent fiscal policy, which has relieved British India from a multitude of mischievous and vexatious imposts on internal commerce; imposts described by a competent authority as being 'so full of inequalities, and anomalies, and complications, that it would be vain to inquire from what objections or what abuses they were free.'

"In 1868, Sir George Campbell, then Chief Commissioner of the Central Provinces, strongly advocated the introduction of these principles into the Native States of Rajputana. 'Might not the Native States,' he said, 'be induced to accept our system as, on the whole, the most justifiable; that is, to substitute a high salt duty for all internal duties whatever? To some extent the burden would thus fall more exclusively on the poorer of their subjects; but then the system of constantly recurring transit duties is so wasteful, and involves a burden so much greater than the net gain to the State, that even to the poor the substitution of a high but not excessive salt-tax, collected cheaply and without vexation at the source of supply, would probably be a gain.'

"It is obvious, however, that we cannot carry out such a policy without correcting the inequalities which still unfortunately exist in the local rates of our own salt-duty. Now the history of these inequalities deserves attention. I have already pointed out that, excepting their common origin, the present salt duties have no connection with each other; and I have mentioned the rates of the duty upon salt, under which the present fiscal system was first established in the different Provinces. Those rates have subsequently undergone various modifications; which, however, have unfortunately, not tended towards their equalisation. In Lower Bengal, the duty of 3-4 rupees per maund was gradually lowered to 2-8 rupees, until in 1859, it was again raised to 3 rupees, and, in 1861, to 3-4 rupees, which was the original rate. In the Upper Provinces, the 2 rupees duty was raised in 1859 to 2-8 rupees; and, in 1861, when the Government abolished the differential duty on salt passing eastward of Allahabad, the rate for those Provinces was raised to 3 rupees per maund. Meanwhile in Madras the original 1 rupee duty, or rather the Government selling price, was gradually doubled. In 1861 it was raised to 1-8 rupee; in 1866 to 1-11 rupee; and in 1869 to 2 rupees; whilst the import duty was kept a few annas lower than the Government selling price. In Bombay, the 12 annas duty was raised, in 1859, to 1 rupee; in 1865 to 1-8 rupee; and in 1869 to 1-13 rupee. The fact is, that the improvement which, under British rule, has been effected in the communications between Madras and Bombay, had, at length, made it very desirable to place the salt duty in each of those two Presidencies as nearly as possible on the same footing; and, under the financial administration of Mr. Masser, this policy was adopted, not for the purpose of additional taxation, but of fiscal reform. So long as this country was destitute of railroads, the inconvenience of a salt duty, assessed at different rates in different Provinces, was not seriously felt. The cost and difficulty of carriage prevented the lower taxed salts of one Province from displacing the higher taxed salts of another; but when intercommunication had been greatly cheapened and accelerated by steam, then special measures became necessary for redressing or preventing the mischievous effects of these inequalities in the salt duties. Thus, an inland customs line was maintained solely to prevent salt taxed in Bombay at 1-13 rupee per maund from entering Bengal, where the salt duty was levied at 3 rupees and 3-4 rupees per maund; and when that part of the customs line was abolished in 1874, then other measures were devised for the same purpose, an increased freight or mileage duty being levied on all salt carried

carried by rail from Bombay into the Central Provinces. I need not here refer to the great customs line so frequently and eloquently denounced by my honourable friend, Sir John Strachey, which, still, unfortunately, exists for the sole purpose of intercepting, many miles from its sources of supply, the untaxed salt of Rājputāna, and prohibiting its entry into British territory. I share the opinion of my honourable friend that the continued maintenance of this line is a great commercial and political scandal; and I sincerely trust that the history of the present administration may be associated with the removal of that scandal. I may mention here that, since the year 1875, the Government of India, always aiming at the eventual abolition of this great salt cordon, has been able to effect a saving of five lakhs of rupees by continuous reductions in the establishment of it. But we could not invite the co-operation of our neighbours on behalf of a great fiscal reform which will, we believe, be ultimately beneficial to the whole Empire, if we shrank from simultaneously inviting the co-operation of our own Provinces towards the attainment of the same result, even though it should involve some slight intermediate sacrifice on the part of some of them; and the form which such co-operation must necessarily assume is the equalisation of our own salt duty. Now that is a policy which has been for many years, if not pursued, at least proclaimed, by the Government of India. In 1868, when the Madras and Bombay salt duties were only 1-8 rupee per maund, while the salt duty was assessed in Bengal at 3-4 rupees per maund, and in the Upper Provinces at 3 rupees per maund, Lord Lawrence's Government thus addressed the Secretary of State:—

“We consider,” said his Excellency in Council, “that there can be no justification for maintaining this excessive difference any longer than financial necessity shall require. There is no real reason why the people of Bengal and Northern India should pay a higher salt tax than the people of Madras and Bombay; or why the people of Madras and Bombay should not pay as much as the people of Northern India. The population of Madras,” he continued, “is at least as well off as, and the population of Bombay is even better off than, the population of the Bengal Presidency. The prices of salt in Madras and Bombay are generally lower, cost of production cheaper, and the distance of transit less, than in most other parts of India; and the North Western Provinces, where a high rate prevails, are subjected to particular disadvantage relative to most parts of India, by reason of distance from the source of supply and difficulty of transit; so that the difference of duty ought to be in favour of these Provinces, instead of being, as it now is, much against them.”

“Again, the same Despatch significantly observes that, ‘financially, it is not possible to bring the standard of the Bengal Presidency down to the standard of Madras and Bombay. We ought, however, to give Northern India that relief which it needs, and to which it is justly entitled; and we might reasonably call upon Southern India to bear a somewhat fairer share than it now does of the burden falling on the salt consumption of the country generally.’”

“Finally, Lord Lawrence's Government declared that the equalisation of the salt duties, by raising the rates of Madras and Bombay, and lowering those of Northern India, was an object to be steadily kept in view. In reply to the despatch from which I have just quoted, the Duke of Argyll, who was then Secretary of State for India, made the following observations:—‘On all grounds of general principle, salt,’ he said, ‘is a perfectly legitimate subject of taxation. It is impossible in any country to reach the masses of the population by direct taxes. If they are to contribute at all to the expenditure of the State, it must be through taxes levied on some articles of universal consumption. If such taxes are fairly adjusted, a larger revenue can thus be raised, not only with less consciousness on the part of the people, but with less real hardship to them, than in any other way whatever. There is no other article in India answering this description upon which any tax is levied. Salt appears to be the only one which at present in that country can occupy the place held in our own financial system by the great articles of consumption from which a large part of the Imperial revenue is derived. I am of opinion, therefore, that the salt tax in India must continue to be regarded as a legitimate and important branch of the public revenue.’”

“This Despatch from the Secretary of State was communicated to the Government of Madras, but without any intimation of the wishes of the

Government of India in regard to the subject of it. The Government of Madras, however, was at that time administered by a man of rare ability and energy, whose great talents, and quick perception of sound principles, were at all times exerted with the wisdom and loyalty which specially distinguished his administration, in willing harmony with the efforts of the Government of India, on behalf of Imperial, as superior to local, interests. I think that my honourable colleague, Sir Alexander Arbuthnot, by whom Lord Napier himself was so ably assisted and loyally supported, will confirm the justice of this tribute, which I feel bound to bear, not merely to the brilliant abilities of Lord Napier and Ettrick, but also to the excellent practical results of that uninterrupted harmony of purpose and action in the relations between the Government of India, under the administration of Lord Mayo, and the Government of Madras, under the administration of Lord Napier, for which the Supreme Government was indebted to that statesman. Thus, shortly after the communication of the Duke of Argyll's Despatch to the Government of Madras, Sir J. Strachey was enabled to inform the Legislative Council of this Government, that the question had been taken up quite spontaneously by Lord Napier, whether the Provinces under his administration might not co-operate in the great work of giving the people of less fortunate parts of India an ample supply of salt, equalising the duties, and facilitating the abolition of the inland customs preventive line. But it is only fair that I should quote Lord Napier's own words:—'The Government of this Presidency,' he said (*i. e.* Government of Madras), 'is not asked to make a sacrifice for a revenue interest merely. It is asked to make a sacrifice for the welfare of the greater number of Her Majesty's subjects, and for the general good of trade.' The Madras Government consequently proposed to increase the Madras salt duty by three annas at once, and subsequently by two additional annas, should the first increase prove to have been attended with no evil consequences. Then, in 1869, Lord Mayo's Government, with the concurrence of the Governments of Madras and Bombay, raised the salt duty in those Presidencies by five annas per maund, distinctly explaining that this step was not taken merely to increase revenue, but specially to facilitate the equalisation of duties, and the eventual abolition of the inland customs line. And it is satisfactory to find that the increase in the Madras salt duty from 1 rupee to 1-11 rupee per maund was followed by a very considerable increase in the consumption of salt by the population of that Presidency.

"Then we come to the year 1876-77, when the Government of my immediate predecessor, Lord Northbrook, proposed a further increase of three annas per maund in the Madras and Bombay salt duties, unaccompanied by any reduction in the salt duties of Northern India. The Secretary of State apparently attributed this proposal to financial pressure created by a rapid fall in the price of silver; and he withheld his sanction to it, under the impression that circumstances might prove that the Government of India had exaggerated the probable duration and future intensity of that phenomenon; in short, that it would be unwise to make a permanent change, to meet what might be a temporary difficulty. Lord Northbrook's Government explained to the Secretary of State that the chief motive of its proposal had been a desire to effect an approximation towards the equalisation of the salt duties, and the more comprehensive revision of those duties, which it had long regarded as an important financial improvement. It also considered that the measure, if adopted, would have involved important administrative advantages, by enabling the Inland Customs Department to curtail some part of their obstructive line, and it added an expression of its belief that there were very sufficient reasons, both financial and administrative, for carrying out that part of the measure which would have imposed small additions to the tax on salt in Madras and Bombay; still leaving the salt consumed in Upper India taxed 50 per cent., and the salt consumed in Bengal taxed 60 per cent., higher than the salt consumption in the Southern Presidencies.

"Finally, during the first year of my own administration, my late colleague, Sir William Muir, just before he resigned his charge of the Financial Department, placed on record a Minute strongly recommending the immediate revival, even in the middle of the financial year, of the above-mentioned proposal to raise the salt duties in Southern India, without lowering the salt duties in Northern India. But, in this Minute, Sir William Muir went even further than Lord Northbrook's original proposal. For whilst, on the one hand,

hand, he proposed to raise the salt-duties in Madras and Bombay at once to 2-8 rupees per maund, on the other hand, he proposed, instead of lowering the Bengal salt duty, to raise it also by 4 annas per maund; and, in support of these proposals, he appealed to his intimate experience of the people of the North Western Provinces to prove that even a three-rupee duty does not anywhere press sensibly upon the population.

"Now, I felt unable to adopt the proposals thus urged upon me by Sir William Muir, and I wish to mention why. It has always appeared, to me that a substantial increase in the salt duties of Southern India is a perfectly legitimate, and even salutary, measure; provided only that measure be deliberately adopted, not as a temporary financial expedient for raising revenue at a pinch, but as the integral and necessary part of a well-considered comprehensive plan, which has previously been ascertained to be practicable, so getting rid of all our inland customs lines, equalising the rates of the salt duty in all our provinces, and thus providing the whole population of the Empire with a practically unlimited supply of adequately cheap salt. But the proposals of my late colleague fulfilled none of these conditions. I considered that, before calling on the Governments of Southern India to make some reasonable sacrifice on behalf of this great fiscal reform, it was incumbent on the Government of India to do what it had hitherto not done, that is to say, to ascertain, by negotiation with the Native States of Rájputána and Central India, whether there was any practical prospect of realising, within a reasonable period of time, the paramount object to which all the present or prospective alterations in the rates of the salt duty in British India should, in my judgment, be subsidiary, namely, the abolition of the inland customs lines. In the next place, I considered that, whenever we raised the salt duties in Southern India, nothing but an overwhelming pressure of financial responsibility ought to prevent us from endeavouring to effect at least some simultaneous reduction in the salt duties of Upper India. In conformity with these principles, the Government of India has, for more than 12 months, been assiduously labouring to carry out a thoroughly sound fiscal reform in the levy of the salt duties.

"I would now ask permission to state to the Council, in a general way what we have actually done, and what we hope to do in this matter. Our first step was to enter into confidential communication with the Native States I have already mentioned, for the purpose of obtaining their acquiescence in our control over the salt sources in their territories, and thus enabling us to tax all salt at the places of production, and so abolish our present barbarous inland customs cordon; upon conditions equitable, and indeed liberal, as regards the financial interests of the Native States concerned, and the social interests of their subjects. Now, the Council will not expect me to explain the details of these negotiations, which have been going on for several months; but I think I am in a position to assure it that at present they are far advanced towards a satisfactory completion. We have approached the Native Governments with every consideration for their legitimate interests. We have been met by those Governments in a friendly and reasonable spirit. We have received from them much valuable information and suggestion; and we have formulated our own proposals in careful accordance with the information and suggestions thus received. The result is, that I feel justified in anticipating, at no distant date, the conclusion of arrangements with the great salt producing States of Native India which, whilst satisfactory to them, and to us, from a financial point of view, will render possible the introduction of a great fiscal reform, generally advantageous to the population of the whole Empire. It is evident, however, that, if our negotiations be attended with the success I anticipate, the first question we shall then have to determine on our own behalf will be the duty to be levied on salt at the places of production. Now, until our recent salt measures were adopted, that is to say, only a month ago, the rates of the salt duty levied on British territory surrounding native territory, varied from 8 annas per maund in Sindh, and 1-13 rupee in Bombay, to 3 rupees per maund in the west and north, by a gradual increase of mileage duties along the south; so that the maximum duty of 3 rupees in the Panjáb was in direct contact with the minimum duty of  $\frac{1}{2}$  a rupee in Sindh. Now, I think the Council will perceive at once that, had the recent alteration not been effected in the salt duties of Southern India, it



would have been extremely difficult for this Government to decide at what rate Rājputāna salt should be taxed at the various places of production, so as to permit the removal of the customs lines without serious loss of revenue to the British Government. If the Bombay rate of rupees 1-13 per maund were adopted, then salt taxed at this rate would, in the absence of the preventive line, pour into the Panjāb, the North Western and the Central Provinces of India, displacing in those provinces the salt taxed at 3 rupees per maund. If, on the other hand, the higher rate of 3 rupees were adopted, then Rājputāna itself would be flooded with the cheaper salt of Sindh and Bombay, and the Rājputāna salt industry would be killed. Moreover, whenever the Rājputāna State Railway is completed to Ahmadābād, and even perhaps before the completion of that railway, the Runn salt of the Bombay Presidency, a first-class salt, admirably adapted for carriage without waste, would enter and permeate the whole of Northern India now within the customs line, at a cheaper rate than the difference of duty, thus widely ravaging our salt revenue. I venture to maintain, therefore, that an equalisation of the salt duties in British territory surrounding the salt-producing Native States is a necessary preliminary to the abolition of the inland customs line; that in the advanced stage of our negotiations with those States it was incumbent on us to lose no time in making an appreciable approach towards the establishment of such an equalisation in our own salt duties; and that no measure adopted for that purpose could practically be confined to the territories I have mentioned. The Madras duty must be on the same level as the Bombay duty; and the duty in Lower Bengal must not be very much higher than the duty in the Upper Provinces; for, otherwise, the dearer salt would be entirely displaced by the cheaper salt, to the great disturbance and injury of trade. Now, I grieve to say that, in the present state of our finances, it was simply impossible for us to lower the rates in Northern India down to the level of the rates in Southern India. Such a measure would have involved the loss of at least  $1\frac{1}{2}$  million sterling of revenue. We had, therefore, to choose between raising the rates in Southern India, without making any simultaneous reduction in the rates of Northern India, or making an addition to the rates in Southern India considerably larger than the simultaneous reduction effected in Northern India. It is the last of these two courses that we have now adopted in the belief that it is the fairest. We have not raised the rates in Southern India without effecting at least some simultaneous reduction in the rates of Northern India; and I assert that this is more than any previous Government of India has done towards the establishment of an equilibrium in the salt duty upon equitable principles, and at a level which, if high in the first instance, will, I trust, be found susceptible of gradual reduction to a minimum uniform rate. We have raised the Madras and Bombay duties to rupees 2-8; that is to say, we have increased them by 11 annas per maund; but we have simultaneously lowered the salt duties in the Upper Provinces of Northern India by 4 annas per maund, and in the Lower Provinces by 2 annas per maund; so that, at the present moment, the salt duty in the Southern Presidencies stands at rupees 2-8; in Lower Bengal at rupees 3-2, and in the Northern Provinces at rupees 2-12 per maund. I must again remind the Council that we have not made these alterations in the rates of the salt duties without having first assiduously laboured to secure practical guarantees for the early accomplishment of that great and beneficent object which will, when accomplished, complete the fiscal reform of which these measures are but the necessary preliminaries; and, in this respect also, I think I am entitled to assert that the present Government of India has done more than any of its predecessors have attempted to do in furtherance of the fiscal policy which all its predecessors have advocated and proclaimed. The inequalities which still remain in the assessment of the salt duty are sufficiently inconvenient; and it is my earnest hope that the present Government may have an early opportunity of still further approximating the rates in Northern India to the existing rates in Southern India; for we calculate that a uniform rate of rupees 2-8 per maund will give us, with a diminished inconvenience to the trader, and great benefit to the general consumer, about the same revenue as that which we have hitherto realised from the duty at its previous unequal rates. It is true that the present enhancement of the salt duty in Madras and Bombay is calculated to give an increased revenue of 300,000 £. But then I must remind the Council that we have not imposed any other form of famine taxation on the agricultural classes of those two Presidencies. I cannot

cannot too earnestly repeat that our main object in dealing with the salt duties of Madras and Bombay has not been to obtain a larger revenue on the whole than we could have obtained had we left those duties alone, but to facilitate and accelerate the completion of that great fiscal reform to which, under four successive Viceroyalties, the supreme Government of this empire has long been committed, quite irrespective of all financial exigencies occasioned by famine or other causes. The additional taxation which, on this ground, it was necessary to impose upon Southern India we have willingly accepted as a justification for exempting the agricultural classes in that part of India from the contribution exacted from the same classes in other parts of India on behalf of famine expenditure.

"In earnest of our sincerity in affirming that our recent alterations of the salt duty have been made, not for revenue but for fiscal purposes, I may again remind the Council that, by reducing the salt duty in Bengal and in Northern India, we have sacrificed 200,000*l.* worth of revenue. Nor should it be forgotten, I think, when we come to consider the practical incidence of the existing salt duties upon the poorer portion of the population, that the extension of railway communication has done much to cheapen the virtual price of salt to the people. For instance, the lines which now connect Bombay with Beypore and Madras on the one side, and Jabalpur and Nagpur on the other, and those which connect Negapatam with Tuticoin, carry salt from the sea coast to the interior at the rate of 1 anna per maund for about every 50 miles. Thus, the carriage of a maund of salt from Madras or Bombay to any intermediate railway station does not now exceed eight annas, which is considerably less than the old cost of carriage by road, and may be fairly reckoned in favour of the consumer, against the corresponding increase of duty.

"Similarly, in the Bengal Presidency, the present railroads have placed a great part of the country in immediate communication with the sea coast and internal salt sources; so that, in spite of the continued imposition of comparatively high duties, the development of railway communication has cheapened the price of salt over a great part of the country; and further reductions in the price of salt may consequently be expected from further progress in the development of railway communication.

"But, sincerely as I desire to see the price of salt not only equalised, but cheapened, throughout India; earnestly as I hope that it may be the privilege of this administration to accelerate the arrival of the day when such a result may be attainable; still, I must frankly own that I feel unable to accept the dictum of those who assert that the present salt duties are a grievous burden to the long-suffering back of the poor raiyat. It may be in the power of the Government of India, and I hope, indeed, it may be in the power of the present Government of India, to lighten that burden, such as it is; but it is my own belief that it will never be in the power of any Government of India to devise a substitute for it, which will weigh less heavily on the poorer classes, or be less sensibly felt by them. A salt tax of 2-8 rupees per maund is a tax of less than three farthings per pound. It would be absurd to represent the pressure of such a tax as oppressive. The manner in which the tax is levied renders the pressure of it almost inappreciable. It is an indirect impost distributed, in minute daily instalments, over vast masses of population, and, in all probability, the majority of the millions who pay it are not even conscious of its existence. It is the only obligatory tax imposed by this Government upon the masses, and the total amount of its proceeds, when compared with the numbers from whom it is collected, ~~shows how~~ small is the contribution of each individual.

"The gross estimated revenue of a salt tax assessed at 2-8 rupees per maund, is about six millions sterling; and this revenue would be collected from a population of not less than 200,000,000 of consumers. On this point I shall again venture to quote the words of Sir William Muir. 'If,' he said, 'there were any form of indirect taxation which could be brought to bear upon the rich, rather than upon the poor, and on the luxuries, rather than on the necessaries of life, I would at once agree to such a tax, but I know of none that is practicable.' And then, after dwelling on the dissatisfaction occasioned by all attempts to extract national revenue from the wealthier classes by direct taxes specially imposed on those classes, as compared with the ascertained social

results of indirect taxation levied on a commodity which is consumed by rich and poor, and equally necessary for all classes in the community, Sir William Muir concludes by this emphatic record of his own experience: "In the one case," he says, "we stir up angry feelings in every class throughout the country; in the other case, we peaceably realise what we require, without affecting the contentment and tranquillity of any class."

"In quoting these words, I do not forget that it is no justification of a bad tax that it is borne without complaint, or even without being perceived, by those on whom it really falls. A poison may be fatal, administered in repeated doses, infinitesimally small. All that I desire to point out is, that, so far as objections might arise to the salt tax on the ground of its being unpopular, as we well know it has been in other countries, such a reason for rejecting this form of taxation has no existence in India."

"I trust, then, I have shown that the recent action of the present Government of India, in reference to the salt duties of Madras and Bombay, is in complete accordance with the consistent, continuous and repeatedly avowed aim of its predecessors during the last 10 years and more. I trust I have shown that of the sincerity of its devotion to the prosecution of that aim the present Government of India has given conspicuous proof, by taking, for the attainment of it, bolder and wider steps than any which have been taken by previous administrations. I trust I have shown that these steps have been taken without deviation from the course prescribed to us by our predecessors. And, if I have succeeded in this endeavour, then I think I am entitled to claim from all who have questioned our policy a complete acquittal from the charge that in what we have done we have sacrificed the interests of the poorer classes to those of the richer, with a view to a mere increase of revenue. The point at which we have now arrived is this. The salt duty in Madras, Bombay, Sindh and the Central Provinces has been equalised at the rate of rupees 2-8 per maund. In the North Western Provinces, Oudh, the Panjab and Lower Bengal, it still varies between higher rates. The aim of the present Government will be to reduce those higher rates to the level already reached by the salt duties of Southern India. Nor shall we relax our endeavours to cheapen the price of salt throughout the whole Empire by improving our means of communication with the sources of supply. I trust that our administration may last long enough to achieve these long-deferred results; and that my honourable friend, Sir John Strachey, may still be a Member of it when we attain the promised land to which he first guided our progress, and thus fulfil his eloquent prophecy of the day when the Government of India will have given to the people of India 'the means of obtaining, with the least possible inconvenience, and at the cheapest rate consistent with financial necessities, a supply of salt only limited by the people's capacity of consumption.' In the meanwhile, we must continue, I fear, though animated by hope and free from self-reproach, to adopt the motto suggested by some schoolmaster for the door of a grammar-school, and borrowed from that venerable authority, the Eton Latin Grammar—'*Præsens imperfectum, perfectum futurum.*' With the expression of this hope, I now beg to put the question moved by my honourable colleague."

The Motion was put, and agreed to.