



X79A.2.M8

A876.2

251485

## CHAPTER IX.

### EARL OF MAYO'S MEASURE.—LOCAL CESSES.

It has been seen in preceding Chapters that in furtherance of the scheme of Provincial Funds, Local Governments were to be allowed to supplement the Assignments made over to them by a moderate amount of taxation. Accordingly, it will be useful in this Chapter to set forth what Local Cesses existed before the introduction of the Scheme, and what others were put in force after its introduction. It should be noted, however, that, though the Cesses introduced into the North-Western Provinces in 1871, followed after the introduction of the Scheme of Provincial Assignment for Provincial Services yet the decision to levy them had been formed prior to, and independently of, the Scheme.

CHAPTER IX.  
MADRAS  
PRESIDENCY.

#### *Local Taxation in the Madras Presidency.*

The Madras Council's Act VI of 1863 provided that when, on application from the inhabitants of any town, village, or place, in any District in the Madras Presidency, school commissioners, selected from among resident house-holders, are appointed for establishing and maintaining a school or schools, such commissioners should, among other things, frame Rules for the levy of Taxes or Duties in the town, village, or place, and for fixing the amount and rate of the taxes. Up to 1871-72, however, there were very few applications for the introduction of the Act, which, accordingly, had been almost inoperative.

2. Madras Council's Act III of 1866 set forth that it was—

“necessary that funds for the Construction, Repair, and Maintenance of District Roads and Communications should be raised by Local Cesses, payable by the owners and occupiers of land in the District in which such roads or communications are or may be situated”

To this end, the Act empowered the levy of a District Road Cess, at a rate not exceeding six pice\* in every rupee of the annual rent value of all occupied land in the District, on whatever tenure held. For lands held—

\* Meaning “pice”

“direct from Government, under a ryotwary settlement, the assessment payable to Government for the land, together with any water-rate which may be payable for its irrigation, shall be taken to be the annual rent value of such lands for the purposes of this Act.”

In other words, the District Roads Cess was half an anna on every rupee of land revenue.

3. Madras Act IX of 1865 directed that the Municipality of the Presidency town of Madras should pay to Government one-half of the total cost of the police of the town.

4. The police in the towns in the interior of the country was, and is still, provided from the Madras Civil Constabulary; and Madras Act X of 1865 directed among other things—

(a) that the Municipality of each town should pay the total cost of police;

(b) that Government should pay to each Municipality one-fourth of its total expenditure for Police, Roads, Conservancy, and Drainage.

5. Under this Act, the Government received the full cost of the interior town police as a credit under Police; while there was a charge, under Police, of one-fourth the self-same cost of interior town police, and, under Miscellaneous, of one-fourth the remaining expenditure of interior towns for roads, conservancy, drainage, &c.

6. In 1867-68 to 1869-70, the gross contributions from interior Municipalities to Police and the State payments to the Municipalities were—

	Payments for Police Rs	State Contributions. Rs
1867-68 ... ..	2,51,998	1,67,362
1868-69 ... ..	2,55,371	2,50,482
1869-70 Estimate ... ..	2,60,841	2,67,215
1869-70 Actual Estimate . . .	2,20,661	2,26,085

## CHAPTER IX.

MADRAS  
PRESIDENCY.Payment of Police  
charge by  
Municipalities.

Practically, the Municipalities contributed little or nothing\* of net payments for police. This having been perceived, the Madras Government was moved by the Government of India to revise the arrangement of 1865. The Local Government was moved further to increase the Road Cess as a means of taking over Imperial Expenditure for roads.

7. This correspondence took place before the Scheme of Provincial Assignment and in June 1869, a Towns' Improvement Bill was introduced into the Legislative Council, Madras: but, eventually, it was withdrawn, and was replaced in the following February 1870 by two other Bills, *via.*, a Towns' Improvement Bill and a Local Funds' Bill. The Bills, it was explained,—

“owe their origin to the necessity which exists, and which has long existed, for supplementing Imperial Revenues by Local Taxation. Nor has this necessity been felt only within the last few months, during which the unsatisfactory condition of the Imperial Finances has been brought more prominently before the public than it had been for some time previously. \* \* It has, for some time past, been felt that more Local Taxation was needed, not only to relieve the Imperial Budget of charges which are essentially of a local character, but to furnish the means of carrying out measures essentially requisite for the moral progress, and for the health, comfort, and convenience of the people; and the cost of which it is quite impossible to defray out of the Imperial Revenues unless those Revenues are largely increased.”

8. The financial and fiscal portions of the Towns' Improvement Bill, as introduced in 1870, were afterwards modified before it was passed into law in 1871. In its original form, in 1870, the Bill provided for the withdrawal of Government grants-in-aid to towns for education, on the ground that rural villages, which were about to be taxed for the same purposes as towns, received no such grants-in-aid for schools.

9. The Bill provided, further, for the withdrawal of the Government grant of one-fourth of the total expenditure, including police charge, of interior towns.

“In consideration, however, of this withdrawal of the Government Grants-in-aid, it is proposed to reduce the amount contributed by the towns to the police. The Municipalities, at present pay all the charges for police and conservancy and receive a grant-in-aid of 25 per cent. of the charges so payable. Under the new system they will pay all the charges for con-

servancy and other municipal purposes, and 60 per cent. of the police charges. As I\* have mentioned in the Statement of Objects and Reasons, 60 per cent. represents, as nearly as possible, the difference between the proportion which the police forces employed in towns, and those employed in the rural districts, bear to the population of the tracts in which they are respectively employed.”

10. At a subsequent meeting of the Council, Sir A. J. Arbuthnot explained, that, while the two Bills had been framed before the financial crisis of 1869, the proposal to require from interior Municipalities 60 per cent. of the cost of their police was an after-thought suggested by the crisis. In the Bill, as originally framed, Municipalities were to be entirely relieved of police charge, in consideration of Government discontinuing all grants to them for conservancy, education, &c.

“When, however, the financial deficit was brought to our notice, and when we received an intimation from the Government of India as to the urgent necessity for considerable reductions in Imperial Expenditure, and especially with regard to police, it became obvious that it would be impossible entirely to relieve the Municipalities from the entire charge on that head. In every other part of India, police expenditure has been treated to some extent as a municipal charge, and, in some provinces, the outlay on that account is entirely defrayed from Local Taxation. It was therefore considered sufficient to relieve the towns from a part of that charge, and 60 per cent. was fixed as their contribution.”

11. Lord Napier observed, on the same occasion, that when the Towns, Improvement Act of 1865 came to be revised, it was felt that the provision for a Government grant for municipal conservancy expenses—

“could not be retained with safety. It would not have eluded the eye of the Viceroy and his advisers. No contribution is paid by the State to municipal conservancy in any other part of India. What is denied elsewhere would be denied to us. \* \* The maintenance of the State police, such as that which exists in this Presidency, is no doubt justly an Imperial charge. In principle, in theory, there is no duty more properly incumbent on the State than the protection of the lives and property of the citizens, but then the Government of India



definitively informed this Government that they could not afford us an Imperial Appropriation adequate to the maintenance, as we believe, of our police, in a state of progressive efficiency. We were placed in this alternative,—to see the police go to ruin, or to help the Imperial Appropriation from municipal funds, that is, by Local Taxation. \* \* \* It must, moreover, not be forgotten that the rule of municipal contribution to the maintenance of the State police has been adopted all over India, and that, in some parts, it is carried farther than it is in Madras by the present Bill. The Viceroy would not have sanctioned the exoneration of Municipalities in Madras from a burden that they bear elsewhere. Perhaps, on the contrary, the Viceroy may consider that the municipal contribution now presented for police purposes is scarcely sufficient; but it is based on the only principle which we could discover, and I trust that it will be sanctioned by the Governor General, especially with a view to the exoneration of the Imperial Revenue from other branches of expenditure which the present measures so liberally contemplate.”

CHAPTER IX.

MADRAS  
PRESIDENCY.

Payments to Police  
charge by  
Municipalities.

This referred to the transfer of charge for dispensaries, grants-in-aid, &c., to Local Funds.

12. The substance of this explanation was that, according to the practice in other parts of India, Municipalities ought to pay for their police, and Government should not pay towards the conservancy and other expenses of Municipalities; also, that it was necessary to conform to the custom in other parts of India, because, without doing so, the retrenchment of Imperial Police charge in the Madras Presidency, which was imperative, could not be carried out.

13. Eventually, however, when the Madras Police Grant, as settled in the estimates for 1870-71, was made\* over to the Local Government, the police contribution from Municipalities was abolished, Sir A. J. Arbuthnot explaining—

“In regard to the abolition of the police contribution, I have no doubt that the reports which have been received from the several Municipalities will have satisfied the Council that, unless the Grants-in-aid are to be continued, it is absolutely necessary, in order to the maintenance of a financial equilibrium, that the municipalities should be relieved from their contributions to the police.”

14. Respecting dispensaries it was stated—

“The maintenance of the local dispensaries is essentially a local charge. It is essential that they should be included in the objects of Local Taxation, and that the Imperial Finances shall be applied only to those objects on which local funds cannot, with fairness, be expended”

Payment for  
Dispensaries by  
Municipalities

15. Thus, the Madras Government remitted the contribution from municipalities for police, and required them and Local Funds to pay, instead, for dispensaries, and to do without grants-in-aid for schools and conservancy, for both of which objects assignments had been provided by the Government of India in the Provincial Allotment; and, on a representation to the Government of India, the Local Government received for the Provincial Allotment an addition of £13,000 a year on account of grants for municipal conservancy expenses, which were discontinued under the Imperial head “Miscellaneous.”

16. In the Local Funds' Bill the taxation provided was an enhanced District Road Cess, a House Tax, and an extension of Tolls beyond their previous range under the Imperial Tolls Act. Sir A. J. Arbuthnot explained—

Local Funds Bill  
and District Road  
Cess.

“It is proposed that, wherever the Local Funds' Act is brought into operation, the District Road Cess Act and the Education Act shall merge; and that, in lieu of the sum of six pies in the rupee which is now collected under the Road Cess Act, a Local Tax should be levied, under the new Bill, of one anna on every rupee of land revenue. The present yield of the Road Cess is, as well as I have been able to ascertain, about 20 lakhs. The imposition of one anna instead of six pies in the rupee will give a revenue of about 40 lakhs;—it is difficult to estimate the amount which will accrue from the House Tax, but it is supposed that there are about sixteen lakhs of houses occupied by persons not paying land revenue, and, if an average of four annas were imposed upon each house, the result would be a sum of four lakhs. Probably, about forty-five lakhs of rupees will be raised under the Local Funds Act in place of the 20 lakhs now levied under the District Road Cess Act”

In 1874-75 the Cess on land revenue alone amounted to £369,331, whilst the maximum rate of the Cess was not being levied in some Districts.

17. The principal points on which the discussions about the Road Cess turned were—*first*, what should be the minimum proportion of the Cess for expenditure on roads? *second*, whether the Cess was appropriable in relief of Imperial Expenditure on roads?

18. On the first head the Bill provided that the net proceeds of all Tolls, and not less than two-thirds of the Road Cess, should be spent on roads. The

## CHAPTER IX.

MADRAS  
PRESIDENCY.

Local Rate on land.

Honorable Mr. Ellis moved an amendment that not less than half of the Road Cess, plus Tolls, should be so spent, for the reason that, thereby, greater freedom of action would be secured; for it might happen that in some Districts so much as two-thirds of the Cess could not be usefully spent upon roads. Mr. Sim and Sir A. J. Arbuthnot supported the two-thirds minimum. The former observed that—

“It was originally proposed that the minimum expenditure upon roads out of the Fund to be raised from land should be one-half; but at that time the Bill contained provisions for levying a Tax on Professions. That tax has since been abandoned. Further, it was now known that the amount which it was expected would be available from the State Treasury for expenditure on roads would be diminished to the extent of four or five lakhs of rupees.”

## 19. The Honorable Sir A. J. Arbuthnot—

(a) “Wished to explain the reason which led him to propose two-thirds, instead of one-half, which was the proportion at first fixed upon. Under the resolution of the Government of India, the Madras Government had to supply a deficit of 5½ lakhs of rupees in round numbers; and a further deficit would have to be provided for, as he would have to explain on a future occasion, by reason of the proposed relief of the Municipalities from the police contribution at present imposed upon them, which deficit would have to be met by reducing the grant hitherto made from Imperial Revenues for roads.

(b) “The grant, of late years, for roads was 12 lakhs. That was the sum made over to the Madras Government under the resolution of the Government of India, joined, in the resolution, to another small Grant for other purposes, which were termed purposes of public improvement. To meet the deficit to which he had alluded, a considerable hole would have to be made in that Grant, and the consequence would be that the construction and maintenance of roads, which would otherwise have been constructed and maintained from Imperial Funds, would henceforth be thrown upon Local Funds. It was true that the proportion of two-thirds mentioned in the proviso was rather a random proposal, as had been remarked by Mr. Brown, because it was impossible to ascertain the exact proportion which would be required, but it was deemed safe to adopt the proportion of two-thirds.”

20. Sir A. J. Arbuthnot omitted another reason which he had stated on a former occasion, *viz.* :—

“Under the District Road Cess Act, a considerable and valuable provision has been made for the construction and repair of district roads; but this has been found already to be inadequate to the wants of the country. Already, the danger is apparent of our constructing more roads than we have means to keep in order, and, before long, there will be a necessity for the increase of Local Funds for the maintenance of the roads already in existence.”

## 21. The reasons for the two-thirds minimum prevailed, and the Madras Local Funds Act of 1871 provides—

“that the net proceeds of all Tolls and not less than two-thirds of the Rate or Cess actually levied on the annual rent value of occupied land shall be applied to the construction, repair and maintenance of the roads and communications,”

the remainder being appropriated for education and hospitals and dispensaries.

22. It is seen from paras. 19 and 20 that the enhanced Road Cess of one anna in the rupee was designed to relieve Imperial or Provincial Finance of a portion of the expenditure for roads; the relief was to be provided by deducting from the Road Grant, included in the total Provincial Assignment, the lump retrenchment of £55,394 made by the Government of India from that total Assignment, plus the amount of contribution towards police charge remitted to Municipalities, and then meeting the consequent deficit in the Road Grant by a transfer of charge for roads to the Road Cess. The necessity of spending the Cess within the District was recognised, and the distinction between District and Imperial roads was also noticed as of some force for the time, but as being liable to be swept away. Thus Sir A. J. Arbuthnot observed\*—

\* 16th February 1870

(a) “At present the Local Funds raised under the District Road Cess Act are applied to the principal District Roads, not including what may be called the trunk roads; and one object of the Bill is to provide additional funds for the construction of cheap roads which shall connect remote villages with the District Roads. A common complaint made against the District Road Cess Act is, that the landholders in many villages who pay the cess really get no return for their money, that, notwithstanding their contributions to the Road Fund, these villages are still connected with the main roads of the district only by rough and, in wet weather, impassable pathways. We hope that this complaint will, to some extent, be met by the present Bill, and that as the Local Funds increase, as they will, with the increase of cultivation, considerable progress will be made in connecting remote villages with the District Roads. And this is certainly the primary object of the present Bill, in so far as it applies to the roads.”

Two-thirds of Local  
Rate reserved for  
roads

Transfer of Imperial  
charge for roads to  
cess funds.

(b) "But still it is right that the Council should keep in view the possibility of the Main Lines, or what have hitherto been called the Trunk Roads, being thrown upon the Local Funds. A good deal has been said about Imperial and Local Expenditure, but I think it is impossible to bestow much attention upon the subject without perceiving that the distinction is one which it is often very difficult to define, and which, in many cases, is, and must be, an arbitrary distinction. The distinction between Imperial and Local Taxation is clear enough. The former produces funds which belong to the Imperial Government and may be expended in any Presidency or Province. The latter produces funds which can only be expended in the Presidency, and, in fact, in the District in which they are raised.

(c) "It appears to me that we are hardly in a position, at the present time, to urge that the construction, even of the Main Lines of Road, is essentially an Imperial object. Twenty years ago it was so; but it is not so now. Since the Railway System has been so widely extended, and so heavy a charge has been, and is being incurred, by the Imperial Government in connection with it, we cannot complain if the cost of ordinary roads is thrown upon Local Resources.

(d) "We must remember, too, that these Railways add to the value of produce, and indirectly to the extension of cultivation, and therefore to the Local Funds, from which Local Taxation can be drawn.

CHAPTER IX.

MADRAS  
PRESIDENCY.Transfer of Imperial  
charge for roads to  
cess funds

23. The utterances of Lord Napier were to much the same effect, *viz.*:—

18th February 1870.—"I firmly believe that, eventually, the Supreme Government will be induced to regard the Guaranteed Railways and State Railways of India as the Imperial Lines of Communication, and that the ordinary highways of the country, with some rare exceptions perhaps, will be thrown upon Local Resources. We must keep that result in view. But, here, again, there is probably no sudden or serious change impending. The roads of this Presidency have recently been divided into two categories—Imperial and Local—after a careful discussion between the Members of the Government and the Board of Revenue. The class of Imperial Roads will be gradually encroached upon by the other, not, I trust, by any unreflecting order of the Government of India, but by this Government expanding the application of Local Funds, as the Railway System is carried further, and as local means become more and more available."

24. The Local Funds' Bill, which had been introduced into the Madras Council on 4th February 1870, was passed by that Council on 27th February 1871, and the Towns' Improvement Act was passed on 2nd March 1871. The fiscal parts of the former Act—

- (a) Increased the District Road Cess from half an anna to one anna on every rupee of land revenue, or of the annual value of occupied zemindary or rent-free land.
- (b) Imposed a Tax on Houses in villages, or in groups of villages or townships, in which a school supported by a Government grant-in-aid did or does not exist.
- (c) Imposed (in extension of previous Acts) Tolls upon carriages, carts, or animals, passing along roads within any circle to which the Act shall have been applied.

25. The House Tax (b of the preceding paragraph) was put in abeyance in 1873-74.

26. By the passing of the Local Funds' and Towns' Improvement Acts, those of 1863, 1865 and 1866, respecting Road Taxes, School Cesses, and interior Town Police (paragraphs 1, 2, and 4 of this paper) were rescinded. About the same time, the Presidency Towns' Municipal Act was amended, and, in assimilating it with the Towns' Improvement Act, in respect of the objects of expenditure of municipal income, the contribution required from the municipality, under the Act of 1865 (paragraph 3 of this chapter), of one-half the police charge, was abandoned.

This item of Provincial Income was relinquished on, apparently, an abstract view or opinion that police charge was properly an Imperial Charge.

In the Presidency Towns of Calcutta and Bombay, the charge for police for the towns does not burden Provincial Funds; excepting the payments for police for public departments.

27. Madras Act I of 1870, which received the Governor General's assent on 13th May 1870, empowered the levy of—

"Tolls and License Fees on Canals, Lines of Navigation and Ferries," which, with the fines leviable under the Act, were to be (and are) "carried to the credit of a Fund to be entitled the Canal and Ferry Fund," the surplus being "applied to the construction, improvement, repair,

CHAPTER IX.  
 ———  
 MADRAS  
 PRESIDENCY.

Village service fund.

maintenance, and extension of the channels and ferries to which the provisions of this Act may be applied. Provided always that the Government shall be under no obligation to expend in any particular District the whole or any part of the surplus fund realized in that District."

28. Madras Act IV of 1864 recited that—

"by the immemorial usage of the country, certain fees in money and kind are payable by the people towards the maintenance of village officers in the Revenue and Police Departments."

In lieu of these fees, the Act prescribed that a Cess on the land revenue, or on the annual value of zemindary or rent-free land—

"not exceeding one anna in every rupee of assessment, &c., shall be levied, and the proceeds shall be devoted to the payment of village servants employed on revenue and police duties within the village or group of villages or townships in which such cess is imposed."

Summary.

29. The substance of these remarks on Local Cesses in the Madras Presidency is as follows:—

I.—In 1866, under Madras Act III of 1866, a District Road Cess was introduced of half an anna on every rupee of land revenue, or of the annual value of occupied rent-free or zemindary land. With this exception, and excepting a contribution of half of the police charge by the municipality of Madras, there was, until 1871, practically no Local Rating or Tax for objects of expenditure of kinds that were being met from Imperial Funds; because—

*a*—Although Madras Councils' Act VI of 1863 empowered the levy of a school rate in towns, yet, inasmuch as the extension of the Act to towns was optional with the inhabitants, the Act had been virtually inoperative up to 1871. (Para. 1.) And,

*b*—Although the Madras Councils' Act X of 1865 required interior Municipalities to pay the cost of the town police supplied to them from the Madras civil constabulary, yet, inasmuch as under the same Act the Government paid one-fourth of the total expenditure of the municipalities, which payment was about the same amount as the contributions by mofussil municipalities towards police charges, practically, those municipalities paid nothing for the police supplied to them. (Paragraphs 3 to 6.)

II.—In 1869 it was determined by the Local Government to withdraw the educational grant-in-aid to towns, and the contribution of one-fourth towards the total expenditure of mofussil municipalities, on the ground, as respects schools, that the rural population would be taxed for education; and for the reason, as respects other municipal expenditure, that, nowhere else, were Municipalities assisted in such expenditure by Grants from Government. This intention was carried out in the Towns' Improvement Act of 1871, which further rendered municipalities liable for the cost and maintenance of dispensaries, hospitals, and for expenses of vaccination. (Paragraphs 7, 8, 11, and 14.)

III.—On the same occasion it was originally intended to relieve Municipalities of charge for the police; but later, when reduction of expenditure was pressed by the Government of India, the Local Government proposed to remit only two-fifths, or 40 per cent., of the contribution by interior Municipalities towards the police charge, and it justified this proposition by the custom, in other parts of India, of requiring Municipalities to pay the entire charge for their town police. Eventually, however, of its own motion, and in reliance on the liberal assignment by the Government of India to Provincial Funds, the Local Government remitted the contribution by the interior Municipalities of their entire police charges, and by the Presidency town of one-half the cost of its police. (Paragraphs 9 to 13 and 15.)

IV—To meet a deficit caused by the remissions of contributions by Municipalities towards police charges, and by throwing upon the Grant for Roads the lump retrenchment of £55,394 from the whole Provincial Assignment, the District Road Cess was raised from half an anna to one anna on each rupee of land revenue; and two-thirds of this sum was reserved for roads, while the remaining third was declared to be available for education, and for hospitals and dispensaries. (Paragraphs 16 to 22.)

V—It was expected that the enhanced Cess, under the Local Funds' Act, would yield about 40 lakhs, thus giving an extra income greatly exceeding the above-mentioned deficit (in 1874-75 the cess on land revenue, under the Local Funds Act,—with some Districts assessed at less than the full rate—amounted to £369,331, against about 20 lakhs of Road Cess under the old Act of 1866);—but the surplus income was required for certain special purposes, *viz.* :—

a.—To provide for additional outlay on repairs.

b.—To admit of gradually increasing relief to Imperial or Provincial Funds by the transfer from those Funds to Local Funds of increasing amounts of public works charge for communications.

#### BOMBAY PRESIDENCY.

30. Bombay Act VIII of 1865 empowered the levy in Sindh of a shop-tax, and of a Cess of one anna on every rupee of land revenue, and a like Cess from farmers of land and sayer revenue, for "providing funds for local works of public utility and improvement, and to aid in defraying the expense of the Department of Public Works in the Province of Sindh." One-half of the net proceeds of the Shop-tax, and of the Cess on ryotwar lands, and the whole of the Cess on jaghir lands are to be expended, in the District in which they are levied, on public works; while the remainder "shall be credited to Government and be retained by it as a set-off against the expenditure incurred on account of the establishment and expenses of the Department of Public Works and canal clearances in the Province of Sindh." This law has not been repealed; but, with the sanction of the Government of India, the whole of the anna cess is credited to Local Funds while the expense of canal clearances, and of the Public Works establishments chargeable to the Cess, remains a charge on the Imperial Irrigation Grant.

Cess of one anna on every rupee of Land Revenue.

31. In the Administration Report of the Bombay Presidency for 1863-64 it was stated, respecting Cesses in the Bombay Presidency proper, that—

"During the year under report, Local Committees have been appointed by Government for the administration of the Local Funds; and to these Committees have been allotted various sources of Local Income for expenditure upon public works of local importance, and on education, in assimilation with the system for some time past in operation in the North-Western Provinces and the Punjab"

32. In 1863-64 the Cesses on land revenue in the Punjab were the same as in the North-Western Provinces, except that the District Dāk Cess was not levied generally in all Districts, as in the North-Western Provinces.

33. For present purposes four points have to be illustrated, *viz.*, (1), the levy of the anna Cess on abkaree contracts, as part of the Farms of Sayer Revenue; (2), the rate of the Cess compared with the rate in the North-Western Provinces; (3), the conditions which were once held to limit the application of the Funds; and (4), the proportion of the Cess which was originally devoted, and the

## CHAPTER IX.

BOMBAY  
PRESIDENCYANNA CESS ON LAND  
REVENUE.

smaller proportion of it which will, in future, be devoted to expenditure on roads.

34. The Cess was partially introduced into the Bombay Presidency proper in September 1863, but, in respect of Districts in which old settlements had not expired, the Cess was not legalised until 1869. In the statement of objects and reasons published with Bill No. 7 of 1868 for legalising the Cess, the object was declared to be the provision of funds for education and for purposes of local improvement; and it was stated that, for some years previous, "a Local Rate of one anna per rupee of land assessment" had been "levied for purposes of local improvement. \* \* The object of the present Bill is to legalise the levy, to enforce its regular payment," &c. And, in the speech in which the Honorable Mr. Ellis moved the introduction of the Bill, he spoke of the Cess (and cited passages from the Bombay Survey Act I of 1865, which illustrated its character) as a Cess on land revenue, or as an addition to the assessment on land.

35. Neither in the Statement of Objects and Reasons, nor in the speech, was there any mention of a similar Cess of one anna in the rupee on abkaree contracts; but in the Bill, as introduced with the sanction of the Government of India, there was a section which empowered the levy "from every farmer of land and sayer revenue, in respect of any such farm taken after the date on which this Act comes into operation, a Cess not exceeding one anna on every rupee that is assessable to the ordinary land revenue \* \* and on every rupee that is payable by such farmer of land or sayer revenue in respect of such farm." The Bill passed into law as Act III of 1869, and these provisions were retained in it. In giving effect to the law, the term "sayer" was held by the Local Government to include abkaree, and the Cess of one anna in the rupee was levied on abkaree contracts till 1872-73 inclusive, when the Government of India directed its discontinuance, as being a Cess on Imperial abkaree revenue, which, in the farming of that revenue, must necessarily be diminished by the amount of the Cess.

36. Under the Councils' Act, except with the sanction of the Governor General previously obtained, no measure can be introduced into a Local Legislative Council which affects the customs duties, or any tax or duty now in force and imposed by the authority of the Government of India for the general purposes of such Government. Necessarily, the word "Sayer" was interpreted, not in its local acceptation, but in the sense in which it was understood by the Government of India. For several years preceding the Governor General's assent to the Bill which passed into law as Bombay Act III of 1869, Sayer had ceased to be regarded as including either Forest or Excise Revenue, both of which revenues are to a great extent farmed in the Bombay Presidency as elsewhere; while the farms of forest revenue were not subjected to the Cess on sayer. Accordingly, in directing the discontinuance of the Cess on abkaree contracts, the Government of India could have declined to compensate Bombay Local Funds for the loss of an income which had been obtained at the expense of Imperial Funds, such compensation merely continuing the Cess in a different form.

37. As, however, Local Funds had benefited by the cess from 1869 to 1872, the Government of India added £14,828 to the Allotment for Provincial Services of the Bombay Presidency, from 1873-74 inclusive, by way of compensation. Thus, from that year, the income from Local Cesses has decreased by the amount of the Cess on abkaree contracts; but there is a corresponding increase of £14,828 in the Provincial Allotment.

38. The cess of one anna in the rupee, or 6½ per cent., on the land revenue in the Bombay Presidency was modelled, it has been seen, on that in the North-Western Provinces (paragraphs 31 and 32 of this chapter). The foregoing statement shows, however, that, in one respect at least, the Bombay Cess has gone beyond that in the North-Western Provinces, *viz.*, in the Cess on Sayer as distinguished from the assessment on land. For the Cess on abkaree contracts compensation amounting to £14,828 a year has been allowed; and this item, with the Cess on Sayer proper, constitutes one material advantage, at the expense of Imperial Revenue, which the Bombay Presidency has over the North-Western Provinces.

39. There are other differences in favor of the former. In the North-Western Provinces, the Cesses are as detailed on the margin. In the Bombay Presidency, the District Dāk Charges are provided for outside the anna cess. In the North-Western Provinces, the bulk of the 7½ per cent. on land revenue, which was levied as a Municipal Rate, is for village police. Originally, the rate was 2¾ per cent. of the gross rental, or 5½ per cent. on the land revenue. But, this rate having been found "quite inadequate to the efficient maintenance of the village constabulary," the Lieutenant-Governor, North-Western Provinces, increased it, in 1866, for pending and for future settlements, in temporarily-settled Districts, to 3¾ per cent. on the gross rental, or 7½ per cent. on the land revenue; and the Imperial Act III of 1869 empowered the levy of the enhanced rate from revenue-free lands, in like manner as it was being recovered, under the authority of the Lieutenant-Governor, from revenue-paying lands as they came under revised settlements.

Road cess	1	per cent.
Education cess	1	"
Dāk	7½	"
Municipal	7½	"
<b>TOTAL</b>	<b>10</b>	<b>per cent</b>

Anna cess on Land Revenue.

40. Act XVIII of 1871 consolidated the several foregoing Cesses, for temporarily-settled Districts in the North-Western Provinces in which the last settlement had expired, into a 10 per cent Cess on land revenue; so that it cannot now be said that the percentages noted on the margin are specially reserved for the purposes specified against each. But, nevertheless, the Village Police absorbs a large proportion of the 10 per cent. Cess. With the District Dāk Cess, it absorbs 54.9 per cent. of the Cess. The anna cess in the Bombay Presidency does not provide for either District Dāk or the Village Police. Accordingly about 5 per cent. Cess on land revenue in the

Road cess	1	per cent.
School cess	1	"
Dāk	7½	"
Municipal	7½	"
<b>TOTAL</b>	<b>10</b>	<b>per cent.</b>

NORTH WESTERN PROVINCES

	1873-74.	1874-75.	1875-76.	Estimate 1876-77
	Rs	Rs	Rs	Rs
Cost of village police	21,64,683	21,28,273	23,75,334	21,76,000
Deduct for rural police, Benares Division (permanently settled District), or for 7,513 men, at Rs 86 a year each	2,70,468	2,70,468	2,70,468	2,70,468
Village watch cess	68,368	27,775		
Old chowkeedare cess	17,682	19,864		
	3,56,368	3,18,107	2,70,468	2,70,468
Rural police charge on 10 per cent cess	18,08,265	18,10,172	21,04,866	19,04,532
Ten per cent. cess	37,40,709	37,79,180	38,39,440	38,56,500
			64.91 per cent	

North-Western Provinces, as representing income for other than District Dāk and Village Police, is that which the Local Government has for the objects that are served in the Bombay Presidency by the anna or 6¼ per cent. Cess on land revenue.

41. Thus the Bombay Presidency has an advantage over the North-Western Provinces in an extra Cess of 1¼ per cent. on land revenue, and a 6¼ per cent. Cess on sayer and abkaree contracts.

42. Next, as to the conditions which limit the application of the Bombay Cess (para 33 of this paper). In moving the first reading of the Local Funds Bill, in the Bombay Legislative Council, the Honorable Mr Ellis stated, in reference to the Anna Cess, that—

"The chief objects to which the proceeds of taxation were to be devoted, were Public Works and Education. \* \* It was, also, one essential feature in the scheme that, in thus providing for Local Taxation, the proceeds of the taxation would be devoted purely to Local objects, and that the people should receive, by reason of the payment, something which they had not before, and which, but for the payment, they would not receive at all. He hoped that it would be understood that this taxation would not in any way supersede the Imperial Grants that it was intended to supplement, but that it would do for the people what the Imperial Government could not be expected to do"

43. It was held by the Bombay Government, on a former occasion, that the assurance thus given by Mr. Ellis restrained the Government of India from transferring to the Local Cess, by reduction of Imperial Grant, any objects of expenditure otherwise chargeable to the Cess, which, in the absence of a Cess, had been provided from Imperial Funds.

## CHAPTER IX.

BOMBAY  
PRESIDENCY.Anna cess on Land  
Revenue.

44. The view which prevailed with the Bombay Government was that the Cess was a voluntary payment (which the Act, however, was making compulsory) by cultivators in consideration of the money being spent in their respective taluqas. But, as pointed out by Mr. Ellis in 1871 (paragraph 195 of this paper), the ruling of the Secretary of State in respect of such Cesses shows that the Cess can be imposed, during the currency of a settlement, without the consent of the proprietors; and the Bombay Act imposed it without the consent, or against the wish, of many proprietors. Some of the Districts in which the old settlements were current in 1869 have since expired, and, in these and in all other Districts in which the Cess was imposed on revision of survey, before the passing of the Act, there was or is no voluntary contribution.

45. The Cess in the Bombay Presidency is of precisely the same character as the Anna Cess in the Madras Presidency and in the Punjab, and as the 5 per cent. Cess in the North-Western Provinces: the reductions of the Imperial Grants for roads have not been stayed in these Provinces by reason of these Cesses; on the contrary, new or enhanced Cesses have been legitimately applied by the Governments of those territories in meeting charges for lower-class education, and for roads, in relief of burdens previously thrown for those objects on Imperial revenues. Also, the Anna Cess in Sindh is appropriable wholly for public works, and one half of its net proceeds need not be spent in the District in which it is levied, it appertaining to Government as a set-off against public works expenditure.

46. Influenced, possibly, by these considerations, the Bombay Government has, latterly, been acting on the view that it is proper to transfer to the Cess objects of expenditure chargeable to it that had heretofore been borne outside the Cess. In this manner, an amount of expenditure for schools of the lower class, which had been accepted by the Government India, in the absence of a school Cess, has been transferred by the Local Government to the Anna Cess; and the principle is thus recognised, under which, as in other Provinces, expenditure for roads can be similarly transferred to the Cess.

47. But a considerable part of the proceeds of the Road Cess is now being devoted to other expenditure than that on roads. Act III of 1869 set forth that in administering the proceeds of the Cess, the Local Fund Committee of each District was to provide for the requirements of the District—

“with respect to works and undertakings calculated to promote the local public health, education, and convenience, including roads, schools, hospitals, dispensaries, dhurmsalas, markets, and wells and other works for improving the water-supply”

In the Rules published in the *Bombay Gazette*, dated 30th December 1869, under section 12 of Act III of 1869, one-third of the Cess was set apart for education, and the remaining two-thirds was reserved—

“exclusively, for roads and communications, and works subordinate thereto, *i. e.*, on dhurmsalas or rest-houses, on water-supply, and on the plantation of avenues of trees.”

Hospitals and dispensaries are not made chargeable, in the Rules, to either the one-third or the two-thirds share of the Cess. In 1868 Mr. Ellis had stated (para. 42 of this paper) that “the chief objects to which the proceeds of taxation were to be devoted were public works and education.” In the Bombay Administration Report in 1873-74 the following passage occurs:—

“The term ‘Road Cess’ is applied to the principal item of the District Public Works Funds, consisting of two-thirds of the One-anna Cess levied under the Local Funds Act III of 1869. It will have been gathered, however, from what has been said in the last section, that the term is not very appropriate, for in the Rules published under Section 12 of the Bombay Local Funds Act III of 1869, it is laid down that the share of the One-anna Cess in question shall be expended exclusively on roads and communications, and works subordinate thereto, *i. e.*, on dhurmsalas or rest-houses, on water-supply, on the plantation of avenues of trees, and on objects calculated to promote the public health in the taluqa; and it will be seen from what has been said in the last section that the construction and repair of roads, though among the principal objects of expenditure, is by no means the sole object either of the One-anna Cess in particular, or of the District Public Works Funds generally. Road and Ferry Tolls, and the fees levied at traveller’s bungalows, are intended to be more exclusively devoted to the improvements of communication and the convenience of travellers, but they are also amalgamated with the Local Fund revenue derived from other sources.”

48. With the similar Anna Cess in the Madras Presidency, two-thirds of the Cess, plus Tolls, have to be spent on roads; whereas it would appear from the latter part of the preceding quotation that, in future, in the Bombay Presidency,



tolls, and only that portion of the two-thirds Road Cess which may not be required for sanitary and other improvements in the district, will be devoted to roads. The impression conveyed by the extract is, that roads will obtain a smaller share of the two-thirds of the Anna Cess than is allotted to them from the precisely similar Cesses in the Madras Presidency and in the Punjab.

49. The preceding remarks refer to the Anna Cess in the Bombay Presidency, which was introduced into the Province of Sindh by Bombay Act VIII of 1865, and into the rest of the Presidency by Bombay Act III of 1869. The only other considerable Local Income raised between 1863 and 1869, was under the Cotton Improvement Act IX of 1863, and under Acts relating to the Municipality of Bombay. The income under these Acts is not available for the general objects of expenditure from Provincial and Local Funds.

50. On the introduction of the Scheme of Provincial Services, three Bills in furtherance of local taxation were introduced, in 1871, into the Council of the Governor of Bombay assembled for making laws. The Bills were designed to provide funds for meeting a deficit of 10 lakhs in the estimated Expenditure, compared with the estimated Receipts of Provincial Funds for 1871-72. The figures of the estimate were as follows:—

	GROSS AMOUNT		RECEIPTS.		NET AMOUNT.	
	Assigned by Govt of India.	Estimate for 1871-72	Assigned by Govt of India.	Estimate for 1871-72.	Assigned by Govt of India	Estimate for 1871-72.
	£	£	£	£	£	£
Civil Services transferred ...	728,104	744,697	55,285	67,277	669,819	677,420
Public Works ...	297,732	319,050	...	...	297,732	319,050
TOTAL ...	1,022,836	1,063,747	55,285	67,277	967,551	996,470
Reduced by Government ...	...	...	...	...	66,351	...
					901,200	996,470
Deficit compared with assignment ...	...	...	...	...	95,270	

Instead of making good, by reduction of expenditure, any part of the retrenchment of £66,351, which the state of the finances had compelled the Government of India to require from the Bombay Presidency as its share of the general retrenchment for reforming the finances, the estimate for 1871-72 provided for an increase of £28,921 beyond the old rate of expenditure. Under Public Works, an increase of Grant by £21,318, instead of a reduction of Grant, was arranged, while, in the estimated Public Works Expenditure from Local Funds there was a decrease, below 1870-71, of £70,610: in other Provinces the reduction of the Imperial Public Works Grant, which had become imperative, was met by increasing the allotment from Local Funds for Public Works;—but in the Bombay Presidency the allotment from those Funds was reduced by £70,610, while the Assignment from Provincial Funds was increased by £21,318 beyond the gross amount of the previous year, though that had been deemed excessive in the state of the Imperial Finances.

51. The deficit of £95,270 was on a scale of expenditure from which £10,000 of grant by the Government of India for the police of the city of Bombay had been struck out, but which, yet, despite that retrenchment, exceeded the scale of expenditure in 1870-71 to the extent shewn above; in other words, the grant of £10,000 to the city of Bombay for its police was withdrawn on the one hand, while, on the other hand, the expenditure for other Civil Services was increased beyond the scale in 1870-71.

CHAPTER IX.

BOMBAY  
PRESIDENCYAnna cess on Land  
Revenue.

CHAPTER IX.  
BOMBAY  
PRESIDENCY.

52. Respecting the withdrawal of £10,000 a year from the Bombay Municipality, His Excellency the Governor observed (5th April 1871) :—

(a) "The Government find that they have no resource left in order to increase their means" (for meeting the police charges of the Presidency), "but propose that the annual subsidy of one lakh of rupees, which has hitherto been paid to the Municipality of the City of Bombay, shall in future not be paid. We think that this is only just. The Council will see that a measure similar in principle, but not in extent, will be adopted as regards all the other great Municipalities, and we feel that, inasmuch as the town duties, which were granted to the Municipality upon the representation that they would, at the utmost, produce 2½ lakhs, may be calculated in a favourable year to realise something like three times that amount, the Municipality can very well afford to do without the contribution to the police which has hitherto been given to them."

Mr. Mansfield, on a later occasion, (21st April 1871) observed—

(b) "It could not be expected that Government, in a City like Bombay, with an enormous number of inhabitants from every part of the Country, should pay the expenses of the police or contribute towards these expenses. By the present arrangement the contribution to the Bombay police was one lakh of rupees, but it must not be forgotten that the Municipality had received from Government the Tobacco Duties and the revenue from Liquor Licenses, which went to the payment of the police."

53 The retrenchment of one lakh assigned by the Government of India for the police of the city of Bombay having been thus justified, it remained to provide for the deficit of 10 lakhs which, despite this retrenchment, was created, in the Estimates for 1871-72, by a scale of expenditure greatly in excess of the Provincial Assignment.

54. With the view of meeting this deficit, the following Bills were introduced into the Council of the Governor of Bombay :—

- |                         |  |
|-------------------------|--|
| Police rate.            | 1—A Bill to provide for the cost of Police employed in Towns and Suburbs where Act XXVI of 1850 is in force (estimated yield of income, 1½ lakhs of rupees);                   |
| Non-agricultural cessa. | 2—A Bill for imposing duties on the rural Non-agricultural Classes in the territories subordinate to the Presidency of Bombay (estimated yield of income, 4½ lakhs of rupees); |
| Tax on feasts.          | 3—A Bill to impose a Duty on Feasts in the Territories subordinate to the Presidency of Bombay (estimated yield, 4 lakhs of rupees).   |

55. The third Bill was withdrawn after a strong expression by the Council of an opinion adverse to it. During the discussion of the Bill, more than one member, including Native Members, stated that a Marriage Tax would be better than the Feast Tax. In discussing the first Bill, the propriety of requiring Municipalities to pay for the police of towns, as in all other parts of India, was repeatedly affirmed. Thus—

1. SIR S FITZGERALD.—"I cannot but think that every one present will recognise the strict equity of our request in asking for power to take from the wealthy municipalities, such as Surat, Ahmedabad, Poona, Broach, and others, such a contribution as would enable us to raise from all combined a sum of probably not more than one and a half lakh of rupees \* \* We have made only a fair demand upon the wealthier Municipalities of this Country, which cannot be entitled to have from the State, without payment, the protection to their property, and the repression of those crimes which the aggregation of a large population necessarily causes. It appears but just that the general public should not be taxed for their benefit, and that we are at least entitled to expect from them some contribution towards the expenses of their police"
2. MR. RAVENSCROFT, 21st April 1871.—"The policy of taking from the Municipalities a portion of the money necessary for the maintenance of the police was so obvious that he did not think it required to be enlarged upon. He did not know any large city in the world which laid claim to any civilisation, in which the police was paid otherwise than it is now proposed they should be paid."
3. MR. MUNGULDASS NATHOOBHAY, 21st April 1871 —"Of the three Bills that have been introduced for raising the necessary funds, Bill No 1 appears to me to be the least objectionable, as the different Municipalities in this Presidency will be able to meet the entire charge of maintaining the police by having recourse to such indirect modes of taxation as may be suitable to them"
4. MR. STEWART —"I consider that a charge for the police employed in wealthy municipalities affords a fair and proper means of raising money, and that it is not open to any objection that would not apply to any measure for enforcing payment of money."

5. MR. TUCKER.—“At present the City of Bombay maintains its own police, aided by a contribution of Government which we have expressed our intention to withdraw, and the agricultural portion of the community bear a considerable portion of the expense of the village police. There would seem to be no reason, therefore, why the dwellers in towns and cities in the mofussil should not be called upon to pay for the protection of their lives and property in the same way as the inhabitants of the town and island of Bombay, and the agricultural classes throughout the presidency. To compel them to do this is the object of Bills Nos 1 and 2 of 1871. Under the operation of the former, requisitions will be made upon the larger cities where municipalities exist, while the smaller towns, with similar institutions or without them, will be subjected, in common with the non-agricultural section of the rural population, to the tax imposed by Bill No. 2. \* \* I may conclude my observations on Bill No 1 with the remark that it ought not properly to be considered an offspring of the decentralisation scheme. Such a measure would have been necessary if there had been no alteration in our financial arrangements, as it would not have been just that Poona, Surat, Ahmedabad, Broach, and other great towns should be permitted to throw upon the rest of the Presidency the burden of providing for their wants in the shape of police, and, under any circumstances, it would not have been right to allow this state of affairs to continue.”
6. MR. MANSFIELD.—“Under the Native Governments, all local communities paid for police, and those Governments never spent a pie for that purpose. To this day each villager paid a certain amount of grain to the village watchman; and in former days, in bazars, towns and cities, where the town dues were levied, the police of the town were maintained by means of the people residing in the towns”

56. Referring to Nos. 3 and 6 of the preceding extracts, it may be stated that half or (in the richer Municipalities) more than half the income of Municipalities, generally, in the Bombay Presidency, is derived from town duties. In the North-Western Provinces, the Punjab, and the Central Provinces, where Municipal Income is largely derived from Octroi, Municipalities pay the entire charge for their police.

57. The Bills Nos. 1 and 2 were passed into law as Bombay Acts I and II of 1871. The latter, which imposed the Tax on Non-agriculturists, does not state the object for which the tax was imposed, nor direct the appropriation of the tax to any specific purpose. It is seen, however, from No. 5 in paragraph 25 that Act II of 1871 was a complement of the Police Act I of 1871, Act II applying to towns and places which do not pay for police under other municipal Acts.

58. In 1872 under strong condemnation of the impost by divisional and district Officers it was deemed necessary to put in abeyance the Tax on Non-agriculturists, and, notwithstanding the preceding citations of the unanimous opinion of the Governor's Council in 1871, that the richer Municipalities ought to pay for their police, Act I of 1871 was also put in abeyance. But in 1873 the Bombay District Municipal Act VI of 1873 was passed. It repealed Act I of 1871, and provided for the payment by Municipalities of half the charge for town police, if not exceeding one-fifth of the income of the municipalities; it also empowered the application of municipal funds for the payment of expenses of construction and maintenance of colleges, schools, hospitals, dispensaries, and lunatic asylums, and of charges for vaccination, &c.

59. In 1875 a Bill was introduced into the Council of the Governor of Bombay for amending the law relating to Tolls on Roads in the Bombay Presidency. But the object of this Bill is not to introduce new taxation, but to legalise existing practice—

“Under the present system by which we levy tolls, we collect about 7 lakhs of rupees per annum—a revenue which we cannot consent to forego for abstract considerations, in the present state of our finances.”

60. The substance of these remarks on local cesses in the Bombay Presidency is as follows :—

I.—In 1863 a Cotton Improvement Act was passed under which a considerable income is raised for only a specific purpose; and in 1865 and 1872 Acts for regulating the affairs of the Municipality of Bombay were passed. The income raised under these several Acts is not available for the general objects of expenditure from Local or Provincial Funds; but the Municipal Acts facilitated the transfer of some Imperial Charge for the police of the Presidency town to the Municipality of Bombay. (Paragraph 49.)

CHAPTER IX.  
BOMBAY  
PRESIDENCY.

- II.—With the foregoing exceptions, no Local Cess or Rate, other than a Cess on land and sayer revenue, was imposed in the Bombay Presidency by legislation between 1863 and 1870, inclusive.
- III.—A Cess of One Anna on every rupee of Land revenue, and of the farms of Sayer revenue, was introduced into Sindh by Bombay Act VIII of 1865, and into the Bombay Presidency proper in 1863 and later years, by Acts of the Executive Government, which were legalised by Bombay Act III of 1869. (Paragraphs 31 to 36.)
- IV.—The term "Sayer" having been held by the Bombay Government to include "Abkaree," the Cess was levied at the rate of one anna in the rupee on the annual amounts paid for farms of Excise Revenue or abkaree contracts, until the Government of India directed its discontinuance, while, at the same time, as an act of grace, it granted a compensation of £14,828 a year for the consequent loss of income, thus perpetuating the Cess in a different form. (Paragraphs 35 to 37.)
- V.—Comparing the Anna Cess, which is equal to  $6\frac{1}{2}$  per cent. on land revenue, with the 10 per cent. Cess in the North-Western Provinces, the former is the more advantageous, inasmuch as, *firstly*, it is levied on Sayer as well as on Land revenue, whilst the levy in the North-Western Provinces is on Land revenue only; *secondly*, in the latter Provinces half the 10 per cent. Cess is expended on rural police and the district post, both of which services are provided in the Bombay Presidency outside the Anna or  $6\frac{1}{2}$  per cent. Cess. (Paragraphs 38 to 41.)
- VI.—Notwithstanding this alienation in the Bombay Presidency, for local purposes, of a larger percentage of the Land and Sayer Revenue than is locally appropriated in the North-Western Provinces, it was held in the Bombay Presidency that the Cess could not be spent on any objects previously provided for from General Revenue, an arrangement which differs from the practice in all other parts of India in which Cesses on Land Revenue are levied. (Paragraphs 42 to 46.)
- VII.—With regard to the application of the proceeds of the Anna Cess, it is noticeable that in the Madras Presidency two-thirds of the Anna Cess on land revenue, plus Tolls, have to be spent on roads; and there is a similar apportionment of the Anna Cess and Tolls in the Punjab. But, in the Bombay Presidency, the funds for expenditure on roads, which are provided by Tolls on Roads and Ferries, are to be supplemented, in future, by only that portion of the two-thirds share of the Anna Cess which may not be required for sanitary and other improvements in the Districts. (Paragraphs 47 and 48.)
- VIII.—On the introduction of the Scheme of Provincial Services, the consolidated Assignments by the Government of India, based on the Grants for 1870-71, were reduced by £350,000, which the Local Governments were required to make good by reductions of expenditure or by Local Cesses. The Bombay Government's share of the retrenchment was £66,351; but the first budget of Provincial Funds by that Government was framed for a Deficit of £95,270, by providing for civil services as if the Grant had not been reduced by the Government of India through the retrenchment of £66,351, and by adding £21,318 to the Public Works allotment from Provincial Funds, while the similar allotment from the Local Funds of the Presidency was reduced by £70,610. The total deficit of £95,270,—including the retrenchment of £66,351—the Local Government proposed to make good by new taxes. With this view a tax on Non-agriculturists was introduced in 1871-72, but was put in abeyance in 1872-73; and Bombay Act I of 1871, empowering the levy from municipalities of contribution towards police charges, was passed with the cordial approval of the local Legislative Council; but it also was put in abeyance in 1872-73. On 14th May 1874, however, an amended law

for District Municipalities was published with the approval of the Governor General, by which half the charge for town police, and contributions for schools, hospitals, dispensaries and expense for vaccination, will be obtained from Municipalities. (Paras. 50, 51, and 53 to 58.)

IX.—The deficit in the Provincial Budget for 1871-72 was met (VIII above) by new taxation; but there was at least one item of retrenchment of expenditure, *viz.*, the withdrawal by the Local Government from the Municipality of Bombay of an annual grant of £10,000 which the Government of India had made over to the Local Government in the Provincial Assignment.

61. Respecting the administration of the public works expenditure from the two-thirds of the Anna Cess, the following remarks were made in the discussion of the budget estimate of Provincial Funds for 1871-72:—

I. *Sir Seymour Fitzgerald, 5th April 1871.*—“The whole question of our Local Funds expenditure must necessarily come under consideration at an early date. There are at present great defects in its administration. The Rules established by Government, are systematically set aside. We find that works are undertaken without any sanctioned plan or estimate; and that thus large sums are spent without any reference to Government. I believe it will be found that works of considerable magnitude have even been undertaken without any fixed or definite plan having been made at all. There are, of course, many legal and equitable points to be taken into consideration that effect the expenditure of the Local Funds, and it will be the duty, as it is the desire, of the Government to recognize, to the fullest extent, all legal and equitable considerations affecting them, but as the whole question of the Local Funds must necessarily and very shortly come under consideration, I do not propose to enter into any discussion at the present moment of our Local Funds expenditure.”

II. *Colonel Kennedy, 21st April 1871.*—“Your Excellency has already intimated that changes in the mode of administration of these Funds are called for, and that the subject will receive early attention. I most cordially concur in this view. Our Local Funds Revenue is now very large, it amounts to upwards of sixty lakhs per annum, of which more than half, or about thirty-five lakhs, is devoted to public works. The Local Funds Public Works Assignments are indeed larger than the Provincial Assignments for a similar purpose, and, from the experience I have had of the working of the Local Funds system, I am convinced that a large measure of economy could be secured by changes in the manner of its administration. It is needful, I think, to secure greater care and regularity as regards Accounts, a more judicious selection of works and projects, a better control over execution, and a revision and consolidation of establishments, so as not to have two or more agencies in the same District, all working at half power, and all pulling against each other in the markets. I will not say more on this subject, except to express my opinion that, in taking up and dealing thoroughly with it at an early date, Your Excellency will be doing that which would conduce greatly to general economy, and which would place at your disposal, without in any way affecting present interests—which must of course be carefully respected—means for supplementing the Provincial Grant and of extending useful public works, without the necessity of adding very greatly to the burthen of taxation which the Country now bears.”

61a. These intentions were carried out in orders passed by the Government of Bombay on 30th November and 23rd December 1874, which placed Executive Engineers of Districts in charge of works executed from Local Funds subject to certain conditions and limitations, which preserve to Local Funds Committees all proper control over those works. Among those conditions are the following, *viz.*:—

- I.—That only the Local Funds Committees shall initiate expenditure, and that they shall be responsible for keeping it within the available means of the District in the year.
- II.—That (unless it is otherwise specially arranged with the consent of the District Committee) the proceeds of the road and education Cesses shall be expended in the talooka in which they have been levied.
- III.—That Local Funds Committees may provide for the following, without the agency of the Executive Engineer, *viz.*:—
  - (a). Original works and repairs, the cost of each of which shall not exceed Rs. 2,500, and which do not require professional skill; but small bridges and drains and culverts and difficult nullah crossings, or repairs to metalled roads provided by bridges and drains, though costing below this

CHAPTER IX.  
—  
BOMBAY  
PRESIDENCY.

limit, shall, if requiring professional knowledge, be entrusted to the Public Works Department.

(b). Lines of road, the mileage cost of which shall not exceed Rs. 500,

but that, as a rule, all other public works shall be undertaken by the Public Works Department.

IV.—That no proposal for the execution of public works shall be definitely sanctioned, unless accompanied by designs and estimates, even should the work have been included in a sanctioned budget.

V.—That the Local Funds Committee shall prepare, annually, a budget of the Estimated Receipts and Disbursements under all heads, in the year, in each talooka. The budget estimates shall be framed against the estimated receipts of the year and estimated balances at the close of the year immediately preceding.

VI.—The Local Funds shall be debited with a share of the expenses of the regular Public Works establishment, at a uniform rate of 15 per cent. on the amount actually expended in the year by the Executive Engineer, Public Works Department. The percentage shall cover all superintendence supplied by the Public Works Department for Local Funds works.

On 7th April 1875, the Government of Bombay recorded a Resolution setting forth that the foregoing changes for bringing the Local Funds Committees into closer relations with Public Works Officers took effect on 1st April 1875, and that they had been determined on by Government in the general interests, after very mature consideration and deliberation.

BENGAL.

62. Outside the Lower Provinces of the Bengal Presidency, local expenditure for schools, hospitals, and sanitary purposes is provided by Municipal Taxation and by Cesses on the land revenue; but in Bengal the similar provision is only through municipal taxation.

63. In Bengal there are three grades of towns: *1st* (or richest), towns under the District Municipal Improvement Act III of 1864; *2nd*, towns under the District Towns' Act VI of 1868; *3rd*, towns under the Chowkeydaree Act XX of 1856. Under all three Acts, the payment of police is a first charge on the income of the towns, after defraying which any surplus that remains is devoted—

(a) Under Act XX of 1856, to cleaning or lighting the town;

(b) Under Act III of 1864, to roads, streets, drains, lighting and conservancy;

(c) Under Act VI of 1868, to making or repair of roads or streets, to the conservancy and general improvement of the town, and to the maintenance of vaccination, dispensaries and hospitals;

and, under Bengal Councils' Act II of 1873, the surplus arising under Act III of 1864 or Act VI of 1868 may be applied further to the establishment and maintenance of schools.

Three classes of  
Municipalities

Vernacular schools.

64. In the discussions which resulted in the passing of Act II of 1873, it was stated (Mr. Bernard, 9th December 1871) that the schools contemplated were mainly vernacular schools for elementary education, and (Sir G. Campbell) that these schools would be established only where there were no schools. He believed there would be very few towns in which the provisions of the Act would be used—

“His Honor's experience of towns in Bengal was that *patshahas* existed almost everywhere in populous places, and that they gave a very tolerable education in the three “Rs.” In places where these *patshahas* existed, we should exercise no compulsion” (the Act III of 1873, as passed, was shorn of compulsory clauses), “and municipalities might give aid to them, or not, as they thought fit.”

Mr. Bayley remarked:—

“In most villages in Bengal there were *patshahas* and *goroomohashays* maintained, nominally, perhaps, at the expense of the zemindars, but in reality paid for by the ryots.”

Rajah Jotíndro Mohun Tagore remarked :—

" His Honor the President had justly observed that there was hardly a village in Bengal in which there was not a *patshala*, he (Rajah Jotíndro Mohun Tagore) would go a step further and say that there was hardly any considerable village in which there were not two or three *patshalas*, which proved that the voluntary system of education was working well. There were of course some exceptional places in which no such institution as a *patshala* existed; but the presumption, in such cases, was that the people in such places, being either actual cultivators or laborers, could not spare their children for the school, and, consequently, the want of primary education was not felt there; and that even if *patshalas* were established in those places, little or no advantage would be taken of the benefits they would afford, unless a system of compulsory education were introduced by the Government."

CHAPTER IX

BENGAL,  
PRESIDENCY.

Vernacular schools.

Baboo Digumber Mitter, advocating a gradual application of the grant-in-aid system, observed :—

" Mass education was no doubt desirable alike in the interests of good government and of humanity, but it was equally desirable that a sudden disruption should not take place in the existing social and industrial economy of the Country, by its being quickened by a sort of hot-house treatment, or pursued under a system of tuition which might inspire a distaste for the specially arduous life to which at least three-fourths of the population of the Country were destined, and, towards that end, he fully agreed with His Honor that the indigenous *patshala* or education by a *goroomohashoy*, which, until lately, was the only education available to the middle classes in all mofussil towns, was far preferable to the system of mass education inaugurated by the Education Department, which, besides being expensive, aimed at imparting a kind of education evidently inconsistent with a life of drudgery, which, as he had already observed, three-fourths of the population must inevitably lead."

65. It would appear from these observations that, as stated by Sir G. Campbell, almost every town or populous place, and, according to the other speakers, almost every village, has one or more *patshalas* for giving a very tolerable education in the three "Rs."

66. Respecting the support to dispensaries, willingly given by Municipalities, Mr. Bayley observed :—

" It was well known that the majority of Municipalities were poor; that they had very small surpluses, and many wants and responsibilities; and there was no doubt that, in the first instance, they would not be able very largely to contribute towards education. But there was no doubt that they did, at present, manage to contribute something to the support of dispensaries, and that many of them contributed very largely for this purpose; and it was to a great extent owing to a not very recent ruling of the Government, which allowed municipal contributions to be considered as private subscriptions, and thus enabled them to call for further assistance from the Government, that the number of dispensaries had of late been very largely increased in Bengal."

67. The expenditure for the police of towns is provided for by the three Acts above mentioned, and by Act XXVI of 1850, under which law there are only two Municipalities, *viz.*, those of Monghyr and Jamalpore. For rural police, the Village Chowkeydaree Act VI of 1870 was passed; among other things it prescribes (1), that the rate to be levied shall not exceed one rupee per mensem on any one person, and that any surplus of the year shall be carried forward and applied to the reduction of the rate in the following year; (2) that all Chowkeydaree Chakran lands shall be transferred to the Zemindar of the estate or tenure within which the land may be situated, subject to assessment of a rent which shall be paid to the village punchayets for the expenses of the Village Chowkeydars; (3) that the assessment shall be payable, and the village police be paid, monthly; (4) the punchayets are not required to render accounts to any one outside the village.

Village chowkey-  
daree.

68. Owing to the third and fourth of these provisions, and to the application of each year's surplus in reducing the rate of assessment for the following year, the sums realised under the Act are not brought on the Government Books of Account. Furthermore, the Act was to take effect in only those Districts or Sub-divisions of Districts to which the Lieutenant-Governor might extend it by an order to be published in the *Calcutta Gazette*. On 6th January 1872 Sir G. Campbell observed :—

" His own view, and that, he believed, of many gentlemen who had much more practical experience on this subject than His Honor, was that there were very great difficulties in respect to the working of the provisions of the Chowkeydaree Act regarding *servite* lands. The work-

## CHAPTER IX.

BENGAL  
PRESIDENCY.Village Chowkey-  
daree.

ing of it involved the appointment of a Commission for the commutation of those lands into money payments, on principles to which we might not all assent. The result of those difficulties was that he had not felt himself in a position to carry out the provisions of that Act to the degree that he should have wished to do."

Lately, however (18th October 1875), the Bengal Government in reviewing the Police Administration Report for 1874-75 stated that, "since the close of the year, steps have been taken to extend to a large number of Districts the provisions of Act VI (B. C. of 1870), by means of which the Lieutenant-Governor is confident that the evils complained of, resulting chiefly from the non-payment of the chowkeydars for their services, can, with a vigorous administration, be removed."

69. In the discussions which led to the passing of the Act it was stated (26th February 1870) that, in 1859, there were about 164,777 chowkeydars in 159,309 villages, and that the aggregate sum paid in different forms to this body of police was estimated at no less than 59½ lakhs of rupees; also (7th May 1870) that the Village Police are bad and corrupt, because they are never paid their proper wages.

70. While the Village Police number 165,000 men, the regular Civil Constabulary, according to the Administration Report for 1873-74, consisted in that year of 22,449 inferior officers and men, including 1,617 in Assam. On 25th March 1871, Sir G. Campbell observed regarding the Civil Constabulary that—

"The future of that police would very much depend upon the working of the new Chowkey-daree Bill which had been lately passed by this Council, and which he might describe as a Local Cess Bill; he meant the Village Chowkeydaree Act. If the chowkeydars were turned into policemen, the regular police might be reduced; and, on the other hand, if we were to maintain as chowkeydars merely the indigenous village institution, why then it would be a serious question whether, in reality, we could make any large reduction in the regular police."

District Road Cess.

71. It remains to notice the provision for roads. As in other Provinces there is the usual income from (1st) Tolls on Ferries, (2nd) Profits of Jail Manufactures (on a larger scale, however, than in other Provinces), (3rd) until lately, a Fund for the Improvement of Government Estates. The two first-mentioned do not require notice; the third is noticed in the remarks on Local Cesses in Assam; here it is necessary to give an account of only the new levy of Road Cess. The District Road Cess Act (Bengal Councils' Act X) of 1871 provides—  
"for the construction and maintenance of roads and other means of communication, *i. e.*, of roads, bridges, rivers, khals, and canals other than those on which tolls are collected, the proceeds of which are not paid to the District Road Fund, and other than canals constructed for purposes of irrigation."

The Road Cess leviable under the Act is as follows:—

I. A rate not exceeding half an anna on every rupee—

- (a) Of the annual value of all lands in the District.
- (b) Of the annual profits of every mine, quarry, tramway or other immoveable property,—except houses and the lands in (a),—and except railways or tramways, the property of the Government of India, or of Railway Companies whose dividends up to a certain percentage on their capital are guaranteed by the Government of India. This last exception was contingent, under the Act, on Government not permitting the levy of the Cess on Guaranteed Railways, &c.; and the Government of India has prohibited the levy.

II. A Cess, at rates set forth in a Schedule E annexed to the Act, on the present value of dwelling-houses, and of shops and buildings used for purposes of trade; but towns, under Municipal Acts, are exempt from this rate, in consideration of their repairing the portions of District Roads which pass through the towns.

72. The Act distributes the half-anna cess on the annual value of lands, so that each proprietor pays one-half the rate upon his profits, and the occupier pays one-half the rate on his rental. In the Bill, as originally framed, the Schedule E for regulating the Cess on Houses (II of preceding paragraph) was on a lower scale than that annexed to the Act as eventually passed into law. Sir G. Campbell explained—

"The general result of the Schedule, as it stood, appeared to be that for every Ra. 1,000 or part thereof of the estimated value of the house, there should be levied a Road Cess of Ra. 2. He



thought the letting value of houses might be estimated to be about 10 per cent. of their capital value, and in that view he would take the letting value of a house that cost Rs. 1,000 to be Rs. 100; consequently, for every Rs. 100 of letting value, house-owners would pay Rs. 2, whereas other rate-payers were charged somewhat more than Rs. 3, and he was therefore inclined to ask the Council whether it would not be proper to substitute Rs. 3 for Rs. 2 in the case of houses whose value was estimated to be between Rs. 500 and Rs. 1,000, the average being Rs. 750, also to substitute Rs. 4-8 for Rs. 3, as regards houses whose value was from Rs. 1,000 to Rs. 2,000, the average being Rs. 1,500, and to substitute Rs. 3 for Rs. 2 as the cess for every Rs. 1,000 above Rs. 2,000. In the case of houses of the value of from Rs. 100 to Rs. 500, the average of which was Rs. 250, he would let the Cess remain as it stood in the Bill at Re. 1.

"The Schedule was passed with amendments to the above effect."

73. The levy of a Cess on Land originated in a desire for funds for extending elementary education through a scheme of Village Schools in Bengal, which had been begun in 1863 with Imperial Funds—

"The expenditure, of course, increased with the increase and extension of the schools, and when the special allotment in the budget for patshalas was insufficient to meet all the requirements of the system, the Local Government authorised the appropriation of savings from the General Grant for Education for carrying out the system of primary education, which was working healthily and satisfactorily. The Government of India objected to this procedure. This was in March 1868. Previously, in October 1867, similar exceptions had been taken, and in view of the increasing expenditure and the want of Imperial Funds to meet it, it was declared to be the opinion of the Governor General in Council that the main burden of vernacular education in Bengal should fall, not on the Imperial Revenues, but, as elsewhere, on the proprietors of land. \* \* \* So far then the Cess originally proposed by the Government of India was for the purpose of education only, and it was proposed to be levied on the land proprietors only, and on them at a percentage on the sudder jumma. \* \* \* Six months afterwards, the instructions of the Government of India were considerably modified. The method of rating by a Cess of 2 per cent. upon the sudder jumma of zemindars was abandoned, as it would (to use the words of the letter of the Government of India), in the eyes of those who were not well acquainted with the true state of the case, have very much the appearance of an enhancement of the assessment imposed upon the land at the Permanent Settlement, while the incidence of the rate would be unjust, as in Bengal the Government revenue had ceased to be any index whatever to the actual annual value of the estates. \* \* \* Thus far, then, the scheme was still one of exclusive taxation on the landed proprietor, and the tax was to be at the rate of 2 per cent. on the gross rental received by the zemindars and others under direct engagement with the Government. And it was on this occasion that it was first ordered that the rate should be calculated with a view to including in it something for the maintenance and construction of roads in addition to the requirements of education."

Lengthened enquiries followed, which elicited valuable reports from local officers of standing and experience; and the whole subject having been reviewed by Sir W. Grey in a letter dated 30th April 1869, it was referred by the Government of India in a despatch, dated 31st December 1869, for the decision of the Secretary of State.

74. In that despatch the following passages occur:—

- (a) "In paragraphs 33 to 35 the Lieutenant-Governor defines what he means by Mass Education, and we accept the definition given in the latter portion of the 23rd paragraph, that is to say, that its object is to raise the intellectual status of the masses, who will remain, as before, agriculturists, labourers or artisans, but with a fair knowledge of reading, writing and elementary arithmetic (paragraph 35 of this paper). This is the object that Mr Thomason had in view when he established the Cess in the North-West Provinces, and it seems to fulfil what is generally considered to be the duty of Government in the matter of Primary Education, and exactly meets the requirements of the Educational Despatch of 1854 (paragraph 29 of despatch).
- (b) "The commencement of this great work (of educating the masses) can be only momentarily postponed. The Imperial Resources of the Empire are unable to provide the large sums necessary for such purposes as this. If we are to make roads, to educate the people of Bengal, and keep them healthy and clean, it can only be done by imposing on Local Resources such a burden as they can conveniently bear. We are, therefore, decidedly of opinion that it is the duty of the Government of India to insist on their gradual imposition (paragraph 34 of despatch)."

75. The Secretary of State replied in a despatch, dated the 12th May 1870. Referring to the passage quoted in (b) of the preceding paragraph, he observed—

a. "The one point on which Sir J. Lawrence insisted, and on which Your Excellency now insists, is that the expense of roads, education, &c., in Lower Bengal cannot be borne by the

CHAPTER IX.

BENGAL  
PRESIDENCY

District Road Cess

The cess on land though eventually levied for roads only, originated in a scheme of village schools for Bengal.

CHAPTER IX.  
—  
BENGAL  
PRESIDENCY.  
District Road Cess

Imperial Exchequer out of its existing Revenue, and that it must be met by special rates levied Locally for the purpose \* \* \* The importance of this subject, in a financial point of view, can hardly be exaggerated. It may be stated broadly that the General or Imperial Revenues of India are barely sufficient to meet the demands which are, at present, made upon them by the Civil, Political and Military Administrations of the Empire, together with the Interest on Debt and the Interest on Great Public Works which have not yet become remunerative. But whilst these exhaust the means at the disposal of the Government, they do not exhaust the obligations which are thrown upon it by the condition of the people \* \* \* \* \*  
\* \* \* \* \* "There is still much absolutely requiring to be done, if the condition of the people is to be improved, which the Government cannot undertake out of Imperial Funds. It cannot, out of the means now remaining at its disposal, make and maintain the roads and by-roads required for developing the resources of a Country so vast as India. If, therefore, this work is to be done at all, it must be done by the help of Rates established for the purpose. In like manner, it has been assumed, in all the discussions which have arisen during recent years upon this subject, that the expenditure which may be required for the Vernacular Education of the people and for sanitary improvements cannot, be afforded by the Imperial Revenue, and must be met, in the main, out of the same Additional Resources. There appears, indeed, to be no alternative, unless it be the alternative of allowing the Country to remain without Drainage, without Roads and without Education. \* \* \* \* \*

b "Such Cesses should be laid upon the owners of land only in common with other owners of property which is of a kind to be accessible to the rate

c. "It is above all things requisite that the benefits to be derived from the rates should be brought home to the doors of the rate-payers; that these benefits should be palpable direct, immediate.

d "Until the system, machinery, and incidence of Local-Rating in Bengal has been satisfactorily established, so much only should, in the first instance, be raised as is required for roads"

76. The principle laid down in paragraph 75 (b) was thus expounded in the Bengal Legislative Council:—

"Given property accessible to the Rate, and understanding that all who were interested in that property were made liable to the rate in proportion to their interests, there was nothing in the Permanent Settlement which excluded land from its liability, in common with other like property, from the operation of the Rate"

77. The estimates of the probable proceeds of the Cess were as follows:—

I. Mr. SCHALCH (3rd June 1871).—"Calculating the Government Revenue throughout Bengal at four crores of rupees and the gross rental at twelve crores, the gross proceeds of a cess of half-an-anna in every rupee of gross rental would amount to 37½ lakhs"

II. Mr. BERNARD (3rd June 1871).—"Thus, then, we had an estimated requirement of 50 lakhs a year for roads, and we had a need for large annual outlays on the water-highways of the delta Districts. The Council would perhaps wish to know what funds the Government had to meet these demands. There were about 15 lakhs from the Imperial Assignment shown in the Statement which His Honor the President laid on the table at the last meeting of this Council, and there were about 10 lakhs of gross receipts from Ferry Tolls and Canals. Surely this total of 25 lakhs was enormously insufficient for the construction and maintenance of communications all over Bengal. The Bill now presented to Council, if it became law, and if it worked well, might perhaps eventually yield 30 or 32 lakhs a year. There could thus be at the disposal of Government, and of Local Bodies, about 50 lakhs a year for the improvement of roads and water-highways in Bengal. He thought the Council would consider that half a million sterling was not too much to spend on Communications in Bengal with her 220,000 square miles of country and her 50 millions of population."

III. Mr. SCHALCH'S ESTIMATE (1, above) was at the full rate of the Cess; but, on the occasion of making that estimate, he also explained that—

"the Cess Committee in their Report had fixed the maximum of the Rate at one-third of an anna on each rupee of the annual value of the property to be taxed. But it was now proposed to raise that maximum to one-half of an anna, and the reason for doing so was, because the Cess Committee, in their calculations upon which they based the sufficiency of the maximum of one-third of an anna, had forgotten a very important element in the calculation. They found that the requirements of the Government might be taken at about 30 lakhs; and they considered that, taking the gross rental of the Country at 12 crores, a rate of one-third of an anna in the rupee, supplemented by the rate from the House Tax and certain contributions from Government, would give 37 lakhs, and they, therefore, fixed the rate at that amount. They forgot, however, that the application of these funds was purely Local, and confined to the Districts in which they were raised. It would often happen that one District might require a rating of more than one-third of an anna, and another one, being altogether better provided with Communications, the rate in it might be fixed at a less amount, and consequently the total sum that would be raised by the Cess would be less than the total sum that would be required for the Country generally. It was therefore proposed that the maximum amount of the Cess should be raised to one-half anna. It would, however, rest with the Road Committees at what amount to fix that rate, whether to go up to the maximum rate or not, as they might think fit."

The Road Cess may  
yield 30 to 37 lakhs  
a year

IV BENGAL ADMINISTRATION REPORT FOR 1873-74.—“The Road Cess Act has now been formally extended by Notification to all the Districts of Bengal, except the Sonthal Pergunnahs, Singbhoon, the Chittagong Hill Tracts, and Darjeeling \* \* \* Reviewing the Local Income that might be expected under the Act, it appears that in the thirteen permanently-settled Districts (Orissa is only temporarily-settled) of which the Road Cess valuation had been completed, lands paying a Government revenue of £1,436,000 yielded a valuation of £4,320,000 or equal to something more than 3 times the land revenue. Among the Districts which had not been completed was Mymensingh, where the valuations were said to reach £700,000 on a land revenue of £35,000. The Districts of Rungpore, Pubna, Bograh, Lohardugga, Manbhoom, and Chumparun might be expected to yield a valuation in something approaching to the Mymensingh proportion; while Bankoora, Beerbhoom, and the rest of Behar might be nearer to the average of the other Districts. On the whole, the Lieutenant-Governor was prepared to expect that the valuation of the Permanently-settled Districts would be at least three and a half times, and of the temporarily-settled tracts about twice, the Government revenue. At this rate the total valuations would be—

District Road Cess

	Land Revenue.	Total Valuation.
	£	£
<i>Valuation completed—</i>		
13 Permanently-settled Districts ..	1,436,000	4,320,000
3 Temporarily „ „ ...	174,000	401,000
<i>Valuation not yet done—</i>		
23 Permanently-settled Districts ...	2,109,000	at 3½ times 7,381,000
	<u>3,719,000</u>	<u>12,101,000</u>

The average rate of Road Cess hitherto struck by the District Committees has been four pies in the rupee, or two-thirds of the full rate. At four pies in the rupee, the Road Cess income on £12,101,000 minus £1,359,000 (which latter represents the deduction of one-half the rate on the land revenue allowed to estate-holders under section 21 of the Act) or £10,742,000, would amount to about £224,000. If to this be added £20,000, the estimated yield from the Cess on Houses, Mines, and Quarries, the total yield of the Road Cess may be expected to average about £250,000 a year, at two-thirds of a full rate only. The income accruing to Districts from Ferries, from Provincial Grants in lieu of Cattle-tresspass Fees, and from Miscellaneous sources, may be expected to bring the total annual local income of the District Road Committees to about £300,000 (thirty lakhs of rupees) for the whole of Bengal. This is, at a designedly moderate estimate, the sum which the engineer officers of Bengal will have, eventually, to administer to the best advantage in addition to the Provincial Grant.”

78. The following extracts bear on the object of the Road Cess, namely, the construction and maintenance of roads:—

Requirements of Bengal as to road

I.—BENGAL ADMINISTRATION REPORT FOR 1855-56 — (a.) “The Lieutenant-Governor urged that, to think of establishing metalled roads throughout the far greater part of Bengal, Behar and Orissa, would be at present, and is long likely to remain, little better than a dream. There are no funds available, and no prospect of funds for metalling, at the rate of Rs. 3,000 per mile (the lowest rate which can be assumed in these Provinces), the very extensive roads which are urgently required. Thus (without at all under-valuing the importance of metalled roads if they could be obtained) the Lieutenant-Governor would be less disposed to regret it if only means could be provided for securing the keeping up of a sufficient extent of ‘outcha’ or un-metalled roads, so as to be always traversable in the fair season, say from the 15th October to the 15th June. During the rains the rivers are the real high-roads of the greater part of the Lower Provinces, and they would probably still be the chief means of communication at that season, even if there existed all the metalled roads that could be desired. But as soon as the country dries up, nearly every communication begins to swarm with carts and all kinds of land-carried traffic, and the benefits of easy roads can, then, be quite sufficiently obtained by opening out, and smoothing down, and raising, the common earthen roads of the Country: very few bridges are required for the purposes of this traffic, and those usually of very cheap and easy construction.

(b.) “It is in this way that the well-known and deservedly praised communications of the Turboot, Chupra, and Mootchahoe Districts are kept up. No Districts in the Lower Provinces—few probably in any part of India—can boast of such facility of communication as these three enjoy, maintained entirely at the expense of the Ferry Funds.

(c.) “What is thus done for a few Districts in the Behar Province is required all over the Lower Provinces. Everywhere communication is interrupted, and, in some places, entirely cut off, for want of simple fair-weather earthen roads to connect mart with mart, and rural town with Zillah Station, and Zillah Station with Division Head-quarters. In the course of the Lieutenant-Governor’s tours, which have now carried him over almost all the Zillahs under the Government of Bengal, he has become painfully aware of this great deficiency of dry-weather communications \* \*

“(d.) When first the Lieutenant-Governor took charge of this Government, an excuse was often made for a bad road, or no road, that plans and estimates had been prepared, or were expected, or were under consideration, for a good metalled road to cost many thousands, or per-

CHAPTER IX  
—  
BENGAL  
PRESIDENCY

District Road Cess.

Requirements of  
Bengal as to roads.

haps even some lakhs of rupees; but that means for such expenditure were not forthcoming, and, therefore, nothing had been effectively done, or was likely to be done. This practical error he has striven to amend and putting aside, for the most part, all hope of expensive and therefore unattainable metalled roads, he has urged and encouraged the speedy formation, and the regular maintenance, of inexpensive and therefore practicable fair-weather roads to the utmost extent by the small means at his disposal \* \* How much, however, may be done by the prompt and judicious expenditure of comparatively small sums in this way for the benefit of rural communications, has been strikingly shown in the late works undertaken for the relief of the Inundated Districts, whereby a large extent of practicable and useful roadway has been rapidly opened out, and an unusual amount of benefit afforded, by these valuable fair-weather roads, to public traffic and internal communication, at an expense of time and money quite insignificant in proportion to the present results."

II.—BENGAL ADMINISTRATION REPORT FOR 1872-73.—"As regards roads, the principle followed has been to do most in those Districts, \* \* which, needing most development, are least able to help themselves. The Lieutenant-Governor has also felt that money is much better spent on substantial roads in Districts where the supply of metal is good and cheap, and where roads once made can be easily maintained, rather than in those where passable roads can only be maintained at an enormous cost by continually laying down bricks which soon wear out. It generally happens, too, that the laterite Districts are those most wanting in water communication, while the alluvial Districts where there is no metal have many waterways."

III.—BENGAL ADMINISTRATION REPORT FOR 1873-74.—"The Road Cess affords rich Districts the means, often urgently wanted, of making and repairing their roads, and of opening or maintaining the waterways, which are of such importance to the producing Districts of Eastern and Northern Bengal."

IV.—BABOO DIGUMBER MITTER (3rd June 1871).—"The Statement of Objects and Reasons did not, to his thinking, sufficiently make out the necessity for the present measure. One could not avoid inferring from it that the imposition of a Local Cess had been deemed necessary, not so much for the purpose of keeping intact the existing means of communication, whether by roads or water, as of effecting improvements upon them. He did not, for a moment, question the desirableness of some improvement in that direction, but he certainly did think that it was not a crying want—not such as should be met by the imposition of a new tax, at any rate in Lower Bengal, where we had a net work of khals and rivers affording every facility for locomotion and transport at a much cheaper cost than by roads."

V.—MR. BERNARD.—(3rd June 1871.)

(a).—"If roads were wanted,—but perhaps it might be said that the rivers and backwaters of Eastern Bengal sufficed for her wants, and that the funds already available would suffice to keep up a decent system of roads over the rest of the Country. He would submit that, so far, official papers to which he had had access shewed such had not been the opinion of the people who knew Bengal best." (See Sir F. Halliday's remarks in I. above) "The most honoured of our Governors, Sir John Grant, inaugurated the present scheme of road-making in Bengal. He seemed to have held that the Districts of Bengal were terribly in want of roads. He (Mr. Bernard) held now in his hand a paper drawn up by Mr. F. Boyce, who perhaps knew the public works literature of Bengal as well as any man now living. This note shewed that 16,000 miles of road had been begun in Bengal, and that out of these 16,000 miles, 1,300 only have been completed. He considered that 80 lakhs a year might be spent on road-work alone; and he puts 50 lakhs a year as the least which ought to be spent, if the Road System now begun was to be completed within the next 20 years. He shewed that 40 lakhs a year were spent on Bengal roads from 1861 to 1867; in one year, 1864, as much as 53 lakhs were so spent, and from 1867 to 1869, 34 lakhs were spent on roads yearly. These large sums came partly from the Imperial Treasury, partly from Mr. Wilson's one per cent. Income Tax Fund, and partly from Local Funds.

(b).—"All this money was spent on roads alone. Barely 3 or 4 lakhs a year were spent on the canals and rivers of Eastern Bengal. Yet no one could study the early ferry fund literature of Bengal without seeing that their rivers, their canals, and their backwaters were the highways of the deltaic and river Districts. From the time of Henckell, whom Mr. Westland had unearthed for us, down to the present day, all the Collectors who knew their Districts well said that in those Districts carts were hardly used, and roads were scarcely wanted. But each officer could point to a river which wanted deepening, a canal which wanted clearing, or a khal which wanted opening.

(c).—"Mr. Westland's interesting book brought out very strongly a phenomenon—the question of maintaining our water-highways,—more important than ever. He shewed that the land of the deltaic Country was everywhere rising; that rivers which used formerly to be navigable, had silted up, or had become swamps. He (Mr. Bernard) thought, he might presume, that this process would continue, unless some great change intervened. But during the next twenty years, much might be done to control and bend the forces of nature, and to keep the rivers and khals deep, while the land rose around them. Such undertakings would require constant yearly expenditure. But the importance of such a work could hardly be overrated in a country where every ryot had his canoe instead of his cart; where a petty dealer had his home and did his peddling on board his boat; and where the large dealers came with ships and barges to take away surplus produce to our great sea-ports.

(d).—"But, besides deepening the rivers and khals, there might be much to be done in improving the landing-places at the chief marts. Mr. Westland told us of the Chandkhali

Bazar, where thousands of boats laden with produce jostled each other in the river every weekly market day. A small outlay at the landing places and river shore would give great convenience to the frequenters of such marts."

CHAPTER IX.

BENGAL  
PRESIDENCY

District Road Cess.

79. Subordinate only to the main object of spending the Cess on roads, was the policy of spending it in the District in which the Cess is raised. On this head, the following observations were made in the course of the discussions on the Bill, respecting, *1st*, the limitation of the expenditure to the District, or to any smaller unit of area, in which the rate may be raised; *2nd*, the security provided, by such limitation, for thrifty management of the funds, *viz.* :—

*I Minimum area.*—*a*—"It was provided that the amount assessed in any one District must be expended in that District, except where the District Road Committee might think it advisable to assist a neighbouring District by the allotment of funds for the maintenance and construction of works which would be of common utility to both, and, even in such cases, no allotment could be made except with the sanction of the Government." The Cess to be spent in the district in which it is raised

*b*—(BABOO DEGUMBER MITTER).—"Now, was it to be for a moment supposed that an agency working at a distance of, it might be, from 40 to 50 miles from many parts of the District, would be able to bring home to the Rate-payers the benefits to be derived from the Rates, and make those benefits palpable, direct, and immediate? The requirements of the different parts of a District might be totally different. What was to ensure that the different requirements of the distant parts would be attended to and satisfied, unless the parties directly interested in those benefits had a share in the management of the funds? The appointment of Sub-divisional Committees provided in the Bill, with power to offer suggestions, would, for all practical purposes, go a little way, he was afraid, to supply this want. Again, it was not to be denied that there were various parts in a District, and embracing, too, large tracts of country, where roads were not wanted, and where water communication might not require any improvement, and yet, under the scheme of taxation recommended in the Bill, those parts would go on contributing to the Road Cess without ever reaping any benefits from it."

*c*—(SIR G. CAMPBELL).—"He might say that his sympathies were completely and entirely with the Honorable Member on the right (Baboo Degumber Mitter), who addressed the meeting with considerable effect with regard to the extreme desirability of making the Bill, in its administration, as local as it was possible to make it. His Honour could only say that he entirely concurred with the Honorable Member in the belief that the object of making the benefits of the Bill, as far as possible, direct, immediate, and palpable, would be to a considerable degree lost, if we were obliged to make the area of assessment and administration in all respects the same as a Bengal District, \* \* instead of bringing this matter nearer to the homes of the people by making the areas of rating as small as it was possible to make it."

II. *Thrifty management of the Cess.*—Sir G. Campbell observed (25th March 1871)—

Thrifty management must be that of the people who pay the Cess

"It was totally impossible that works of mere local improvement should be undertaken from funds derived from the Imperial Government for provincial administration, or even from Provincial Funds. There were certain things which the people of each locality must do for themselves."

And again, on 3rd June 1871—

"it was totally and absolutely impossible that a great Central Government like the Government of India could do everything: that a great Central Government should not only do things which were essential to a Central Government, but also do those things which, in every civilized Country in the world, and, he might almost say, in every uncivilized Country also, appertained to localities. It was impossible that a Central Government could attempt to do those things for every part of the Country: it was quite clear that the possibilities of such a Government were limited, and, if we had not a measure of the kind that had now been laid before this Council, many of the functions of Government would not be performed at all. \* \* Even if the Government were willing to undertake functions of this kind, it was utterly impossible that they could do so with efficiency. It was in the nature of the work of a great Government that the farther those works were from a Central Power, the weaker became the control of the Government; and the consequence was, that if attempts were made to carry out works by the money of the Central Power, the money was very apt to be wasted. The people in the locality had no interest in the money; and there were, therefore, no incentives to economy. What the experience of the world showed was this, that if small matters are to be economically administered, they must be administered by local means, by persons responsible for and interested in them."

80. To the statement that the Road Cess would be spent in the District in which it is raised, Sir G. Campbell (27th May 1871) added a rider that the Cess Act "would aim to provide for the people of this country certain advantages which they did not now possess." But, in the sequel of the same speech, and on other occasions, His Honour pointed out that any diminution or insuffi-

Charges for roads, hitherto Imperial or provincial, may be met from the Road Cess.

ciency of allotment for roads from Provincial Funds must be met from the Road Cess. Thus—

*a*—(25th March 1871).—"Speaking roughly, he thought he might say that out of the total sum which we received nominally for Jails, in reality, on the average, a sum of Rs 4,00,000 was devoted, not to Jails, but to the repairs of District Roads. The consequence was that if there were any change of system, involving a diminution of the profits of Jail manufactures, such as the reformed printing charges to which he had alluded, we must make up the sum now expended on account of District Roads, either from new Provincial or from Local Taxation. \* \* No doubt, in the account of Jails, it might be possible to avoid much additional expenditure, because we might only reduce our Jail receipts and Jail Profits; but if so, the allotment for District Roads must be reduced, and must be supplied by Local Cesses. that was how the Jail question ran into the Cess question. (27th May 1871)—At the same time it must be stated that the effect of this saving, in regard to the nominal printing charges, had diminished to a considerable extent the Jail Receipts. The diminution of the Jail Receipts did not affect our Provincial Services, because the fact was that the whole profits of our Jail manufactures did not go towards Imperial or Provincial Purposes, but were partly given over for the purpose of local roads as part of the resources of the District Road Fund. In this respect only would the local resources be injuriously affected by our present financial arrangements; but it seemed to him that there was no ground for complaint in this respect, because the sum taken from local roads by these arrangements is not a very large sum, and it is a sum, which, it might be said, does not honestly and fairly belong to those Local Funds, because it was the result of a gross overcharge in respect to Jails, and one that would have been brought to an end, and was brought to an end, irrespective of these financial arrangements.

*b*—(25th March 1871)—"To sum up: the result seemed to him to be that we could not carry on the Departments made over to us on the very reduced scale which now prevailed: still less could we provide for a fairly liberal normal expenditure, least of all could we provide for the growth of the Departments which naturally grew, and were meant to grow, for the benefit of the people. None of these things could we manage without doing one of two things, either raising more money by Provincial Taxation for Provincial Purposes, or throwing upon Local Cesses a part of the charges hitherto Imperial and now Provincial. No doubt, we must provide from local sources, whether by compulsory rating or by voluntary contributions, for some benefits to the people which they had not hitherto enjoyed—for Village Roads and other material benefits, and for moral benefits in the shape of a lower but most useful education. That question of Local Taxation for new objects of a local character he, as far as possible, kept separate from the question of carrying on the duties already undertaken by the Imperial and Provincial Governments. As respects these last, he said again, that we must provide funds from some source, if we would not fall utterly back and behind the rest of India, and let the Country relapse into a state worse than under the despotic rulers, who, in some degree by the exercise of unrestrained power, performed some of the functions which we now cast on civilised institutions. \* \* \* It was morally impossible that while other Provinces were being taxed, we should go free. It would be a scandal that, because we had a Permanent Settlement, and that settlement had been respected, Bengal should, therefore, go without the most ordinary local comforts and improvements. \* \* \* The conclusion, then, to which he came, with respect to the Provincial Budget, was, that we must either arrange to impose some new Provincial Taxation to meet considerable and increasing wants, or we must directly or indirectly throw a portion of the burden on Local Cesses."

But His Honor was averse, from the latter course, if he could—

impose some Provincial Taxation for the charges hitherto defrayed from the General Revenue and keep Local Taxation for local purposes not hitherto so met."

81. As set forth above (para. 75, sections *c* and *d*), to avoid exciting any special repugnance to the Cess, it was desired to assess and collect it in the mode most acceptable to the Rate-payers, and to spend the Rate in the District in which it is raised. On the first head, it was explained by Mr. Schalch on 26th March 1871, that—

(*a*) "the collection of such Cess should be placed in the hands of the recorded proprietor of the estate, that all persons who had any interest in the land should bear a fair proportion of the Cess, and that facilities would be afforded to the proprietor, whom the Government would hold responsible for the collection of the Cess, to recover the due proportions of the Rate from all the parties interested in the land. It was proposed to avoid all intermediate governmental agency in the assessment and collection of the Rate, so as to escape, if possible, those evils which had been felt by the employment of such agency in the collection of other taxes; and, with that view, it was proposed that the assessment should be left entirely to the people themselves, under such safeguards as it was hoped would ensure with some accuracy a correct and fair return of income."

And again, on 3rd June 1871:—

(*b*) "Another object was to ensure the correctness of the returns, which was proposed to be done in two ways,—first, by requiring that no zemindar or tenure-holder should be entitled to sue for more rent than might be entered in his return, these papers being capable of being used as evidence against himself, \* \* \* secondly, it was provided that the submission of a false return

under this Act should be considered as a false return under the Penal Code, so as to render the person making the return liable to the penalty prescribed by that Code. \* \* But undoubtedly, the case was difficult with the great mass of cultivators who were mere tenants-at-will; the zemindar, there, having power to oust the tenant at the close of the year, would seldom have recourse to the law courts for the recovery of rent, and would therefore not be deterred from giving false returns by the fear of affording evidence against himself. We allow that there is this difficulty, and we are prepared to face it rather than do away with the keystone of the structure of the Bill, namely, what we may call voluntary valuation, by which we endeavour, as far as possible, to assess each man on his own valuation, and thereby avoid the necessity of having any separate assessing establishment. We all know that the evils of such an agency are very considerable, and would be much greater in the assessment and collection of this Cess than had been the case with regard to the Income Tax, and therefore, in place of such an agency, we had thought it better to leave the assessment in the hands of the people themselves, even at some risk of obtaining very incorrect returns."

And again, on 3rd June 1871 :—

(c) "Lastly, he might mention that the valuation upon which the Cess would be calculated would extend over a period of not less than five years. It was thought very desirable not to have so frequent valuations, and it was hoped by this provision to avoid unnecessary harassment to the people."

82. The process of collection of the tax is described as follows in the Administration Report for 1871-72 :—

"The Road Cess Act proceeds on the principle, that half the rate is to be paid by the occupiers, that is by the ryots, and half by the rent receivers. On the superior holders is also imposed the duty of collecting the money due from those under them, and paying the whole in a lump for each estate. A valuation roll of each estate, and of the District, being completed, and the rate for the year being declared, half of that rate will be published as the rate payable by ryots. The holder immediately above the ryots will collect from them the half-rate, and pay to his superiors the full rate for his holding, less half-rate on the rent or revenue receivable by the superior, and each superior holder will pay to his own superior in like manner, till the zemindar holding direct from Government pays the whole rate on the whole estate, less half rate on the share of profits which goes to Government as land revenue. The effect is that each holder passes on the ryot's half rate with a half rate paid by himself on his own share of the profits \* \* \*

"It must always be remembered that the heaviest rate which can possibly, under any circumstances, be demanded from the ryots is  $\frac{1}{4}$  anna on every rupee of rent, that is the 64th part; or say  $1\frac{1}{4}$  per cent, if he is paying a rack rent, and much less on the real value if he is holding at beneficial rates. It may be hoped that in many Districts it will not be necessary, in the first instance, to levy the full rate, and if so, the Cess imposed will be so much lighter. If, say, an average charge of one per cent. on the rental of the ryot were made, in order to open out local roads and water-channels in every direction, such a charge would be a mere fleabite compared to the Cesses which so many zemindars now levy; and it may well be believed that, in direct pecuniary return, the benefits will more than compensate for so light a charge."

83. The large outlay on Roads in Bengal, from 1861 to 1867, has been mentioned in paragraph 78, section V, clause b. It may be useful to note here the extent of the several kinds of roads in Bengal about the beginning of that period, or at the end of 1862-63—

	METALLED ROADS		UNMETALLED ROADS			Grand Total miles
	Bridged miles.	Unbridged miles.	Bridged miles.	Unbridged miles.	Total miles.	
Imperial ...	1,180	...	1,579	540	2,119	3,299
Local	498	...	6,064	6,815	12,879	13,377
TOTAL	1,678	...	7,643	7,355	14,998	16,676

CHAPTER IX.  
BENGAL  
PRESIDENCY.  
District Road Cess.

The corresponding figures at the close of 1874 are not available for comparison, except as regards metalled and bridged roads. Of these there were, at the close of that year, 1,375 miles of Provincial Roads, and 1,757½ miles of District Roads, or a total of 3,132 miles of metalled road in 1874, against 1,678 miles in 1862.

Of the metalled roads in 1862-63 barely one-half were fully completed, but they were being gradually brought up to the proper state as funds became available. Of the unbridged unmetalled roads, upwards of one-half, in 1862-63 were mere tracks, quite impassable except in the dry season (but they were not needed in the wet season, as explained by Sir F. Halliday in 1855; see paragraph 78, section 1).

84. The foregoing means of communication, in 1862-63, were distributed as follows :—

1862-63.	METALLED ROADS.		UNMETALLED ROADS.			Grand Total miles.
	Bridged miles.	Unbridged miles.	Bridged miles.	Unbridged miles.	Total miles.	
<b>IMPERIAL.</b>						
Trunk Roads ... ..	832	...	819	347	1,166	1,998
Branch Roads ... ..	348	...	760	193	953	1,301
	1,180	...	1,579	540	2,119	3,299
<b>LOCAL.</b>						
Cuttack Division ... ..	...	...	66	198	264	264
Burdwan " ... ..	195	..	634	391	1,025	1,220
Bhangulpore " ... ..	22	.	298	1,252	1,550	1,572
Chota Nagpore " ... ..	...	..	527	620	1,147	1,147
Patna " ... ..	77	...	1,671	1,736	3,407	3,484
	294	...	3,196	4,197	7,393	7,687
<i>Deltac, Eastern and Northern Bengal.</i>						
Nuddea Division ... ..	168	...	644	109	753	921
Dacca " ... ..	...	...	256	375	631	631
Chittagong " ... ..	...	...	364	157	521	521
Rajahahye " ... ..	36	...	925	1,075	2,000	2,036
	204	...	2,189	1,716	3,906	4,109
Total Bengal Local ... ..	498	...	5,385	5,913	11,298	11,796
Assam ... ..	...	...	679	902	1,581	1,581
Total Local .. ..	498	...	6,064	6,815	12,879	13,377
<b>GRAND TOTAL,</b> ... ..	1,678	..	7,643	7,355	14,998	16,676



85. The expenditure incurred by Public Works Officers, and from the Amalgamated District Road Fund, on works of communication in Bengal, chiefly roads, as shown in a statement furnished by the Controller, Public Works Accounts, Bengal, has been as follows :—

CHAPTER IX.  
BENGAL  
PARADEWAZ.  
District Road Cess.

Statement showing the Total Outlay on Communications in Bengal, from 1861-62 to 1874-75, inclusive.

(N.B.—Grants-in-Aid of Local Fund Expenditure from Imperial and Provincial Public Works Funds are included under Imperial and Provincial, and deducted from Local Fund Outlay.)

	IMPERIAL AND PROVINCIAL.			LOCAL.			TOTAL.		
	Original Works.	Repairs.	Total.	Original Works.	Repairs.	Total.	Original Works.	Repairs.	Total.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1861-62	8,58,171	5,91,697	15,26,768	5,45,450	4,10,299	9,55,739	14,90,621	10,01,979	24,92,600
1862-63	14,23,124	8,17,014	23,10,138	2,68,528	8,29,130	8,97,658	17,51,632	11,46,144	38,97,798
1863-64	22,72,507	6,44,320	26,46,827	5,69,989	5,69,989	12,10,978	39,51,496	10,01,186	46,52,682
1864-65	18,06,484	9,35,989	28,29,573	17,19,363	5,14,107	20,33,550	36,16,867	12,47,249	48,63,123
1865-66	19,66,988	7,31,113	26,98,909	3,62,065	8,37,249	6,99,394	23,30,971	10,68,931	33,99,332
<b>TOTAL</b>	<b>84,96,173</b>	<b>37,17,123</b>	<b>1,32,13,804</b>	<b>37,45,485</b>	<b>17,37,694</b>	<b>54,83,129</b>	<b>1,32,41,607</b>	<b>54,54,828</b>	<b>1,78,96,433</b>
1866-67	22,20,392	6,69,889	28,90,281	3,07,573	2,46,771	5,54,344	25,27,965	9,18,840	34,46,805
1867-68	17,60,958	7,05,331	24,66,289	4,20,769	3,15,194	7,35,963	21,71,638	10,20,518	31,92,203
1868-69	17,61,930	8,83,551	26,45,481	2,95,196	4,11,949	7,07,145	20,68,233	12,45,469	33,01,713
1869-70	12,42,510	6,54,465	20,96,975	2,62,050	3,68,993	6,31,043	15,44,000	12,13,458	27,57,018
1870-71	6,24,208	7,97,198	14,21,406	1,49,641	1,80,686	3,30,327	7,72,847	9,77,993	17,50,799
1871-72	2,64,154	9,37,611	11,91,765	1,07,922	1,61,698	2,69,620	9,61,666	10,79,609	14,41,015
<b>TOTAL</b>	<b>78,58,224</b>	<b>47,86,001</b>	<b>1,26,41,225</b>	<b>15,41,474</b>	<b>16,65,461</b>	<b>32,07,035</b>	<b>63,64,789</b>	<b>64,63,462</b>	<b>1,28,28,251</b>
1872-73	4,71,629	7,26,635	11,98,164	3,04,313	7,53,949	10,58,262	7,75,942	14,80,484	22,58,428
1873-74	11,51,948	7,90,728	19,32,676	17,24,638	17,36,516	34,61,154	20,34,934	26,67,246	55,01,778
<b>TOTAL</b>	<b>16,23,577</b>	<b>15,07,363</b>	<b>31,30,940</b>	<b>20,66,899</b>	<b>25,40,465</b>	<b>46,37,364</b>	<b>37,10,476</b>	<b>40,47,730</b>	<b>77,58,204</b>
1874-75	7,50,210	7,68,804	15,09,014	65,79,081	30,91,541	96,70,622	63,20,241	47,50	1,10,70,888
<b>GRAND TOTAL</b>	<b>1,87,23,188</b>	<b>1,07,71,000</b>	<b>2,94,94,188</b>	<b>1,29,63,988</b>	<b>96,85,161</b>	<b>2,26,49,149</b>	<b>3,16,76,123</b>	<b>2,07,06,161</b>	<b>5,23,82,283</b>

The charges included under Imperial and Provincial were treated as Imperial from 1869-60 to 1870-71, and as Provincial from 1871-72 to 1874-75.

86. The substance of these remarks on Local Cesses in Bengal is as follows :—

- I.—That (to use the words of the Secretary of State in his despatch Summary, dated 12th May 1870) “it has been assumed, in all the discussions which have arisen during recent years upon this subject, that the expenditure which may be required for the vernacular education of the people and for sanitary improvements, cannot be afforded by the Imperial Revenue, and must be met, in the main, out of the same Additional Resources,” (viz., “Special Rates levied locally for the purpose). There appears to be no alternative, unless it be the alternative of allowing the country to remain without Drainage, without Roads, and without Education.” And again :—“it may be stated broadly that the General or Imperial Revenues of India are barely sufficient to meet the demands which are at present made upon them by the Civil, Political, and Military administration of the Empire, together with the Interest on Debt, and the Interest on Great Public Works, which have not yet become remunerative.” (Paras. 71 to 75).
- II.—That in Bengal, the country, both rural and town, was fairly supplied with a tolerably efficient and cheaply improvable class of

CHAPTER IX.  
BENGAL  
PRESIDENCY.

schools for teaching the three "Rs" to the masses of the population; and that wherever Municipalities afford the means of doing so, the people willingly support dispensaries (Paras. 64 to 66): also that Act VI of 1868 (Bengal Council) enables towns to raise funds for the support of schools and dispensaries, while towns under Act III of 1864 can maintain schools.

III.—That for reasons I and II, the expenses of roads, education, and sanitary improvements must be provided through Local Taxation, including Cesses on land; but that, in the first instance, and until the system, machinery, and incidence of local rating of the Cess have been properly established, the Cess should be (as it has been) limited to the amount required for Roads. (Para. 75.)

IV.—That, owing to the maximum legal rate not being levied, the Road Cess is now estimated to yield  $22\frac{1}{2}$  lakhs a year, against various estimates, originally, of 30, 32 and  $37\frac{1}{2}$  lakhs as reckoned in 1871. (Para. 77.)

V.—That the yearly requirement for roads was estimated by Mr. Bernard at 50 lakhs a year; but that, on the other hand, in 1855-56, Sir F. Halliday and (in the Bengal Legislative Council in 1871), Baboo Degumber Mitter and Mr. Bernard considered that, for a large part of Bengal, water communication was the cheapest and most generally used;—that Sir F. Halliday, in 1855, was of opinion that the attempt to provide metalled roads, on a large scale, for Bengal, must be put aside as a dream, the more readily because water communication was a sufficient, and the sole means of communication in the rains; while, in the fair season, cheap fair-weather roads, such as, at small cost, had supplied Tirhoot with facilities of communication, perhaps unrivalled in any part of India, were ample; that Sir G. Campbell, also, was of opinion that metalled roads should be confined to Districts where the supply of metal is good and cheap, and where roads once made can be easily maintained; thus adapting arrangements to the physical character of the country, for "it generally happens, too, that the laterite Districts are those most wanting in water communication, while the alluvial Districts where there is no metal have many waterways." (Para. 78.)

VI.—That the Road Cess Act was framed so as, under proper securities for accuracy and punctuality, to leave the assessment of the Cess entirely to the people themselves and its collection to the proprietors of estates, to which end, also, an assessment once made is to hold good for four years;—and that these arrangements have been made with the view of avoiding "all intermediate governmental agency in the assessment and collection of the Rate so as to escape, if possible, those evils which had been felt by the employment of such agency in the collection of other Taxes." (Paras. 81 and 82)

VII.—That the Road Cess is available for making good deficiencies in the means of expenditure on roads which may arise from the inability of Provincial Funds to continue the former scale of assignment for roads. (Para. 80.)

VIII.—That the efficiency of the Village Police depends mainly on their being paid sufficient wages regularly; that the Village Police Act provides means for such regular payment of the police; that this Act is now being generally extended; and that Sir G. Campbell was of opinion that, with an efficient Village Police, the expense of the Civil Constabulary might be reduced. (Paras. 67 to 70.)

## NORTH-WESTERN PROVINCES,

## CHAPTER IX.

87. The Cesses on land in the North-Western Provinces are as follows :— N.-W PROVINCES

## A.—IN TEMPORARILY SETTLED DISTRICTS.

## I.—Not belonging to Government.

- (1.) Lambardar's fees.
- (2.) Patwarees' fees at 3 per cent. on the collections of jumabundee.
- (3.) Village bulahrs, according to existing custom.

Detail of cesses.

The foregoing are paid by the owner of the land from his half share of the net assets of the estate; and the first and third are not passed through the Government Accounts. The second is paid into the Government treasury, but the fees are not available to the Local Government for any expenditure except on account of patwarees.

## II.—Belonging to Government.

- (4.) Road Cess at one per cent. on the jumma or land revenue.
- (5.) School Cess at one per cent. in the Districts assessed since 1859.
- (6.) District Dāk at  $\frac{1}{4}$  per cent.

In addition, in the settlements, there was a Cess for providing Village Chowkeedars at Rs. 3 a month each. But, as settlements came under revision, the Local Government substituted for this liability a Municipal Cess of  $2\frac{1}{2}$  per cent. on the gross rental, or  $5\frac{1}{2}$  per cent. on the land revenue. Finding, however, that this rate was "quite inadequate to the efficient maintenance of the Village Constabulary," the Local Government, North-Western Provinces, increased it in 1866, for pending and for future settlements in Temporarily-settled Districts, to  $3\frac{3}{8}$  per cent. of the gross rental, or  $7\frac{3}{8}$  per cent. of the land revenue.

- (7.) In consolidation of the several preceding, under Act XVIII of 1871, a rate not exceeding 5 per cent. on the annual value of Revenue-free land, or 10 per cent. on the land revenue of Assessed Estates.

## B.—IN DISTRICTS UNDER PERMANENT-SETTLEMENT.

- (8.) 1 per cent. for Roads.
- (9.)  $\frac{1}{4}$  per cent. for District Dāk.

(Under Act XVIII of 1871.)

- (10.) A rate not exceeding two annas for each acre under cultivation, or which has been cultivated within the three years next before the assessment of the rate.

88. In the Temporarily-settled Districts, the Cesses from 1866 to 1870 inclusive were the same in the aggregate (*viz.*, 10 per cent.) as they have been since the passing of Act XVIII of 1871, with this difference, that, before 1871, the Cesses generally leviable were the  $2\frac{1}{4}$  per cent. of Road, School and Dāk Cesses; the additional  $7\frac{3}{8}$  per cent. of Municipal Cess, which made up the 10 per cent. not having been leviable in any District in which a revised settlement had not been introduced since the determination to levy the enhanced rate, although the old settlement may have expired in such District. By Act XVIII of 1871, the enhanced rate became leviable at once in every District in which the former settlement had expired, though the revised assessment of Imperial Land Revenue may not have been introduced into the District.

The ten per cent. Cess in the North-Western Provinces dates from 1866, in respect of districts whose settlements have been revised since that year. The Local Rates Act of 1871 simply legalised the levy of this ten per cent. rate, in anticipation of a revision of settlement, in districts under an expired settlement.

89. The only Temporarily-settled Districts whose term of settlement had not expired in 1870-71 were Etawah and Muttra (term up in July 1871), Agra, Moradabad and Hameerpore (July 1872) and Banda (July 1874).

90. In addition to Cesses for Roads and the District Post, amounting to  $1\frac{1}{4}$  per cent. on the land revenue, and to a voluntary School Cess, the owners of land in the Permanently-settled Districts supported their Village Police until 1871—  
"by the grant of land, termed jagir land, or in some instances by a money equivalent for the rent of such land. These jagirs were exempted from assessment by the British

CHAPTER IX: Government on the express understanding that they might be resumed at any future time should Government determine to free the proprietors from their responsibility for the payment of the Village Police."

N.W. PROVINCES.  
Acreage tax.

In 1871 this was done; the jagirs were resumed, and the rent for them is now credited to Local Funds of the North-Western Provinces, as a set-off to corresponding payments for Village Police which are included in the debit to Local Funds, of the charge for rural police.

91. Besides the rent derived from resumed jagir lands, the only new income obtained in the Permanently-settled Districts, in and from 1871, is the Acreage Tax mentioned in B 9 of paragraph 87; while, as above stated, the new income in the Temporarily-settled Districts is that obtained from the immediate extension, to a large number of Districts in which the last settlement had expired but had not been revised, of an additional  $7\frac{1}{2}$  per cent. of Municipal Cess, and (in Districts last assessed before 1859) of 1 per cent. for schools, which Cesses, but for the passing of Act XVIII of 1871, could not have been levied from them until the actual introduction of a revised settlement of the entire land revenue in those Districts.

The claim on North Western Provinces for relief of imperial finances from certain imperial charges was reduced from £150,000 per Home Department Circular of 21st February 1870 to £48,080 per decentralisation resolution of December 1870

92. In the Confidential Circular of the Home Department, dated 21st February 1870, the Government of the North-Western Provinces was informed that the average annual outlay from Imperial Revenues on account of Communications and Roads in the North-Western Provinces, for the five years ending with 1868-69, had been about £150,000, and it was hoped that those Revenues might be relieved to that extent by the imposition of a Road Cess. At the same time, the Local Government was invited to impose additional taxation to the amount of £180,000, *viz.*, gross amount to be levied £225,000, less existing Road Cess £54,000. In the Circular of 22nd August 1870, introductory of the plan of Provincial Funds, the Government of the North-Western Provinces was requested, in modification of the above proposal, to relieve the Government of India of £143,500 of net expense, being that Local Government's share of the retrenchment, from British India, of one million sterling by which it was then proposed to reduce, from 1871-72, the provision that had been allowed in the sanctioned estimates for 1870-71, for certain Heads of Charge, including Roads, which were to be made over to Provincial Funds.

93. The Local Government responded with a Scheme of Additional Taxation, in a letter dated 1st December 1870. The precise total of new or increased taxation proposed was not specifically stated, but it was explained that—

"there is, first, the share of the Government in the million sterling to be made good by the various Administrations, that is to say, about 14 lakhs, and in consequence of the inadequacy of the Public Works Grants for Buildings and Roads, as explained in my letter of the 15th September, the Lieutenant-Governor anticipates that there will be an additional demand of from four to six lakhs."

94. The principal Heads of Expenditure to be provided for were stated to be—

1.—Share of Deficit (14 lakhs) plus deficiency in Public Works Grant (6 lakhs) ... ..	200,000
2.—District Roads £120,000, against old Road Cess of £45,000 according to the Home Department's letter of February 1870, and against £40,000 of Ferry Fund Receipts which are not reserved for District Roads exclusively ... ..	120,000
3.—Rural Police ... ..	250,000
4.—District Post and Village Schools and Sanitation, all of which were set off by existing receipts ... ..	80,000
Total ... ..	650,000

It was intended to provide for these by the new Cesses above described by £10,000 for Arms' Licenses, and by £105,000 from a License Tax on Trades.

But the project of Arms' Licenses was afterwards abandoned, and the estimated yield of the License Tax was reduced to "between nine and ten lakhs"; and, eventually, the Bill for the License Tax was dropped when the amount of retrenchment from the Grants for 1870-71 to be made good by the N. W. P. Government was reduced from £143,500, as set forth in the Circular of August 1870, to £48,030 as set forth in the Resolution of December 1870, or to £46,753 as ultimately settled.

CHAPTER IX.  
N.-W. PROVINCES

95. At a meeting of the Legislative Council at Allahabad, on 6th April 1871, at which the Local Rates Bill was passed, the Hon'ble the Lieutenant-Governor explained that circumstances had altered since the requirements of the Province were estimated in 1870:—

*1stly.*—From cessation of the need for a License Tax, as stated in the preceding paragraph.

*2ndly.*—From diminished provision for public works and rural police; whereas the latter had been estimated at £250,000, a sum of £180,000 would now suffice until further extension of the new Cess; and whereas the Grant for Roads and Buildings had been deemed insufficient by 6 lakhs, the Public Works Budget had been cut down by 2½ lakhs, *viz.*, 1½ lakhs for Civil Buildings and 1 lakh for Roads.

*3rdly.*—The provision for District Roads had been cut down from £120,000 to £97,387, while the net income from Ferries was increased from £40,000 to £58,700.

*4thly.*—The charges for Sanitation (£30,000) to be provided from the surplus of the Municipal Cess on land, had been struck out; but, on the other hand, the estimated income from the Local Cess had been reduced from £324,362 to £298,446, being a diminution of £15,916.

96. As stated above, the retrenchment for Civil Buildings was £17,500; and it was explained, in the course of the discussion on the Bill, that a special charge for the building of a Government House in three or four years, and for building public offices, which had burdened the Public Works Allotments of previous years to the amount of about £24,000 a year, had ceased.

Alleged insufficiency of the Provincial allotment to the N. W. Provinces, discussed in the Legislative Council of the Governor-General.

97. Considerable stress was laid by His Honor the Lieutenant-Governor on the need of increased expenditure on Roads. The great extension of the Ganges Canal to Allahabad, and the formation of the Agra Canal on the right bank of the Jumna—

"while scattering fertility and wealth in their progress, will, so far as the public works are concerned, simply bring increased traffic on our roads, and impose the opening up of new approaches to the ghâts where the canal boats load and unload their freights."

98. And so with Railways; "they, indeed, are the harbingers of life, of civilisation and progress, stimulating traffic and developing the resources of the country. But they have not enabled us to dispense with a single road. On the contrary, every new Railway-Station implies the necessity of providing one or more approaches to it on either side. And then, new entrepôts and centres of traffic are created by the Railways, all demanding the opening up of new lines and corresponding means of communication.

a. "In fact, my Lord, these Provinces are stretching themselves out as with the growth of a new youth; and, as in animal life, so here, the expanding thews and sinews must not suffer for want of nutriment and sustenance."

b. "And so we think that with increasing wants, we have done well, not ill, in bringing down our Budget to £200,000 instead of £217,000, the average of preceding years. To meet these wants we receive, for this and all future years, but £147,000 \* \* I think, I have shewn, my Lord, that this starved and mutilated grant, corresponding with the outlay of 1870-71, is no proper standard for the normal wants of the North-Western Provinces, and that our Deficit is not attributable to extravagance, but to the inadequacy of the Appropriation assigned to us by your Lordship's Government."

c. "We have, then, £58,000 to make up in consequence of the short Grant for public works, besides our share of the Imperial Deficit, £48,000, or, in round numbers, £100,000, and thus we propose to do under this Bill by savings from the Local Cess."

CHAPTER IX.  
N.-W. PROVINCES.

Character of the  
cesses on land revenue.

99. It is not necessary to quote the observations of Sir R. Temple and Sir J. Strachey, in which the preceding views were impugned, more or less, on the grounds, *1st*, of the sufficiency of the Allotments made over by the Government of India; *2nd*, that, if insufficient, they were as much as could be afforded in the state of the finances; and that the Deficit, falling practically on public works, should be met from the new Cess. On further consideration, the Local Government adopted these views, observing in the Administration Report for 1871-72, in a review of the Receipts and Charges of Provincial Funds for that year, that—

"most of the Departments were carried on with little fundamental change, and at nearly the same cost as in former years, and the allotments made by the Government of India, when the financial charge was made over to the Provincial Government, have been found sufficient, except in the case of public works."

100. Two important points were noticed in the discussion of the additional Cesses. The Hon'ble Mr. Inglis observed—

"There was this further objection to the course proposed, namely, that any increase to the Cesses made during the currency of a terminable settlement, must ultimately affect the land revenue demand. An estate could only bear a certain charge: if the portion of this which was credited as Cesses was increased during the term of settlement, a corresponding reduction must be made in the sum which, but for this, would have been credited to Government as increased land revenue when the assessment of the estate came under revision."

The same opinion, in like unqualified terms, had been expressed by the N. W. P. Government in the previous correspondence of 1870-71 respecting new taxation;—namely, that these Cesses on land revenue are an alienation of Imperial Land-Revenue for local objects, except that, in regard to new Cesses imposed between one revision of the settlement and the next revision, this character will attach to the new Cesses only after the next revision of the assessment.

101. The Cesses on land revenue, regarded as an alienation of Imperial Land Revenue, are a tax, and not a voluntary contribution by the owners of land.

102. With regard, however, to new Cesses on Land Revenue, which it might be desired to introduce between one revision of the settlement and the next, the N. W. P. Government held that such Cesses could not be imposed without a breach of the engagements at the last settlement. In other words, such Cesses could not be imposed except with the consent of the owners of land, and as *voluntary contributions*. These views were controverted by Sir J. Strachey and the Hon'ble Mr. Ellis.

103. Expressing his own views and those of the N. W. P. Government, the Hon'ble Mr. Inglis—

"did not deny that it was in the power of Government to rule that, while the demand on account of land revenue in the Temporarily-settled Districts should be fixed for periods of twenty or thirty years, the demand on account of Cesses should be liable to increase at any time at the pleasure of the Government; that is, he did not know of any legal obstacle to this, but he maintained, nevertheless, that it would be a most unwise course to adopt, it would go far to do away with all the good obtained by fixing the Government demand for periods of twenty or thirty years; it would most certainly, as pointed out by His Honor the Lieutenant-Governor, tend to destroy the confidence of the people in the integrity of our settlements, and would consequently affect injuriously the value of all landed property."

104. Sir J. Strachey, in replying to previous observations of the same tenor by the Hon'ble the Lieutenant-Governor—

"not only desired altogether to disclaim, for his own part, ever having uttered a single word which was open to the construction of a desire to undermine the stability and integrity of the settlements, but in all the discussions which had taken place he was not aware that any single authority had given even a hint of an opinion that the settlement engagements ought not to be strictly adhered to. In regard to the question of these Local Cesses, not only in Permanently but in Temporarily-settled Districts, the Despatch of the Secretary of State to which the Hon'ble Mr. Stephen had referred contained everything which, in Mr. Strachey's opinion, need be said. For his own part, he agreed entirely, and in every particular, with the Secretary of State's conclusions, nor did his own views go in any respect beyond those which the Secretary of State had expressed."

105. The Hon'ble Mr. Ellis, replying to the Lieutenant-Governor and to the Hon'ble Mr. Inglis—

"differed in regard to the observations made by His Honor on the subject of Cesses on land not permanently settled, observations which were concurred in by the Hon'ble Mr. Inglis, and, probably by the revenue officers of these Provinces generally. Mr. Ellis

referred to His Honor's remark that in imposing Cesses on land, separately from and outside the engagements entered into for the payment of land revenue, we were taking a mischievous course, calculated to shake the confidence of landowners in the stability of our engagements, and, further, that we ought not to impose Cesses during the currency of a settlement, and that the amount of such Cesses ought to be fixed as part of the payments included in the engagement for the land revenue. He must join issue with His Honor in this matter. Mr. Ellis conceived that His Honor had overlooked the difference between these Local Rates, which were essentially Taxes, and the Land Revenue. We could not ask any one to enter into an engagement to pay a Tax, and, when the Legislature had decided that a Tax should be imposed in the shape of a Local Rate on the land, it was not the usual course to ask the tax-payers to enter into engagements such as they gave for the payment of land revenue. Nor was the view taken by His Honor regarding the imposition of Cesses during the currency of a settlement consistent with His Honor's approval of the principles laid down by the Hon'ble Mr. Stephen regarding Permanently-settled Districts. His Honor had expressed full concurrence in all that had been said in favor of imposing Cesses on land in Permanently-settled Districts, yet every word was applicable to the imposition of similar taxation in Districts settled for shorter or longer periods. If such Cesses were part and parcel of the land revenue, they would be equally objectionable in either case, so also were they, in either case, justifiable, if held to be Local Rates or Taxes independent of the land revenue. Mr. Ellis could not conceive how any one who admitted the propriety of levying these rates, notwithstanding a Permanent Settlement of the Land Revenue, could object to such Cesses being levied independently of engagements for the land revenue in Temporarily-settled Districts. Mr. Ellis did not question the policy of fixing the amount of taxes as a rule (and as a measure convenient to the Administration), at the same time as the land revenue is settled \* \* but he could not go beyond this, or concede the propriety of including the Cess in the engagement for the land revenue, seeing that the adoption of this course had led the authorities, and might lead the people, to forget the difference between the Local Rates or Taxes and the Ordinary Government Land Revenue."

106. Thus far it seemed to be established eventually—

1st.—That all Cesses on land revenue, included in a revision of settlement, are an alienation of Imperial Land Revenue.

Character of the  
cesses on land re-  
venue

2nd.—That new Cesses, introduced during the currency of a settlement, are a tax independent of the land revenue, but still a tax, and not a voluntary contribution by the payers of the cess.

107 It was expected that the Acreage Cess would yield £36,000; it yielded £31,000 in 1873-74, and is estimated at £31,750 in 1875-76. From the 10 per cent Cess, the Local Government's Taxation Committee of 1870 estimated the proceeds as follows:—

Acreage cess—  
yield thereof.

For all the Districts in which settlements had expired, at 10 per cent. on the land revenue	...	...	...	...	299,579
For Moradabad, Agra and Hamirpore, in which the settlements did not expire until July 1872, and for Banda in which the old settlement continued till July 1874, also a small sum for Lullupore: at 5 per cent. on the land revenue					27,195
					<hr/> 326,774
For Ajmere, afterwards transferred to the Government of India	...	...	...	...	3,895
					<hr/> 330,669

But, subsequently, the Committee cut this down to £310,498, against which sum they set an estimated Charge of £21,250 for rural police, thus leaving a balance of £97,990 for roads, schools, &c. The Lieutenant-Governor, on 6th April 1871, in the final discussion of the N.-W. P. Local Rates Bill, estimated for the Local Cess £298,446, and for the Rural Police £180,216 from which latter police jagirs, commuted to the amount of £1,300, had to be deducted, leaving a residual charge of £168,916 against the estimated proceeds of £298,446. This gave £129,530 for roads, schools, &c., exclusive of certain other public works funds amounting to £88,715 and of the Acreage Cess (£36,814) and of two other items\* amounting to £10,600. In the estimates for 1875-76, the re-

* Benares Road Fund	..	£ 5,600
Cess on Musico Holdings	..	5,000
TOTAL	..	<hr/> 10,600

CHAPTER IX. Receipts from the 10 per cent. Rate, and from the remains of a Road Cess, are as follows:—

	1873-74.			1874-75.		1875-76.	
				Estimate.	Estimate.		
	£		£	£	£		
Local Rate (10 per cent.) ...	374,071	...	381,150	386,100			
Road Cess ...	6,260	...	5,500	4,750			
	<u>380,331</u>		<u>386,650</u>	<u>390,850</u>			
While the cost of Village Police is ...	216,463	...	215,000	214,000			
Less abatements set forth in paragraph 40 ...	85,637	...	30,037	27,047			
	<u>180,826</u>		<u>184,963</u>	<u>196,953</u>			
Leaving for Roads, Schools, &c. ...	199,505	...	201,637	203,897			

or a result very much more favorable than had been estimated in 1870 and 1871.

108. Sir J. Strachey, in remarking on the 10 per cent. Rate, observed:—

“The Bill proposed to place no additional burden on the land in the Temporarily-settled Districts; but, still, the fact remained that, in the North-Western Provinces, 5 per cent. on the rental (or 10 per cent. on the land revenue) was assigned for Local Purposes, against 2½ per cent. on the rental (5 per cent. on the land revenue) in Oudh. It was true, no doubt, that these percentages were not really comparable, for this reason, amongst others, that the charge on account of the rural police in one case was included, and not in the other. Still the charge in the North-Western Provinces was higher than what it was in Oudh.”

109. It is seen from paragraph 107, that the net charge for the rural police in the North-Western Provinces amounts to nearly half the amount of the 10 per cent. Cess;—and, in this view, the Cesses, exclusive of police, are about the same in the North-Western Provinces and in Oudh. On the other hand, it is shewn in paragraph 134 that the cost of Rural Police in Oudh, as defrayed by the landholders, exceeds the amount of proceeds of the 5 per cent. Cess; so that the Cess *plus* rural police charge in Oudh, if reckoned, collectively, as a Rate upon the land revenue, exceeds the 10 per cent. Cess in the North-Western Provinces.

The increase of imperial land revenue from revision of assessment is about 13 or 14 per cent.

110. But though the new Cesses in the N. W. Provinces form really a smaller percentage on the land revenue than the Cesses in Oudh, yet they engross a considerable share of the increase of gross assessment on the Holders of the land since the expiration of the first settlements. His Honor the Lieutenant-Governor observed (6th April 1871)—“The actual increase of demand under the settlements now going on has been, up to date, above 20 lakhs, or £203,977; and that on a previous Revenue of £1,430,664, being at the rate of 14 per cent. The whole land revenue to be revised is ordinarily stated at £4,000,000; but this is a mistake; for, of this sum, about £560,000 belong to the Benares Districts, which (having been permanently assessed at the end of the last century) are not open to revision. The Revenue demand subject to revision is therefore only £3,440,000; it has already been raised to £3,640,000, and (though it is not easy to hazard estimates of future revision) will rise probably to above £3,900,000, if not nearly to 4 millions; and this in addition to the £560,000 of the Benares Districts.” This gives an increase of between 13 and 14 per cent. on the old Land Revenue.

Cess should be spent in the District in which it is raised.

111. Like the similar Acts for the Punjab and Oudh, the N.-W. P. Local Rates' Act directs that the proceeds shall be allotted, in the first instance, for expenditure in the District in which they are raised; any balance unspent at the end of the year being available for expenditure in the Province outside the District. In discussing the limitation of the expenditure, primarily, to the District, Sir G. Campbell—

“feared that Indian Districts were too large for Local Rating for all purposes; and that the greatest proportion of the Tax-payers did not really look at the thing as a Local Tax at all. They looked upon the Rate as a Tax, and the thing was not brought home to their minds by a strictly local expenditure of the money for their own benefit, before their own eyes. He hoped we should even come down to the formation of Local Unions of Villages, in which it



might be that local obstructions, local roads, local nuisances of all kinds in which the Committees of such Unions might be interested, would be improved from the money paid for local purposes, by which means he believed that the people might come to appreciate this Tax, they would come to feel that it was for their own benefit, and that, so far as the Local Rates were concerned, they got something for their money”

CHAPTER IX.  
N.-W. PROVINCES.

112. The proceeds of all Rates leviable under N.-W. P. Local Rates' Act XVIII of 1871 are carried, as in the Punjab and Oudh, to a General-Provincial Fund, from which allotments are made to each District to an amount not less than their payments for expenditure on all or any of the following purposes—

Objects of expenditure from local rates on land.

- 1.—The construction and repair, and the maintenance of Roads and Communications.
- 2.—The maintenance of the Rural Police and District Post.
- 3.—The construction and repair of School-Houses the Maintenance and Inspection of Schools, the Training of Teachers, and the establishment of scholarships.
- 4.—The construction and repair of Hospitals, Dispensaries, Lunatic Asylums, Markets, Wells and Tanks; the payment of all charges connected with the purposes for which such buildings or works have been constructed, and any other local works likely to promote the public health, comfort, or convenience.

113 The substance of these remarks on Local Cesses in the North-Western Provinces is as follows :—

Summary.

- I.—Fees for certain village expenses in the North-Western Provinces are not, as in the Bombay Presidency, included in the gross land revenue; nor are they included, as in the Madras Presidency, in Cesses which are paid into a Government treasury;—they are settled in the village, apart from the collections of Land Revenue and Cesses (*Para. 87*).
- II.—Down to 1870, the Cesses in Districts in which the first settlements had not expired, or, if expired, had not been revised, amounted, collectively, to  $1\frac{1}{8}$  per cent. of the gross rental, or  $2\frac{1}{2}$  per cent. on the land revenue; while in Districts in which, on expiration of the first settlement since 1866, a revised settlement had been introduced, the Cesses amounted to 5 per cent. on the gross rental, or to 10 per cent. on the land revenue (*Paras. 87 to 89*).
- III.—In 1871-72, by the N.-W. P. Local Rates' Act, the 10 per cent. Cess last mentioned was extended to all Districts under expired settlements, though a revised settlement has not been, or may not have been introduced. In addition, that Act imposed, on the Permanently-Settled Districts, an Acreage Tax, not exceeding two annas on each acre under cultivation, or which has been cultivated within the immediately-preceding three years; and in the same districts the Local Government resumed the lands of Village Police by paying them in cash, credited the revenue of the resumed lands to Local Funds as receipts from jagirs, and charged the cash payments for the Village Police under Rural Police (*Paras. 90 and 91*).
- IV.—The foregoing revision of Cesses harmonised with, and worked into, schemes for relieving the Imperial Finances, though it had been conceived apart from the Scheme of Provincial Funds. In February 1870, the Local Government had been invited to consider the expediency of raising £180,000 a year by an increase of the Road Cess, with the view mainly of relieving the Imperial Finances of an expenditure of £150,000 a year for Roads. This demand was modified in August 1870 in the outlines of the Scheme of Provincial Funds, when the North-Western Provinces Government was asked to contribute £143,500 towards all the Heads of Expenditure, including Roads, which, with Grants diminished to that extent, were to be made over to Provincial Funds. Eventually, the retrenchment was brought down to £16,753 a year; and with the help of the Revised Cesses, and by certain economies, the Local Government was able to provide the last-mention-

CHAPTER IX.  
N.-W. PROVINCES.

ed amount, as also increased funds for roads, sanitation, &c., without additional taxation (*Paras. 92 to 98*).

V.—In the discussions of the Bill which was passed as the North-Western Provinces Local Rates' Act, various points were noticed or settled, *viz.*—

- (a).—It was established that Local Cesses are an alienation of Imperial Land Revenue for local purposes, but only of that part of the land revenue which, unlike the bulk or imperial part of it, is not fixed for a term of years, but is virtually open to revision at any time for meeting local requirements (*Paras. 100 to 106*).
- (b).—It was noticed that the expenditure on Civil Buildings would be less in future than in the past, and that the new Cess would meet growing demands for roads, sanitation, &c., and so would supplement the assignment for Provincial Funds in the only part in which it was deficient, *viz.*, in the allotment for roads (*Paras. 96 to 99*).
- (c).—It was held to be of importance that the Cess should be expended in the District in which it is raised; and Sir George Campbell urged the limitation to even a smaller area than that of a District (*Para. 111*). But the unspent balance of each year's allotment is available thereafter for expenditure in the Province.

VI.—The estimate formed in 1871 of the yield of the new Cesses has been exceeded, in the net result but not uniformly in the gross. The Acreage Cess is estimated to yield £31,750 in 1875-76, against an original estimate of £36,000; on the other hand, the 10 per cent. Cess is estimated for 1875-76 at £390,850 gross, against £330,669 of original estimate, and against £310,498 and £298,446 of two amended estimates in 1871 (*Para. 107*).

VII.—The 10 per cent. Cess on Land Revenue, which includes a Cess for Rural police, is really less than the 5 per cent. Cess in Oudh, which does not include Rural Police, such police being separately provided by landholders in Oudh at a cost exceeding 5 per cent. on the land revenue (*Paras. 108 and 109*). At the same time, a large proportion of the growth of land revenue has been alienated for local purposes in the 10 per cent. Cess, the increase of Imperial Land Revenue, beyond the amount under the old settlement, which is to accrue on completion of the revised settlements for the North-Western Provinces, being estimated at only 13 or 14 per cent. on the old land revenue (*Para. 110*).

PUNJAB.

Detail of Cesses

114. The Cesses on land revenue, as existing in the Punjab before and since the passing of the Punjab Local Rates Act XX of 1871, were detailed as follows in the Punjab Administration Report for 1872-73:—

I.—NOT PAID INTO THE GOVERNMENT TREASURY—

1. *Patwari Cess* (Rs. 3-2 to Rs. 4 per cent.) on land revenue, for the support of the village patwari, or village accountant, surveyor, and registrar of crops, of changes of proprietorship, &c.
2. *Lambardari Cess* (5 per cent.) on land revenue, for village headmen who collect and pay in the land revenue on behalf of the village communities whom they represent.
3. *Chaukidari Cess* (not on land revenue, but) levied generally, in the form of a house assessment, from non-agriculturists as well as agriculturists, for the support of village watchmen.

II.—PAID INTO THE GOVERNMENT TREASURY—

4. *District Dák Cess* of  $\frac{1}{2}$  per cent. on land revenue (under orders prior to Act XX of 1871). This was to be imposed in the new settle-

ments in Districts where it did not exist before. The Administration Report for 1872-73 stated, that "the Cess is at present levied in sixteen Districts only."

CHAPTER IX.

PUNJAB.

Detail of cesses.

5. *Educational Cess* of 1 per cent. on land revenue, for support of village schools.
6. *Road Cess* of 1 per cent. on land revenue, for keeping up district roads between the head-quarter stations and the villages in the interior.
7. *Local Rates Cess* under Act XX of 1871 of 6 pies for every rupee of the annual value of revenue-paying or of rent-free land, the annual value being taken at double the land revenue, or double the assessment appraised on rent-free lands at the time of settlement, but not recovered from them; whereby the Cess is, in effect, one anna on every rupee, or  $6\frac{1}{2}$  per cent. of the land revenue. In the words of the Act, the Cess—

"shall be paid by the landholder, independently of, and in addition to, any land revenue assessed on land for the land revenue of which he is responsible, and any Local Cesses now leviable therefrom."

115. The Cesses in Section I of the preceding detail correspond to others which, in the Bombay Presidency, are altogether outside, and in the Madras Presidency, and in the North-Western Provinces, are, for the most part, outside any Cesses which constitute the Local Funds of those Governments. In the North-Western Provinces, the Village Police Cess (I (3) above) is within the 10 per cent. Cess, which is credited to the Local Funds of those Provinces.

116. The old Cesses, or those preceding the Local Rate imposed by Act XX of 1871, which constituted the old Local Funds of the Punjab, amounted, it will be seen, to  $2\frac{1}{2}$  per cent. on the land revenue; nay, that maximum obtained only in sixteen Districts, the District Dāk Cess of  $\frac{1}{2}$  per cent. not having been levied in sixteen other Districts, and it is presumed that it cannot now be introduced into the latter Districts.

The old cesses amounted to  $2\frac{1}{2}$  to 3 per cent. on the land revenue, with the new local rate imposed in 1871, they now amount to  $8\frac{1}{2}$  to  $8\frac{1}{2}$  per cent. on that revenue, exclusive of provision for Rural Police in the N.W. Provinces they amount to 10 per cent., including nearly 5 per cent. for Rural Police.

117. In addition to the foregoing  $2\frac{1}{2}$  per cent. of maximum Cess, it was ordered, a short time before 1870, that an extra 1 per cent. for roads (making the total Road Cess 2 per cent.) should be levied on the introduction of new settlements into any District; but, in February 1872, the Punjab Government directed that the extra 1 per cent. should be remitted in all the Districts into which it had been introduced, inasmuch as they paid the full Local Rate under Act XX of 1871, the same as other Districts which paid only 1 per cent. Road Cess.

118. Hence, the passing of Act XX of 1871 raised the Cesses on land revenue, which constitute the Local Funds of the Punjab, from  $2\frac{1}{2}$  or 2 per cent. to  $8\frac{1}{2}$  per cent. in sixteen Districts, and  $8\frac{1}{2}$  per cent. in other sixteen Districts which do not pay any Dāk Cess.

119. In the North-Western Provinces, the gross Local Rate is 10 per cent. the land revenue; but nearly 5 per cent. of that is absorbed by the Rural Police, which, in the Punjab, are provided for outside the Punjab Cesses for Local Funds; so that the Cesses comparable in North-Western Provinces and the Punjab are somewhat more than 5 per cent. in the former, and  $8\frac{1}{2}$  or  $8\frac{1}{2}$  per cent. in the Punjab.

120. The Hon'ble Mr. Ellis, in moving for leave to introduce the Punjab Local Rates Bill stated that—

"the provisions of the Bill would be similar in character to those proposed for the North-Western Provinces and Oudh, due regard being had to the local requirements and local circumstances of the Punjab."

121. In actually introducing the Bill on 26th May 1871, the Hon'ble the Lieutenant-Governor of the Punjab observed—

"The necessity for this additional taxation is two-fold. It is partly caused (1st) by the abridgment of the Allotments heretofore set apart from Imperial Funds for the performance of certain services now transferred to the immediate management and control of the Local Government \* \* \*; (2ndly) by the growing demands amongst the Rural Districts for improved communications."

## CHAPTER IX.

## PUNJAB.

Growing demand for roads, and need for public buildings.

122. Respecting the growing demand for roads, the Lieutenant-Governor added that it was—

“the consequence of the high price of produce prevalent for some years past, which renders it so much better worth a man's while than formerly to send his grain to distant markets for sale. It is very undesirable that a real want of this kind, arising, as it does, from the increase of trade and multiplication of business, should remain unsatisfied. Moreover, though now under British Government for a quarter of a century, the Punjab is, in many parts, still destitute of the public buildings essential to effective administration; and the long postponement of their erection is highly inconvenient.”

123. The first reason for the new Rate (paragraph 121) was the necessity of making good a deficiency in the Allotment, made over by the Government of India in 1871, for Provincial Services, and this was justified by the following figures :—

RECEIPTS.		CHARGES.			
	£				£
Imperial Grant, corrected to date	533,300	Transferred Departments, and Educational charges from Local Funds			527,302
Provincial Rates and Taxes (including all collected under the existing law)	56,426	Miscellaneous, including District Dak, Staging Bungalows, &c.			22,688
Transferred Departments	93,018	Public Works			286,521
Miscellaneous, including Cattle Pounds and Staging Bungalows (Local Funds)	13,053				
Public Works (including endowments)	77,387				
	773,184				835,611
Deficit	62,427				
	835,611				
		α—Including—	Works.	Repairs	TOTAL.
			£	£	£
		Roads and Bridges	54,303	90,137	144,440
		Miscellaneous Public Improvements	3,348	3,316	6,664
		Civil Buildings	36,018	6,948	42,966
					200,740
		Establishment, Local	11,498		11,498
		Ditto share of Imperial	32,317		32,317
					233,990

In the Home Department's Circular of February 1870, the suggested road cess of 5 per cent. on the land revenue was estimated at £110,000 a year.

The provision for roads, it will be observed, was £154,639. In the Confidential Circular issued from the Home Department, in February 1870, the total Road Cess proposed at 5 per cent. on the land revenue, as a provision for superseding and enlarging the then existing expenditure on roads from Imperial and Local Funds, was estimated at £110,000 a year, exclusive of income from Ferry Funds.

124. The Public Works Establishments provided for were slightly over 20 per cent. of the outlay for works and repairs, but the Lieutenant-Governor remarked—

On 20th December 1872, the yield of the local rate, which is exclusive of the old road cesses and of the other old cesses, was estimated at £131,000

“On the charges I will, in passing, only observe that £148,924 of the expenditure under Public Works being for repairs and establishments, and only £104,466 for original works, there is *prima facie* a disproportion between the two charges resulting from the contraction of the funds available for construction.”

125. Respecting the yield of the Tax His Honor observed—

“The gross yield of the Rate, calculated on a land revenue stated according to the latest returns at £1,859,117, will amount to £132,557. But certain deductions have to be made on account of lands already paying the double Road Cess under the proceedings of the revised settlement; also on account of the remuneration payable to the Headmen of villages, to which is due some part of the comparative popularity of this system of fiscal contribution, and on account of unforeseen deficiencies to be expected in actual realisation. Hence, I fear that it will not be safe to estimate the net income from this source at more than £110,000.”

Subsequently, in a report on Local Taxation, the Financial Commissioner, on 20th December 1872, estimated the yield of the Local Rates Cess as follows :—

	1872-73.	1873-74.
	£	£
Gross amount of Tax	137,367	138,349
Expense of Collection	6,369	6,918
Net amount of Tax	130,998	131,431

Respecting the taxation of Non-agriculturists, the Lieutenant-Governor observed—

“that about two millions of the Non-agriculturists are brought under contribution through the agency of the Municipalities, and the town duties have recently been materially increased by the admission into the Schedule of piece-goods and metals.”

126. Coincident with the levy of this New Cess, the land revenue was at a rate much lower than the proper rate. Mr. Stephen observed—

“Now upon this he had one remark to offer—If there was this great increase of agriculture; if the price of land had so largely increased; if the imposition of Rates on land was a popular, customary, and congenial form of Taxation; if all these facts were established on an authority so unquestionable as that of His Honor the Lieutenant-Governor, one of two things must result—either the land revenue ought to have largely increased, or some full explanation of the reason of its not having done so ought to be forthcoming.”

CHAPTER IX.

PUNJAB.

Coincident with the levy of the new local rate the land revenue was at a rate much lower than the proper rate.

127. Respecting the application of the proceeds of the Cess, Section 6 of Act XX of 1871 states that—

\* “1. The construction, repair and maintenance of Roads and Communications

2. The construction and repair of School-houses, the Maintenance and Inspection of Schools, the Training of Teachers, and the establishment of Scholarships.

3. The construction and repair of Hospitals, Dispensaries, Lunatic Asylums, Wells and Tanks, the Planting and Preservation of Trees, the payment of all charges connected with the purposes for which such buildings or works have been constructed, and any other Local Works likely to promote the public health, comfort, or convenience.”

“The Lieutenant-Governor shall from time to time assign from the funds at his disposal, an amount to be applied in each District for expenditure on all or any of the following\* purposes. The aggregate of such assignments in any one year shall not be less than the total sum levied under this Act, in such District, in the year in which the assignment is made.”

\* \* “Any portion of such assignment remaining unexpended at the end of the financial year in which the assignment was made, may (Section 8) at the discretion of the Lieutenant-Governor, be re-assigned for expenditure in the same District, or may be applied for the benefit of the Punjab on such one or more of the purposes mentioned in section 6 as the Lieutenant-Governor from time to time directs.”

128. Furthermore, Section 7 enacted that—

“In the case of works which benefit more than one District, the Lieutenant-Governor may determine what proportion of the expenses of the work shall be borne by each of the Districts benefited thereby, and such proportion shall be payable out of the assignments made as aforesaid, to such Districts respectively.”

Part of the new local rate may be spent on works which benefit more than one district.

129. In the Punjab Administration Report for 1872-73 it is stated that the receipts from the *Education Cess*, the *Road-Cess* and *Local Rates Cess*—

“are paid in the first instance into a General Fund, from this Fund allotments are made to each District, in proportion to its contributions, after deducting charges more conveniently dealt with provincially, such as fixed contributions towards the cost of central controlling establishments, the pay of existing educational or hospital establishments, &c., and the balance is placed at the disposal of District Committees composed of the principal District Officials, and selected Agricultural Notables from all parts of the District.”

130. Similar provisions occur in the Local Rates Acts for the North-Western Provinces and Oudh; and the reasons for the provisions are explained in paragraphs

131. The substance of these remarks regarding Local Cesses in the Punjab is as follows:—

Summary.

I.—Three Cesses, *viz.*, the Patwari, Lambardari, and Chowkidari Cesses, are not paid into the Government Treasury. Other three Cesses, *viz.*, the District Dak, and the School and Road Cesses, amounted, up to 1870-71, to 2½ per cent. on the land revenue. In addition to these, an Extra Cess of 6¼ per cent. on the land revenue was imposed by the Punjab Local Rates Act XX of 1871. [Paragraphs 114 to 118.]

II.—As nearly half of the 10 per cent. Cess in North-Western Provinces is absorbed by the Rural Police, which in the Punjab is provided for outside the 8½ per cent. Cesses, the Cesses comparable in the two Provinces are about 5 per cent. in the former against 8½ per cent. in sixteen Districts, and 8½ per cent. in other sixteen Districts in the Punjab. [Paragraph 119.]

III.—The new Cess, which is available for Roads, Schools, Hospitals, Dispensaries, &c., was estimated to yield £110,000; and later estimates for 1872-73 and 1873-74 raised the net amount to £131,000; the actuals for 1874-75 amount to £140,802 exclusive of the old Cesses for Roads, Schools, and District Post. The necessity of the Cess was justified mainly by the urgent demands for improved communications, and for better public buildings for effective administration, and by a provision in the estimate for 1871-72 of £154,639 for roads. [Paragraphs 121 to 125 and 127.]

IV.—The Punjab Act agrees in all respects with the Local Rates' Acts for the North-Western Provinces and Oudh, in details relating 1st, to the expenditure of the Cess in the District in which it is raised (with a reversion to

## CHAPTER IX.

PUNJAB

Provincial Funds, of any unspent balances of the original District Assignments), and 2nd, to the crediting of the proceeds of the Cess, in the first instance, to a general Fund, out of which assignments are made to Districts.

\*  
ODDH

## ODDH.

132. The Cesses in Oudh are as follows :—

## I.—NOT RECEIVED IN GOVERNMENT TREASURIES.

Detail of cesses

Village police.

*Rural Police.*—In 1856, at the summary settlement, after annexation of Oudh, a Tax of 6 per cent. on the Revenue they paid to Government was levied from landholders for the payment of Village Chowkidars. On the re-occupation of Oudh the system of cash payments of the Village Police by the District Officers was abandoned as a rule, and the old system was reverted to, according to which their remuneration was arranged directly between themselves and the landlords or villagers whose servants the Chowkidars are. As stated in the Administration Report for 1871-72, the Village Chowkidars are now—

“maintained at the expense of the landholders, and are usually paid by a small grant in land (3 acres and 20 perches), of a quality which will fetch a rent of Rs. 24 per annum; should land of this value not be granted, the landholder is compelled to make up the amount in cash or to resort to a cash payment of Rs. 36 per annum, paid through the Deputy Commissioner and levied with the Government Revenue.”

When this cash payment is made, then the amount paid by the landholder, and the payment to the chowkidar, are passed through the Local Funds accounts under the head of the Village Chowkidaree Fund; but payments of this kind are an insignificant percentage of the total charge for the Village Police, which is almost wholly settled direct between them and the landholders, without passing through the Accounts.

The present remuneration of the Village Chowkidars (Rs. 24 a year in land, or Rs. 36 a year in cash, as above stated) appears to be less than what was formerly prescribed. Thus in a Circular of February 1862, it was stated that when the villagers habitually and persistently neglected to keep up a Village Chowkidar, one was to be appointed by the District Officer, on Rs. 36 per annum, payable by the owners of the village, either in cash, at that rate, or in land yielding produce of the same annual value. This was for the chowkidar's duties as a Government servant only, unless the villagers chose to pay for his services to them by a percentage on the crops. In a subsequent Circular of 5th April 1864, District Officers were required to ascertain, as nearly as possible, “the amount of remuneration, in money or land, (reducing that to a money value) enjoyed by each chowkidar; and, when it is below Rs. 4 a month, to point out to the landholders that it must be raised to that amount (which with the immemorial dues will yield a sufficient income to the chowkidar), if they wish to avoid a return to money payments.”

But, as already pointed out, the remuneration of the Village Chowkidar, as set forth in the Administration Report for 1871-72, is now less than the amounts prescribed in the Circulars of 1862 and 1864.

In the Oudh Administration Report for 1869-70 it was stated that—

“we have ready to hand an indigenious body of Rural Police, unrivalled in the detection and report of crime, and at once the eyes and feelers of the regular police. \* \* The Village Chowkidar is in fact the basis of the whole system, and, in the statistics of protection, the despised *pasi* plays no unimportant part.

As the remuneration of the bulk of the Rural Police does not pass through the Government Accounts, the cost, as given in the Administration Reports, was stated, in that for 1871-72, to be given “roughly,” and in that for 1873-74 as “approximate.” The numbers and cost of the rural police, as given in the Administration Reports, have been as follows :—

					Rs.
1868-69	...	...	...	35,467	10,83,288
1869-70	...	...	...	32,916	7,64,300
1870-71	...	...	...	32,308	9,02,877
1871-72	...	...	...	31,679	9,18,643
1872-73	...	...	...	32,075	9,39,098
1873-74	...	...	...	32,610	9,85,798

II.—PAID INTO THE GOVERNMENT TREASURY.

CHAPTER IX.

1. *A Road Cess*, at the rate of 1 per cent. on the land revenue, or  $\frac{1}{2}$  per cent. on the gross rental; the Cess is, primarily and mainly, intended for the repair and construction of good lines of Interior Communication within the District, so that all parts of a District shall have easy means of access, first to the chief markets of the immediate locality or vicinage, and then to the large centres of general traffic.
2. *A School Cess* of 1 per cent. on the land revenue, or  $\frac{1}{2}$  per cent. on the gross rental, for the establishment and maintenance of Primary and Local Schools.
3. *District Dak Cess* of  $\frac{1}{4}$  per cent. on the land revenue, or  $\frac{1}{3}$  per cent. of the gross rental.
4. *Margin Fund*. The three preceding Cesses, viz., Road, School and Dak, amount to  $1\frac{1}{2}$  per cent. of the gross rental, or  $2\frac{1}{4}$  per cent. of the land revenue. But  $1\frac{1}{2}$  per cent. of the gross rental having been considered an inconvenient and awkward percentage, the aggregate was raised to  $1\frac{1}{2}$  per cent. on the gross rental, or  $2\frac{1}{2}$  per cent. on the land revenue; and the difference, or  $1\frac{1}{3}$  per cent. of the gross rental, or  $\frac{1}{4}$  per cent. of the land revenue, was designated a Margin Fund, to be used in furtherance of schemes for the benefit of the Province.
5. *Local Rate under Act XVII of 1871*, of  $1\frac{1}{2}$  per cent. on the gross rental or annual value of land, or  $2\frac{1}{2}$  per cent. on the land revenue.

ODDH  
Detail of cesses

133. It appears from the foregoing that, until 1871, the Cesses on land revenue, exclusive of the charge for Rural Police, defrayed by landholders, amounted to  $1\frac{1}{2}$  per cent. on the gross rental, or to  $2\frac{1}{2}$  per cent. on the land revenue, and that, by Act XVII of 1871, this proportion was doubled, making the present Cesses  $2\frac{1}{2}$  per cent. of the gross rental, or 5 per cent. on the land revenue.

Exclusive of charge for rural police the cesses on land revenue amounted to  $2\frac{1}{2}$  per cent. up to 1871, and to 5 per cent. since that year

134. The Confidential Circular issued from the Home Department on 21st February 1870, proposed an increase of the Road Cess in Oudh, from 1 per cent. to 3 per cent., or from an income of £25,000 to £75,000, so as to "supply a sum about equal to the present Imperial Grant for Roads." Afterwards, when the Scheme of Provincial Funds was proposed, the project was modified, and Act XVII of 1871 was passed. According to the estimates for 1875-76, the proceeds of the Cesses in Oudh are as follows:—

The Home Department's Circular of February 1870 urged an increase of cess income by £50,000; the yield of the new local rate of 1871 was, estimated at £32,000.

	Actual 1875-76	Actual 1874-75	Actual 1873-74	Estimate 1876-77
	Rs.	Rs.	Rs.	Rs.
$2\frac{1}{2}$ per cent. under Act XVII of 1871, and $\frac{1}{4}$ per cent. Margin Cess ... ..	4,28,832	4,10,972	4,14,614	4,23,800
$\frac{1}{2}$ per cent. District Post ... ..	38,642	37,381	37,677	36,000
1 per cent. School Cess .. ..	1,51,627	1,47,012	1,46,899	1,44,000
1 per cent. Road Cess .. ..	1,52,323	1,47,693	1,46,878	1,44,000
5 per cent. TOTAL	7,71,424	7,43,058	7,46,068	7,47,800

As shewn in paragraph 1 the charge for Rural Police, which is provided by landholders outside the foregoing Cesses, amounts to about Rs. 9,60,000 or Rs. 9,86,000, which, added to the preceding, would give more than 10 per cent. on the land revenue. In the North-Western Provinces the Cesses, including provision for Rural Police, amount to 10 per cent. on the land revenue.

Including charge for rural police the cesses amount to more than 10 per cent. on the land revenue

135. In moving for leave to introduce the Bill for Local Rates (Oudh), Sir J. Strachey observed on 10th March 1871—

"The Imperial Grant for Provincial Services of Oudh for the coming year will be less by £15,500 than the Grants of the current year. Savings will no doubt be made by the

## CHAPTER IX.

## ODDH

Increase of charges hitherto defrayed from imperial and since transferred to provincial funds must be met from the local rate

Local Government, but I cannot now state their probable amount. On the other hand, there are many local works, especially Railway Feeders and other roads, which are very urgently required. As the Chief Commissioner has said, for a fertile grain-producing country like Oudh, each facility added to the transit of its produce is a direct addition to its wealth, and an enormous benefit to less productive Provinces. To meet this demand for roads the Local Funds are completely overstrained."

136. Sir J. Strachey also observed that the Imperial Government will no longer continue to provide from Imperial Funds the means of carrying out works of Local Improvement throughout India, or for providing more Local Roads, Schools, Hospitals, &c. The financial requirement to be met by the Local Rate, comprised, therefore—

1st.—A Deficit of £15,500.

2nd.—Increased expenditure for Roads.

3rd.—Increased outlay for Local Roads, Schools, Dispensaries, &c.

Sir J. Strachey proceeded—

"The Rate proposed to be levied in Oudh will yield about £32,000 a year. The land revenue is now £1,360,000. It may be imagined from these figures how trifling the new charge will be."

137. At a later stage (18th March 1871) Sir J. Strachey referred to his former statement of—

"the reasons which rendered it necessary to give to the Local Government in Oudh, power to raise a moderate sum by Local Taxation, with the object of supplementing the Imperial Grants for Provincial Purposes, and of providing funds for carrying out the necessary local improvements which were stopped for want of the necessary funds. The sum required to be raised in Oudh, as he before stated, was £30,000. He had already endeavoured to explain the reasons which had led the Local Government and the Government of India to the conclusion that there was no way so easy and so unobjectionable for raising this money, as by imposing a light rate on land. It would be identical in its nature with the Cesses which had been levied for similar purposes, for many years past, for Roads, Schools, &c."

138. Sir J. Strachey added—

"It was true that the rate to be imposed on the landholders was certainly small."

The increased income from the local rate is about the amount by which the imperial land revenue in some of the districts in Oudh may have to be reduced, for correcting an excessive pressure of revised rates

139. The new Cess has yielded above £40,000, where only £30,000 or £32,000 had been estimated; but the Imperial Revenues may have to give up almost a corresponding amount of land revenue, in order to diminish the aggregate demands on landholders (taking the Province as a whole),—in which case there will not have been any increase of taxation.

140. Sections 9 and 10 of Act XVII of 1871 direct that (section) 9—

- 1 The construction, repair, and maintenance of Roads and Communications
- 2 The construction and repair of School houses, the maintenance and inspection of Schools, the establishment of Scholarships, and the training of Teachers
- 3 The construction and repair of Hospitals, Dispensaries, Lunatic Asylums, Markets, Wells, and Tanks, the payment of all charges connected with the purposes for which such buildings or works have been constructed, and any other Local Works and undertakings of public utility likely to promote the public health, comfort, or convenience.

"the proceeds of all Rates levied under this Act shall be carried to the credit of a General Provincial Fund, from which Fund (Section 10) the Chief Commissioner shall, from time to time, assign an amount to be applied in each District, on all or any of the purposes mentioned in the margin. Such assignment shall not be less than the total sum assessed under this Act, in such District, in the year in which the assignment was made

"Any portion (Section 11) of such assignment, remaining unexpended at the end of the financial year in which the assignment was made, may, at the discretion of the Chief Commissioner, be re-assigned for expenditure in the same District, or may be applied for the benefit of the Province of Oudh in such manner as the Chief Commissioner from time to time directs."

The cess to be spent in the year of its levy in the district in which it is raised, but any unspent balance may be spent in any part of the province

141. Under these provisions of the Act the Cess levied in each District is to be allotted to it in the first instance; but any portion remaining unspent at the end of the year may be allotted for expenditure in the Province outside the District. Sir J. Strachey explained that the reversion to the Province of the unspent balance of the primary allotment to the District had been very carefully considered, in regard both to the Oudh Bill and to the similar Bill for the North-Western Provinces. He remarked further, in respect of the primary restriction of expenditure of the Cess to the District in which it is raised, that—

"the Council will see, in the correspondence which will be published, that the Government thinks it of much importance that the principle should be distinctly recognised that, so far as may be possible, the Rates shall be expended for the immediate benefit of the District in which they are levied. The people of each District should see clearly that the



result of imposing the rates has been to give them some advantages which they did not possess before: such as better roads, better means of education, better water-supply, and so forth."

CHAPTER IX.

OU DH

142. On this point Sir G. Campbell observed—

"He had even some doubt whether, for some of the purposes of Local Rating, a large Indian District was not too large an area, *e g*, whether a man who paid for a road 50 miles off at the other end of the District would consider that he was paying for his own good. It was a question, to his mind, whether in those Provinces, where you had the power of dealing with the land revenue, it would not be better directly to increase the land revenue, and to include in the Grant for the provincial budget some considerable roads which were now called District Roads. In fact, in considering the subject of Local Rates, we should be careful to see whether it might not be possible, for some purposes, to reduce to smaller areas the Districts within which the Rates should be levied, and so bring home more distinctly to the people the local objects for which they were rated for their own benefit."

Sir G Campbell thought that unless the locality within which a cess must be spent can be reduced to a smaller area than that of a district, it might be well to include the cess in the imperial land revenue demand, and to add a corresponding amount to imperial charge.

Summary.

143. The substance of these remarks on Local Cesses in Oudh is as follows :—

I.—The large sums provided by the landholders in Oudh, in money, or in lands, for rural police, which ranged from Rs. 10,83,288 in 1868-69 to Rs. 9,85,798 in 1873-74, are (excepting an inappreciable percentage) not paid into the Government Treasuries. (Para. 132, section I.)

II.—The Cesses on land revenue, paid into the Government Treasuries, are the Road, School, and Dāk Cesses, amounting to  $1\frac{1}{2}$  per cent. on the gross rental, or to  $2\frac{1}{4}$  per cent. on the land revenue, with a Cess, for the Margin Fund, of  $\frac{1}{2}$  per cent. on the gross rental, which raised the aggregate to  $1\frac{1}{2}$  per cent. on the gross rental, or to  $2\frac{1}{2}$  per cent. on the land revenue. These Cesses obtained up to 1870-71; in the following year, under the Oudh Local Rates Act, an extra cess of  $2\frac{1}{2}$  per cent. on the land revenue was imposed, which has raised the existing Local Cesses in the Province to  $2\frac{3}{4}$  per cent. on the gross rental, or to 5 per cent. on the land revenue. (Paras. 132 and 133.)

III.—The total Cess of 5 per cent. on the land revenue, and the charges for Rural Police which are separately provided by the landholder, amount to more than 10 per cent. on the land revenue, which is the proportion of Cess levied in the North-Western Provinces; but the extra sum of above £40,000 which is obtained from the new Cess, may, possibly, be set off by reduction of a corresponding amount of imperial land revenue in Oudh. (Paras. 134, 138, and 139.)

IV.—In proposing the extra Cess in the Legislative Council, Sir J. Strachey justified the necessity for it on the grounds—*1st*, of the diminished grant in future for Provincial Services in Oudh; *2nd*, the need of increased expenditure for Roads, and for Schools, Dispensaries, &c. (Paras. 135 to 137.)

V.—While the expediency of allotting the Cess, in the first instance, for expenditure in the District in which it is raised, is affirmed in the Local Rates Acts, for Oudh, the Punjab and the North-Western Provinces, it was decided in the Legislative Council, after careful consideration, that the unspent balances of the yearly allotments of the Cess to the respective Districts in which it was raised should, at the end of the year, be at the Chief Commissioner's disposal for expenditure in any part of the Province. (Paras. 140 and 141.)

VI.—Sir G. Campbell repeated, as on other occasions, that, for the purposes of Local Rating, an Indian District was much too large an area for bringing home distinctly to the people that the Cess was being spent on Local objects. (Para. 142.)

#### CENTRAL PROVINCES.

144. The Cesses on land revenue in the Central Provinces are for the same objects as those for which similar Cesses were originally imposed in the Punjab, *viz.* :—

- 1.—A Patwari Cess of from 4 to 5 per cent.
- 2.—A District Dāk Cess of  $\frac{1}{2}$  per cent.

CHAPTER IX.  
CENTRAL PROVINCES

3.—A Road Cess which was originally 1 per cent., but which, in the settlements of 1863-64 and later years, was raised to 2 per cent., while there is a Rate of 3 per cent. in two Districts in the Chutteesgurh Division.

4.—A School Cess which, like the Road Cess, was raised, on revision of settlements, from 1 per cent. to 2 per cent.

Thus, excluding the Patwari Cess, the total Cesses on the land revenue are  $4\frac{1}{2}$  per cent., except in two Districts in the Chutteesgurh Division, in which the total is  $5\frac{1}{2}$  per cent., and one or two isolated instances in which, from the Road Cess having been fixed at 1 per cent. before the revisions of settlement in 1862-63 and later years, the total is  $3\frac{1}{2}$  or  $2\frac{1}{2}$  per cent.

The village police are maintained by the landholders the charge is not passed through the Government accounts

145. There is no Cess for Village Police; but the cost of that police is paid by the landholders without the payment being passed through the Government accounts,

History of the Pandhari tax, which was transferred from imperial to local funds, one half in 1868, the other half in 1869.

146. The foregoing Cesses on land revenue, which were in force in 1870-71, at present rates, were not increased in 1871-72, for reasons which will be set forth after recounting, first, the history of the Pandhari or House Tax which was levied by the Mahrattas in Nagpur Proper from Non-agriculturists, and was retained for that territory, on the annexation of Nagpur. In 1861, when a License Tax was imposed on incomes of not less than Rs. 50, nor more than Rs. 200 a year, from Arts, Trades, and Professions in British India, those on incomes of Rs. 50 and upwards, who had paid Pandhari Tax, were exempted from it on account of their liability to the new License Tax. In 1862, the License Tax was repealed, and incomes below Rs. 500 a year were exempted from the Income Tax. Thereupon, the range of the Pandhari Tax in Nagpur and Sambalpur was extended to incomes up to Rs. 500; but the very poor were exempted. Again, in 1865, and from time to time, other alterations were made, till, in 1867, incomes below Rs. 75 were exempt. In that year Act XIV of 1867 was passed, continuing the Tax in Nagpur Proper and Sambalpur, empowering the Government of India to extend it to the Sagar and Narbada Territories, and fixing the minimum taxable income at Rs. 75 a year, the maximum rate of Tax at 2 per cent., and the maximum amount of Tax at Rs. 500 per annum. The License Tax (Act XXI of 1867) was passed in the same year; but, as its range was not so extensive as that of the Pandhari Tax, the latter was retained by exempting from the License Tax all persons in the Central Provinces subject to the Pandhari Tax, and by extending the latter Tax to the Sagar and Narbada Territories, on the ground that the Non-agriculturists in those Territories were, at least, as prosperous as those in Nagpur Proper.

147. Up to this time, *viz.*, 1867, the Pandhari Tax was wholly credited to the General Revenues. In 1868, however, the Certificate Tax (Act IX of 1868), with a range upwards from yearly incomes of Rs. 500, superseded the License Tax, and also (in respect of such incomes) the Pandhari Tax, which thereupon was limited to incomes of not less than Rs. 75, and not more than Rs. 500; and half the diminished income from the Pandhari Tax (£25,231 in 1868-69 against £35,560 in 1867-68) was surrendered to Local Funds in consideration of the insufficiency of those Funds for the many urgent demands on them.

148. In 1869 the remaining half of the proceeds of the Pandhari Tax was transferred to Local Funds and Municipalities, in consequence of restrictions placed by the Government of India on the levy of Octroi by Municipalities, whereby municipal income was reduced nearly one-half, while obligatory expenditure for municipal police remained unchanged. In 1870-71, an important restriction on Octroi was relaxed, to the material improvement of municipal income; but the second moiety of the Pandhari Tax was not resumed for the General Revenues.

149. In 1869, the Certificate Tax was altered into an Income Tax, with the same downward range as the former, *viz.*, to incomes of Rs. 500 a year; but, in 1871, the limit was altered from Rs. 500 to Rs. 750, and, in 1872, from Rs. 750 to Rs. 1,000, and, on each of these occasions, the upward range of the Pandhari Tax was extended to incomes of Rs. 750 and Rs. 1,000, respectively; while the

Separate Revenue Proceedings, Nos. 3 and 4, April 1871, Nos. 69 and 70, June 1872

downward range was made to stop, in 1871, at yearly incomes of Rs. 100 in-  
 stead of the previous limit of Rs. 75. In 1873, on the abolition of the Income Tax, Non-agricul-  
 turists on incomes exceeding Rs. 1,000 a year were subjected to Pandhari Tax,  
 at the 2 per cent. rate, and up to the maximum amount (Rs. 500) fixed by Act  
 XIV of 1867, while incomes not exceeding Rs. 250 a year were exempted from  
 the Tax.

CHAPTER IX.  
 CENTRAL PROVINCES

150. In the Confidential Circular issued from the Home Department, in Feb-  
 ruary 1870, the Chief Commissioner was requested to consider the practicability  
 of raising the rate of the Road Cess from 2 per cent. to 5 per cent. on the land  
 revenue, and the yearly amount of the Cess from £14,000, as estimated in the  
 Circular, to £35,000, thereby securing an increase of £21,000. In the subsequent  
 circular from the Financial Department, dated 23rd August 1870, the amount,  
 inclusive of provision for roads, which the Central Provinces were required to  
 raise, was stated to be £62,247; but, eventually, the Deficit in the Allotment  
 for Provincial Services, as finally settled in March 1871, which the Central  
 Provinces were required to make good, was fixed at £19,583.

151. Before the date (29th September 1870) of the reply of the Chief  
 Commissioner, Colonel Keatinge, the Secretary of State for India had decided,  
 and the decision had been published, that Cesses on the land might be levied,  
 even during the currency of an existing settlement of the land revenue, as  
 part of a scheme of Local Taxation for Local Objects; and, in the Legislative  
 Council of the Governor General, it had been insisted upon by Sir J. Strachey  
 and Sir B. H. Ellis, that a Cess which is thus leviable in Permanently-settled  
 Districts, may, with at least equal propriety, be levied, at any time, in Tempo-  
 rarily-settled Districts. (Paras. 104 and 105.) Sir D. F. Macleod also, in a  
 Minute on the same subject, dated 10th June 1870, had observed—

“ as the levy of a Road Cess is a purely administrative arrangement, intended directly to benefit  
 the people paying it, and wholly distinct, in its character and aims, from the assessment of land  
 revenue, I think that nothing short of a clear and express engagement on the part of Govern-  
 ment to refrain from enhancing it should restrain the Legislature from resorting to so benefi-  
 cial a measure. I concur, too, with him in the belief that the people of the Punjab generally  
 would not regard this proceeding as involving any breach of faith. My own opinion is entirely  
 in favor of Special Local Cesses for all Local Purposes; and of these the maintenance of Roads  
 and other means of Communication is perhaps the most important of all.”

152. Replying on 29th September 1870 to the Circular respecting the  
 Scheme of Provincial Funds, the Officiating Chief Commissioner of the Central  
 Provinces, Colonel Keatinge, highly approved of the Scheme, except that it  
 did not go far enough, and did not make over the Revenues of the Province to  
 the Local Administration. His dispatch is printed at page of this Volume.

153. Deprecating any increase of the Cesses on land revenue, the Officiat-  
 ing Chief Commissioner expressed his willingness to meet the reduction of the  
 Gross Provincial Assignment by a re-appropriation of the Pandhari Tax, and by  
 levying Tolls on Imperial Roads and Ferries. On 29th September 1870, when  
 he wrote, the reduction to be provided for was held to be £32,000, and the Pan-  
 dhari Tax was expected to yield £27,500 in 1870-71 and £32,500 in 1871-72,  
 and the Tolls on Roads £5,000. Eventually, the amount of retrenchment or  
 reduction, and the yield of the Pandhari Tax, both proved to be less than the  
 estimate in 1870.

154. The retrenchment from the Gross Provincial Assignment, originally  
 proposed at £32,000, was eventually fixed at £19,583; and in reviewing his  
 Budget Estimate of Provincial Funds for 1871-72, the Chief Commissioner,  
 referring to a working surplus of £1,824 which it exhibited, observed:

“ It is a matter of the greatest satisfaction to the Officiating Chief Commissioner that he is  
 thus able to provide for the wants of the year without having recourse to new taxation, and  
 without, as will be shewn hereafter, starving the Departments of Education, Medical Service,  
 and Public Works, on which the material and moral progress of the Province depends.

“ That the forecast of the year is so favorable, is not entirely the result of the appropria-  
 tion of the Pandhar. This alone would not have covered the expansion of the Budget  
 Charges over those of 1871. Other causes combined to help, the chief among which may be  
 mentioned—the increased range given to the Pandhari Tax by the moving up of the lower limit  
 of the Income Tax from Rs. 500 to Rs. 750, and the fall in the price of food-grains leading to  
 large reductions under the heads of Prisons and Police.”

## CHAPTER IX. 155. The Chief Commissioner added—

CENTRAL PROVINCES. "that the Provincial Grants to the three Services (Education, Medical, and Public Works), by which the reputation of the budget must stand or fall, exceed by Rs. 31,831 the Imperial Grants of 1870-71 with the Pandhari addition, where this existed,"

and that this result was attained without starving any *Local Funds Service* through this appropriation of the Pandhari Tax for Provincial Services.

(a).—"In order to make this part of the present exposition clear, it is necessary to recapitulate briefly the past history of the Pandhari as a source of Local Revenue. The tax was first placed at the disposal of the Administration in 1868-69, when the Government of India conceded one half of the total collections in consideration of the loss caused to Municipalities by the prohibition of the levy of Octroi on certain articles of consumption. In the year 1870-71, the other moiety was also surrendered. The provincial share and the Grants have been as follows:—

	1868-69.	1869-70.	1870-71.	TOTAL.	
	Rs.	Rs.	Rs.	Rs.	
Collections	A 1,29,234	A 1,19,530	B 2,65,178	5,18,942	A Half.
Grants		C 2,40,028	95,417	3,44,445	B Entire C From collections of two years

"Now, of the Grants made in the first two years, by far the greater portion was expended on works of quite a special character, undertaken in order to relieve the distress which followed the failure of the harvests. This description of outlay is, happily, no longer necessary. The remaining expenditure of the two first years, and the Grants of 1870-71, have been devoted, first, to supplement the diminished income of Municipalities, and, secondly, to other objects of a miscellaneous character. In the year now commencing (1871-72), Municipalities generally will be able to meet all ordinary expenditure, without any assistance. After the *Municipal Budget* of the year had been framed, the Government of India signified its intention to permit, under certain safeguards, the levy of Octroi on metals and woven goods. This concession may be expected, on a low calculation, to increase Municipal Revenues by 15 per cent., and will, probably, more than compensate the loss of the Pandhari Allotments of the preceding year; in fact, it is not too much to say that the reasons which led the Chief Commissioner to allot to Municipalities half of the Pandhari raised within their limits no longer exist. In other parts of India, Municipalities got on without subventions from Imperial Revenue, and the Officiating Chief Commissioner has no doubt that, the time of pressure having passed, they will be able to do so here also. It may be further noted that as the Provincial Grant to Education includes municipal schools, and as the whole of the sums which local officers asked for in their educational budget estimates from Pandhari have been conceded, Municipalities will, in fact, receive, through the general grants from Provincial Revenue, all the aid which they received directly, last year, for educational purposes from Pandhari."

(b).—"With regard to the miscellaneous objects to which Pandhari Grants have hitherto been made from time to time, no real loss will occur from cessation of this species of assignment. In very many cases, these Grants were made for objects of an exceptional character not likely to recur. In some instances it was necessary, while making the Grants, to notify to local officers that the object was not one to which Pandhari could, again, be legitimately allotted. The Pandhari was, in fact, becoming the milch cow of the Administration; it was in danger of being frittered away on objects which, useful and admirable though they might be, yet would scarcely justify the imposition of a severe and comprehensive Direct Tax for their attainment. Even if the necessities of Provincial Finance had not arisen to indicate a purpose to which the Pandhari Tax might be devoted, it would still have been expedient to limit or withdraw allotments to Municipalities, and to curb most closely the tendency to draw on so convenient a Fund for miscellaneous purposes. So far then as *local* objects are concerned, the appropriation of the Pandhari to supplement the Imperial Assignment to the Province is scarcely a matter for much regret. The really regrettable side of the measure is, that it puts it out of the power of the Administration to carry out intentions which Mr. Morris had formed, and which, but for the famine, would no doubt have been carried into effect, of devoting the bulk of the Pandhari collections to some one or two great works of Provincial importance, the results of which would not be incommensurate with the sacrifices which the Pandhari Tax imposes on the people. Foremost among such projects was that of guaranteeing the interest of a light railway to connect Raepur with Nagpur. For this particular work funds will still, the Officiating Chief Commissioner trusts, be forthcoming; but there are many other important works which, though not definitely resolved on, would no doubt have been undertaken if the Administration had an annual surplus Pandhari income to dispose of over and above its Public Works Grant."

Fresh taxation being inexpedient, the Chief Commissioner prefers to reduce the expenditure on Public Works.

(c).—"As the case stands, such projects must wait their turn for inclusion in the Department Public Works Budget; and the Officiating Chief Commissioner feels compelled, though with much reluctance, to forego, for a term, the prospect, which Mr. Morris had entertained, of supplementing the Public Works Budget of the year by an extraordinary budget fed from Pandhari. The question which Colonel Keatange had to consider was, whether the benefits to be derived from an addition to the Public Works Budget would not be dearly purchased by fresh taxation. The Agricultural Classes, no doubt, might have borne an additional Rate or Cess without serious injury; but the conditions of the settlement forbade its imposition. Unlike the North-Western Provinces, we have no Districts Permanently settled, and none the settlements of which have expired. For the Non-agricultural Classes we have, in

the Pandhari, the Provincial Tax already in existence, far more severe and searching than that (License Tax) which the Governments of the North-Western Provinces and Oudh have it in contemplation to impose" (but which, eventually, they dropped). "This was the cardinal feature in our financial position, and the Officiating Chief Commissioner would lay stress on the fact that, except as regards the land Cesses which the Government of the North-Western Provinces is able to impose, but which this Administration is precluded from levying, the proposals of the two Governments for supplementing the Imperial Assignment of the year are, broadly speaking, identical. The only difference is that, in the Central Provinces, the proceeds of an *existing* Tax (the Pandhari) are devoted to fill the void in the Provincial income; while, in the North-Western Provinces, a *new* but similar Tax (License Tax) was proposed for the purpose," but eventually was not imposed.

CHAPTER IX,  
CENTRAL PROVINCES.

(d).—“Although, as stated above, further *General Taxation* in these Provinces seems, at present undesirable, it by no means follows that no measures can be adopted for developing Provincial Revenues, and the Officiating Chief Commissioner has already taken the first steps towards introducing a system of Tolls on bridges and obligatory points on main lines of roads. In the Bombay Presidency and in the Punjab tolls have been levied without injury to trade and with good financial results, and the circumstances of these Provinces seem especially favorable for their introduction. Within the last two years, railway communication has increased to an extent which the people regard with astonishment, and which cheapens the cost of transport all over the Provinces by releasing the local carriage from the long journeys on which it was formerly engaged. During the same period, road-making has been pushed on against great natural obstacles and at very heavy expense; and there is probably no Province in India where Tolls might be more suitably imposed. Bridges, metalled roads, and light gradients are now to be found on what were formerly precipitous mountain passes. These are benefits so ‘palpable, immediate, and direct,’ that no one can fail to recognize the justice of contributing to their maintenance, and the Officiating Chief Commissioner believes that if tolls are confined to the great roads, are moderate in amount, and carefully supervised, an income of over half a lakh of rupees may be raised without producing any irritation or harassment among the people, and with a minimum of expense to Government in collection.”

Tolls on bridges and obligatory points on main lines of road will be levied, and over half a lakh may be obtained in this way. (1871)

156. These observations occurred in the Chief Commissioner's Review of the Provincial Funds Estimate for 1871-72. Later, in his Administration Report for that year, he remarked:—

Tolls have not proved successful (1872-73.)

“Tolls may certainly be defended on theoretical grounds; but, practically, the tolls in the Central Provinces, more especially on the Eastern Road, where they were chiefly levied, have not proved successful. They have brought in some money; but, as all carts paying toll had the use of the road, the damage inflicted has been very greatly in excess of the revenue derived from the tolls. The Chief Engineer reported that the laterite and moorum metal stood no chance under the narrow-wheeled traffic, and was ground to dust, and that, to substitute hard stone metal for the moorum, and keep the road in repair, would entail a cost of Rs 1,10,000, the set-off from the tolls being only Rs. 25,000. On receiving this report, the Chief Commissioner reviewed this subject as follows.—The railway which will, I hope, in a year or two more, be made towards Raepur, must, in some measure, do away with the importance of the Eastern Road. For the present, however, this road brings to market nearly all the surplus produce of the vast Chutteesgurh plain. The question raised by the Chief Engineer regarding the narrow-wheel traffic is a serious one. Before tolls were put on the road, *i. e.*, before 1871-72, broad-wheeled carts alone were allowed to use the metalled part, the narrow-wheeled carts being kept to the earthen tracks running alongside of the metal, but allowed to use the bridges. In this there was no hardship. The narrow-wheeled cart of Chutteesgurh is very destructive to soft metalling. The wheels are very ponderous, in fact, they generally consist of two pieces of heavy wood tapering to the edge, which is strongly bound with iron; and it is marvellous how destructive they become with a heavy load on them, especially when it is remembered that cart follows cart in long strings, and each wheel cuts deeper into the rut that, once marked out, is never deserted. A very considerable amount, in fact the greater part, of the traffic on the Eastern Road, is carried on by means of these carts. When tolls were imposed, this matter received due consideration. It seemed best, as an experimental measure, to allow these carts to use the metalled road, requiring them, however, to pay considerably higher tolls. It was not, at the time, certain whether the injury they might do would not be compensated for by the extra toll they would pay, and it was hoped that the extra toll would do much to do away with their use, and that at all events few of them would still frequent the road. But, according to the Chief Engineer's showing, the experiment has not been a success. The extra expenditure required to make good the damage done by these carts far out-balances the revenue paid or payable by them. They cannot, therefore, for the future, be allowed to go over the metalling, but must be kept to the side tracks, and will be allowed to use the bridges.”

157. The Administration Report added that—

“the modification of the toll system that this has necessitated has amounted almost to the practical abandonment of tolls on the Eastern Road.”

158. The substance of these remarks on Local Cesses in the Central Provinces is as follows:—

Summary

I.—There is no Cess for Village Police; the cost of this police being provided by the landholders without the provision being passed through

the Government accounts. There is a Patwari Cess, corresponding to the similar Cess in the North-Western Provinces, which is not available for the general objects of expenditure from Provincial or Local Funds; the remaining Cesses, *viz.*, for Roads, Schools, and District Post, amount to  $4\frac{1}{2}$  per cent. on the land revenue, or (in two Districts in the Chutteesgurh Division) to  $5\frac{1}{2}$  per cent. (Paras. 144 and 145).

II.—The existing Pandhari or House Tax, an old impost by the Mahrattas which the British Government continued, was maintained from 1860-61 as a complement of the Income Tax until the abolition of the latter in 1873-74. It was credited to the General Revenues until 1868, in which year half of it was transferred to Local Funds, while the remaining half was similarly transferred from 1869-70 to compensate those Funds for diminished contributions from Municipal Funds, when, through the restrictions placed by the Government of India on Octroi, municipal income was reduced nearly one-half, while obligatory expenditure for municipal police remained unaffected. In 1870-71, nearly the whole of the previous municipal income was restored by withdrawal of the principal new restrictions on Octroi. The Pandhari Tax continued, however, to be credited in full to Local Funds, but, necessarily, as an asset which need no longer be spent in the places where it was levied. (Paras. 146 to 149.)

III.—The Confidential Circular respecting the Road Cess, which was addressed from the Home Department, in February 1870, to the Governments and Administrations in Northern India, and the subsequent Circular of August 1870, communicating the outlines of the Scheme of Provincial Funds, elicited reports from the Governments in Northern India on the practicability or expediency of increasing the Cesses on land revenue. In the interval between the two Circulars, a despatch from the Secretary of State had been published, which decided that even in Permanently-settled Districts, Cesses on land revenue might be levied at any time as part of a Scheme of Local Taxation. Thereupon, the conclusion had been pressed in the Legislative Council of the Government of India, that much more, accordingly, might such Cesses be levied or increased during the currency of a Temporary Settlement. Also, Sir D. F. Macleod, as Lieutenant-Governor of the Panjab, had reported that, notwithstanding the insertion, in the settlement papers of specific rates of cesses on land revenue for Roads, Schools, District Post, &c., those rates could be increased during the currency of the settlement, in the absence of a clear and express engagement on the part of Government to refrain from enhancing the Local Cesses before the expiration of the settlement. Colonel Keatinge, the Officiating Chief Commissioner, having weighed all these considerations, reported that they were quite outside the facts in the Central Provinces, where "*we have assessed the Cesses, and have limited our right to raise them for the term of settlement, and have discontinued the obligation attaching, both by reason and custom, to the owners and occupiers of land to keep up roads of internal communication.*" (Paras. 150 to 152 *a* and *b*.)

IV.—Colonel Keatinge (writing on 29th September 1870) added, however, that the substantive Chief Commissioner Mr. Morris, for whom he was acting, thought differently, and that Colonel Keatinge also was of opinion that, putting the question of principle aside, and paying regard to the lightness of the land tax, and to the high prices and better markets which railways have secured for the Agriculturists, the Cesses might be increased "four or five years hence, when our settlements are somewhat older; \* \* for the people would then have learnt to rely on our good faith, and would be more inclined to believe that if we found ourselves

compelled to depart from settlement engagements, we were compelled to do so by overpowering necessity, and actuated solely by desire to improve their condition.”

CHAPTER IX.  
CENTRAL PROVINCES.

V.—Instead of increasing the Cesses on land revenue, Colonel Keatinge preferred to supplement the assignment from Provincial Funds by Tolls on roads, which would yield £5,000, and by transferring from Municipalities (who in other Provinces were not helped by Government Grants-in-aid) to more general objects of Local Funds' expenditure, the Grants from the Pandhari Tax which had been made to Municipalities.

VI.—The withdrawal from Municipalities of grants from the Pandhari Tax did not cripple their resources owing to the improvement of their income from Octroi; and, apart from that consideration, and from the necessities of Provincial Finance, it would have been expedient to withdraw the Grants, if only to curb and restrain the tendency to fritter away the Tax on miscellaneous objects which bring no permanent benefit to the Province.

VII.—The new Tolls on roads, which were to yield £5,000, were justified by the levy of similar Tolls in the Bombay Presidency and in the Punjab;—by the advantages to the Province from the heavy imperial expenditure on railroads “which cheapen the cost of transport all over the Provinces,”—and by the great extension, in the past two years, of road-making which had been pushed on against great natural obstacles, and at heavy expense. These were held to constitute fair grounds for local imposts or contributions towards the maintenance of roads. Tolls were accordingly imposed; but, eventually, it was found that by the necessary levy of the tolls on all kinds of carts, both the broad-wheeled, which were comparatively few, and the numerous narrow-wheeled, carts in the Eastern Districts, which are especially destructive to metalled roads, the increased expense of repairing the metalled roads exceeded the additional income from tolls, since the narrow-wheeled carts could no longer be kept from the metalled road and be restricted to the earthen track by the side of that road, as they used to be before they were required to pay tolls. The new system of Tolls has accordingly been modified; and the modification “has amounted almost to the practical abandonment of tolls on the Eastern Road.”

#### BRITISH BURMAH.

159. In October 1864, in discussing a contemplated increase of the duty on Salt in British Burma, the Chief Commissioner represented—

“the absence of any funds in the Province for the construction of roads in the Interior, away from the Imperial lines of roads, for building bridges and constructing small canals, wells, tanks, rest-houses and other works of public utility; for such objects and also for the support of vernacular schools in the Interior, when a plan of their establishment shall have been approved, I beg to recommend that the sum of 1 per cent. shall be set apart annually in each District from the Land Tax, the Capitation Tax, and the Fishery Tax. The amount so derived should be strictly applicable to the District in which the tax is paid, to be applied and distributed by a District Committee, appointed on a recommendation of the Commissioner of the Division, and with the sanction of the Chief Commissioner. The amount thus annually set apart, should be called the ‘District Education and Local Public Works Fund.’ A Fund of this nature is the more requisite, as ferries do not prosper in British Burma. The whole annual sum yielded by them only amounts to Rs 21,000. The Funds should not generally be hable to be laid out on town roads or improvements, that is, towns or large villages having more than 4,000 inhabitants within them. They should be strictly reserved for objects required in rural Districts. \* \* With the above general proposition, the local work of each District will be put upon a sound footing. The Land Tax, the Capitation and the Fishery Tax at present produce 52 lakhs of rupees a year. The amount, therefore, at present receivable will be about half a lakh. I consider an arrangement on the abovementioned general plan essentially necessary for the well-being of the Country. \* \* \* I shall look anxiously for a favorable reply to this letter, which I shall then haul as the commencement of justice being done and a new era of prosperity opened for British Burma.”

Origin of the 5 per cent cess in British Burmah on land revenue, including fisheries' tax.

CHAPTER IX.  
BRITISH BURMAH.

160. The Government of India, replying on 25th January 1865, negatived the application for setting apart one per cent. of the existing "Land Tax, Capitation Tax and Fishery Tax" for expenditure locally in each District, but added that—

"the Land Tax is comparatively light in British Burmah; and Cesses for the purposes mentioned by you should be obtained by adding a percentage to the Land Revenue on the revision of leases, or at the annual assessments, on this account, as is done in the North-Western Provinces. The following are the Cesses levied in the North-Western Provinces:—

For Roads ... ..	1 per cent.
„ Education . . . . .	1 „
„ District Dāk ... ..	$\frac{1}{2}$ „
„ Village Chowkidaree ... ..	$2\frac{1}{2}$ „
	5 per cent.

There is no difference in British Burmah between Land Revenue and Land Rent, whereas in other parts of India Land Revenue is about half the Rent, in British Burmah it is the whole Rent, the actual income from the Cess exceeds 5 6 to 6 9 per cent on the Land Revenue, excluding Capitation Tax.

161. Among the foregoing, the first three were correctly described as percentages on Land Revenue in the North-Western Provinces; but the fourth was wrongly stated so: for, at the date of the Government letter of January 1865, the Village Chowkidaree Cess was  $2\frac{1}{2}$  per cent. on the gross rental, or  $5\frac{1}{2}$  per cent. on the Land Revenue; afterwards, in 1866, it was raised to  $3\frac{1}{2}$  per cent on the gross rental, or  $7\frac{1}{2}$  per cent on the Land Revenue. The percentages on Land Revenue, of the abovementioned Cesses in the North-Western Provinces, now aggregate 10 per cent. on the Land Revenue, or 5 per cent. on the gross rental. But, in British Burma, rental and Land Revenue were held by the Chief Commissioner to be the same; for, referring to a remark by the Government of India, he observed:

"The remark implies, in the first place, that a landlord's rent generally exists in Burmah. Such is not the case. Rent is only known in some few townships. You may travel through thousands of square miles of country, and not find one single instance of a man renting land from a private proprietor, even in Districts where agriculture is most remunerative. \* \* If the British Government were to limit itself to a portion of the rent, where rent exists, it would have at once to reduce the present Land Revenue at least one-half: for, in the ninety-nine cases out of a hundred, where rent is paid to an owner, it does not exceed 10 per cent. of the gross produce payable in kind on the field, or at the neighbouring village; while the basis of the Land Revenue Settlement in British Burmah has been 20 per cent. of the gross produce payable to Government in money, at the rate of the price of grain in the circle within which the land is situated at the time of settlement.

162. The Government letter of January 1865 (Proceedings, Nos. 314 to 319, January 1865), sanctioned Cesses on the Land Revenue only; but the Cess, as imposed by the Chief Commissioner on the authority of that letter, was a 5 per cent. Cess on Land Tax, Fisheries Tax and Net Tax, appropriable for Roads, Schools, District Post and Village Watch, in the proportions stated in the preceding paragraph. In 1874-75 the proceeds of the 5 per cent. Cess amounted to Rs. 2,67,666, and of the Imperial Land Revenue, exclusive of Capitation Tax, to Rs. 47,58,199. The Cess is 5 6 per cent. on this latter sum. The Land Revenue proper amounted in 1874-75 to Rs. 38,65,051, and the Cess is 6 9 per cent. on this sum.

Tolls on ferries.

163. On 5th September 1872, the Hon'ble E. C. Bayley, in moving for leave to introduce a Bill to regulate Ferries in British Burmah, stated that—

"in consequence of the trade which had sprung up on the rivers intersecting British Burma, new marts and even towns had arisen on their banks, the question of Ferries had assumed considerable importance, and the Chief Commissioner considered it expedient that the law should be placed on a uniform and undoubtedly legal footing."

The Bill was passed as Act II of 1873.

Municipalities.

164. As stated in the Administration Report for 1873-74,—

"on the 24th March 1874 'an Act to provide for the appointment of Municipal Committees in Towns in British Burmah, and for other purposes,' received the assent of His Excellency the Viceroy and Governor General in Council. The Act places on a legal footing the formation of Municipal Committees, and defines their powers, rights, duties and liabilities. The then existing modes of Municipal Taxation were embodied in the Bill, as those which it was competent for the Committees to impose, with the sanction of the Chief Commissioner. Indeed, this Act was not required for the purpose of introducing taxation, inasmuch as municipal rates had been collected for years past, and administered by the Government through its own officers, although the accounts were kept distinct from those of Imperial Revenue."



165. The substance of these remarks on Local Cesses in British Burmah is as follows —

CHAPTER IX.  
BRITISH BURMAH.

- I.—The existing Cesses on Land Revenue, on the Fisheries Tax and on the Net Tax, *viz.*, 5 per cent. in all, for Roads, Schools, District Post and Village Police, were imposed in 1835, in assimilation with the Cesses in the North-Western Provinces. The order of Government authorised the levy of the 5 per cent Cess on the assessments of Land Revenue, but the Chief Commissioner levied it, in addition, on the Fisheries Tax and the Net Tax, which, however, are sub-heads of Land Revenue. The total proceeds of the Cess amount to 5.6 per cent. of the Imperial Land Revenue, exclusive of Capitation Tax, or to 6.9 per cent. on Land Revenue proper. In British Burmah the Land Revenue is a larger proportion of the rental than in the North-Western Provinces; or rather, rental and Land Revenue are the same thing, Government exacting landlord's rent which includes Land Revenue.
- II.—The means of levying Tolls on Ferries in British Burmah were brought under efficient regulation by Act II of 1873.

### ASSAM.

166. In the paper on Local Cesses in Bengal an account of the Fund for the Improvement of Government Estates has been omitted, because, ultimately,—until the separation of Assam from Bengal,—that Fund came to consist, chiefly, of a percentage set apart from the Land Revenue of Assam for Local Purposes. In other words, the history of Local Cesses in Assam, and the account of the Fund for the Improvement of Government Estates in Bengal are intermixed; and both may be, conveniently, given in this account of Local Cesses in Assam.

167. The lands included in the term "Government Estates" are of two distinct categories, *viz.*, 1st, territory, like Assam, in which the Land Revenue of entire Districts is settled Ryotwar for separate properties that are managed by the thousands of persons with whom the settlement is individually made; 2nd, individual properties, scattered among the Permanently-settled Districts in Bengal, which, from various causes, are managed by Government officers, temporarily for the most part. In the words of the Bengal Government's letter No. 3659, dated 28th September 1871, the lands on which 3 per cent. of the gross collections was set apart as a Fund for the Improvement of Government Estates were of two kinds, namely:—

- I.—"Government Khas Mehals, which are Estates bought in by or escheated to Government in the old Regulation Districts, or else lands brought newly under cultivation in the Sunderbuns, or on islands thrown up by rivers" (such as the Kutubdea Estate in Chittagong. Accounts Proceedings, Nos. 29 to 33, July 1872).
- II.—"Districts which are held under a short-term Ryotwaree settlement, such as Cachar or the Districts of Assam"

168. Confining the account, for the present, to the first heading, or Government Khas Mehals in the old Regulation Districts, it appears that, under sanction of the Government of India, accorded in a letter in the Home Department, No. 1142, dated 4th June 1859, the Government of Bengal, on 11th June, vested—

Accounts Proceedings, Nos 54 to 64,  
March 1870.

"all Commissioners of Revenue in the Lower Provinces with a discretion to expend not more than 3 per cent of the net collections from Government Estates on objects calculated to improve the condition of the Estates and of the ryots occupying them."

A further order in the Home Department, No. 1621, dated 30th August 1861, was held to have extended this concession to Assam. In a subsequent letter, dated 17th November 1862, to the Accountant General, Bengal, the Government of Bengal stated that the intention of the order of 11th June 1859—

A Fund for improving Government Estates, by setting apart for the purpose 3 per cent. on their collections, was formed in Bengal in June 1859, and for Assam in 1862.

"is that the money should be expended upon the roads in the District in which the Estates from which it is derived are situated, or upon such roads in the neighbourhood, if not actually within the same District, as are likely to benefit the Estates. At the close of each year the amounts so set apart should be reported with other available funds, and the Government will then make the necessary assignments as part of the General Allotment from Local Funds for Roads in Bengal, special regard being had to the requirements of the District and Estates from which the money is derived."

## CHAPTER IX.

ASSAM.  
Originally the Fund was available for expenditure outside the District in which the income accrued, but in 1869 the expenditure was localised to a greater extent.

169. Under this order of 1862, the 3 per cent. deductions from collections of Government Estates were credited to the Amalgamated District Road Fund, the assets of which Fund can be expended, at the discretion of the Local Government, outside the District in which they accrue; but this practice respecting the 3 per cent. Fund was discontinued under a Resolution of the Bengal Government in its Public Works Department, No. 1226, dated 27th February 1869, which still retained control of expenditure from the Fund in the Public Works Department,—while the Accounts continued with the Accountant General, Bengal,—but which directed that—

“the 3 per cent. Khas Mehal Fund, or Fund for the Improvement of Government Estates, should, as a rule, be spent in the Districts within which raised. It should be regarded as primarily available for expenditure on the Estates from which raised; but should the amount available not be required for the improvement of the Estates concerned, it may then be held available for expenditure upon such roads or other works in the District, or upon such roads in the neighbourhood, even if not actually within the same District, as are likely to benefit the Estates.”

In January 1871 the Government of India directed that the Fund should be gradually abolished, all assignments to it ceasing from 1874-75 inclusive

170. The Bengal Government having been asked to show cause why this Fund should not be abolished, reported on 18th June 1870:

“As regards the appropriation of a percentage on the collections raised from *Khas Mehals* (which, from one cause or another, have fallen into the hands of Government), the Governor General in Council is aware that it has been the policy, for some years past, to dispose by sale of the proprietary title in all such Estates, and it has been ascertained that the question will soon cease to be of any practical interest, as almost all such Estates will have been disposed of by sale in two or three years from the present time. Apart, therefore, from any question of what is the duty of Government in the matter, the Lieutenant-Governor would deprecate any interference with the Fund derived from *Khas Mehals*, seeing that in the ordinary course of events it is not likely to last much longer.”

171. In a Financial Resolution No. 436, dated 28th January 1871, the Government of India ruled, with respect alike to *Khas Mehals* and to territory like Assam,—

“that the principle of crediting to Local Funds any part of the Imperial Revenue now in question is unsound, and must cease, gradually. In 1871-72 the Local Fund may be allowed credit for 3 per cent. as at present, but in 1872-73 only 2 per cent. must be taken, in 1873-74 only 1 per cent.; and, thereafter, nothing.”

172. In September 1871, and again in a letter No. 2441, dated 13th June 1872, the Bengal Government asked for a re-consideration of the order of 28th January 1871, for abolishing the Fund for the Improvement of Government Estates.

“Some of the Estates in Lower Bengal, it is well known, are absolutely dependent on embankments for their safety, and even existence, and in others, works of improvement of all kinds might with advantage be undertaken. \* \* The present question may be considered with reference—

“(1) to minor works or improvements; and

“(2) to larger works such as involve considerable immediate outlay of capital.”

Under the first head the Bengal Government cited an Estate, the property of Government, in Noakholly—

“which had suffered terribly from salt-water inundation. It is now proposed to repair the embankment at once, at a cost of Rs. 3,033, and to hold the Estate under direct management. \* \* The demand for such minor works as this could ordinarily be met from the 3 per cent. Fund; but if the orders of the Government of India for its gradual abolition stand good, the only means left to the Lieutenant-Governor will be to include estimates for such works as these in the Budget Estimates of requirements for Imperial Services in these Provinces.”

Abolition of the Fund deprecated by the Bengal Government, especially for Estates in the delta of Bengal rivers which have to be protected by embankments, and which have the same claim on Imperial Land Revenue as the petty irrigation works in the Madras Presidency on which large sums are spent.

173. Under the second head, the Bengal Government cited the island of Kutubdea (in Chittagong), nearly the whole of which had reverted to Government, while—

“the island was being rapidly depopulated owing to the destruction of the embankments. It is roughly estimated that the immediate cost of putting the embankments into thorough repair will be not less than a lakh of rupees,”

whereby a revenue of Rs. 11,607 then imperilled would be secured, and would be raised to Rs. 23,646, giving (after deducting Rs. 7,500 for maintenance) a net return of about Rs. 16,000 per annum.

“Extensive works of this class could not be met out of the 3 per cent. Fund, even if its existence were continued; but it is clear to the Lieutenant-Governor that it is the plain duty of this Government to undertake, not only this work, but other such works, as is done by the Madras Government.”

And again with regard to another large Estate, Khurdah, in Orissa, which Government held as zemindar, without any middlemen between the Government and the ryots, and for which the Board of Revenue desired to set apart 5 per cent. on the Net Revenue of the Estate, or about Rs. 8,000 a year, for much needed works of irrigation, the Bengal Government reiterated that—

“the Khurdah Estate is in exactly the same position as a District of the Madras Presidency, where large sums are spent on local works of irrigation. Such an Estate as Khurdah has equal claim to the expenditure of money on improvements”

174. The Government of India, in a Financial Resolution No. 1100, dated 12th July 1872, maintained the order of 28th January 1871, and observed—

(a). “The Government of Bengal has full authority to spend upon the improvement of any Government Estate a sum up to 3 per cent of the collections therefrom, and the Government of India will not hesitate to allow, for such a purpose, a larger sum upon good cause being shewn.

1. “As regards the Khurdah Estate, His Excellency in Council will authorise any reasonable expenditure, but as Public Works expenditure, which must be subject to the usual rules and checks in regard to this form of expenditure, and to sanction in the Public Works Department, and must be provided for in the Estimates just like any other Public Works expenditure

2. “As for the Kootubdea Estate, unless there be obligations upon the Government to protect the island at all costs, its embankment at an estimated outlay of £10,000 should not be undertaken for an expected income of £1,600 (from which, no doubt, costs of collection, &c., are to be deducted) until the Government of India, in the Public Works Department, has sanctioned the project with all the care that is given to any other projected remunerative work.

(b).—“It is believed that there are not now many Government Estates like Kootubdea, requiring costly embankments, so that it is not probable that there will be scope for any very large expenditure on the improvement of such Estates. The Government of India is, however, prepared to consider in a liberal spirit, any proposals made by the Government of Bengal in regular form, for the expenditure of funds on the improvement of Government Estates, subject to the following conditions—

1st.—“That no Funds are to be accumulated.

2nd.—“That Provinces like Assam, and Districts like Palamow, are not to be dealt with as Government Estates in this matter.

3rd.—“That all expenditure on Government Estates should be regulated, restricted and audited in the same way as any other Public Works expenditure.”

175. Three months after the order of July 1872, the Bengal Government submitted fresh applications, viz. :—

I. *Letter No. 4450, dated 8th October 1872*, recommending that in Palamow, a Sub-division in the Lohardugga District of Chota Nagpore, where—

Accounts Proceedings, Nos. 16 to 28, August 1873.

“a thirty years’ settlement of the Government Estates has just been completed, 5 per cent. out of the gross rental be allowed for the material improvement of the Estates now settled. The Lieutenant-Governor would wish very much to be able to assign 4 per cent of the rental to roads or such like improvements, and 1 per cent. to the support of primary village schools.\* \* The new settlement has been made with the ryots at a gross rental of Rs. 35,868, as compared with Rs. 26,321, the rental at the preceding settlement.”

II. *Letter No. 215 T, dated 14th October 1872*, reported a new settlement of the Eastern Duars, by which—

“The net land revenue payable into the British Treasury has been raised from Rs. 16,188 to Rs. 48,903. The settlement has been made with the occupiers, but an allowance of 17½ per cent. has been made to the farmers of the Rephoo and Goma Duars, and to the Bynee zemindars. The settlement is to last for seven years. The Lieutenant-Governor would solicit that, on the grounds submitted in previous letters, a sum of 5 per cent. on the gross rental of these Duars may be assigned for local purposes, viz., 4 per cent. for roads and 1 per cent. village schools, the assignment should be made before the percentage is allowed to the farmers.

III. *Letter No. 173 T, dated 8th October 1872*, reported that—

(a).—“in the valley Districts of Assam, annual settlements are made with the ryots; and the result of these settlements has been that, during the last eight years, the Government land revenue has more than doubled \* \*

(b).—“At present, the full rents of the land in Assam are collected and paid into the Government treasury, subject only to a deduction of from 10 to 15 per cent. as remuneration to the *moyahdars* or petty sub-collectors of revenue, and subject also to the payment of a small annual wages to the village headmen (In a previous letter of 8th October 1872, the Bengal Government had also stated that in Assam, the *mouzahdars* or collectors of revenue from

The Government of India assented to these views, in a measure, for other than Assam and districts like Palamow, on the condition that the outlay on large Estates should be included in the P W allotment \* \*

The Bengal Government renewed applications for allotments from the land revenue, for the material improvement of Government Estates, of 5 per cent on the rental of the Estates, viz., 4 per cent for roads and 1 per cent for schools. The applications were on behalf of Palamow, a sub-division in the Lohardugga District of Chota Nagpore of the Eastern Duars, and of Assam

## CHAPTER IX.

## ASSAM

the ryots are allowed from 10 to 15 per cent. on the gross rental, out of which also has to come Rs. 6 a month for the wages of the village headman and 3 per cent for material improvements). It thus happens that the Revenue paid by the land and people of Assam is not only very large in comparison to what they formerly paid, but it is also very large compared to the revenue paid by similar populations in other parts of Bengal, or even in most other parts of India. Thus the five Valley Districts in Assam, containing about 1½ millions of people, pay into the Treasury, in round numbers, about 37 lakhs of rupees over and above what they pay indirectly as Salt and Customs Duties.

- (c).—“ Assam, again, is a Country where it is extremely difficult and costly to make roads, where the great rivers do not, as in Bengal, tap the open country, but flow for the most part through broad belts of jungle. Inter-communication is indeed so very difficult, that, despite the fruitfulness of the soil, the price of food in the chief Assam markets runs at from 50 to 80 per cent. above the price of food in the purely Agricultural Districts of Bengal. \*\* Since the Decentralisation Order of December 1870, Assam has enjoyed a larger share of the Bengal Public Works Department's Grant than it could fairly claim on the score of its population or its revenue.
- (d).—“ It was explained in my letter of the 28th September 1871 that the Road Cess Act could not operate in Assam, or in any District where the Government took the whole rent. It was also submitted that, in all these Ryotwara Districts and Estates of Bengal, the Government took a fairly full Revenue from the ryots, and could not, at present, add an extra Cess for Roads. As matters now stand, these Ryotwara Districts of Bengal are among the only Temporarily-settled Tracts in India where the Government does not allow some portion of the gross rental to be devoted to Roads and Local Improvements before the Government Revenue is taken from those rents.
- (e).—“ Under all these circumstances, the Lieutenant-Governor would solicit that the Temporarily-settled Ryotwara Districts of Bengal may not be treated less liberally than other parts of India, and that 5 per cent. of the gross rental, *viz.*, 4 per cent. for Roads and 1 per cent. for Primary Schools, may be assigned to local objects before the rent, less farmer's or sub-collector's percentage, is paid into the Government Treasury.”

The Bengal Government grounded its claim on the consideration that all Cesses on Land Revenue are alienations of Imperial Land Revenue, and that, accordingly, in the absence of Local Cesses, the assignment of 5 per cent. asked for, from the Imperial Land Revenue, was only what had been given in every other part of British India

176. The position taken up in paragraph 175, section III *d* above, was that Local Cesses on the land revenue are an alienation of Imperial Land Revenue for Local Purposes, and that where, as in Assam, the full land revenue was credited as Imperial, the provision corresponding to the Cesses in Northern India could be accorded to Assam only by such an allotment of Imperial Land Revenue as the 3 per cent. Assigned to the Fund for Improving Government Estates. This had been urged by the Bengal Government, at various times, in the course of the correspondence as follows :

- I. (18th June 1870).—“ It seems to the Lieutenant-Governor that it may fairly be argued that the Assignment of 3 per cent. of the Land Revenue of Khas Estates for Local Improvement is, in truth, simply analogous to the Road Cesses which are levied, and which it is proposed to levy in those Provinces or Districts where the Government is *not* zemindar. In Assam and in other Khas Estates the Government takes all it can get, and, in this view, the Government, in setting aside 3 per cent. for Local Purposes, only does exactly the same as it does when, in other Districts, out of 52 per cent of the gross assets, it gives 2 per cent. for Roads, except that the 3 per cent. in Khas Estates bears a smaller relation to the receipts of the State than the 2 per cent. does in the other case.
- (b) —“ As regards Temporarily-settled Districts where the Government is proprietor, in whatever way we view the proposition that Local Cesses must provide for works of public utility, the conclusion must be the same, that the charge eventually must fall upon the Government, if, as has hitherto been contended, such a Cess is to fall upon the land only. Either Government as landlord must pay, as landlords in Permanently-settled Estates are intended to pay, the Cess, or the Government must go beyond the terms of the settlement, and, after taking the full rent so assessed at the settlement, must demand an additional Cess for local works. If this is what the Resolution of the Financial Department (for abolishing the 3 per cent. Fund) proposes, it can scarcely be justified, if regard is had to the fact that the settlement is based upon the assets of what the settling party is fairly entitled to as a reasonable remuneration, after deducting all costs of collection, and the payment of the Government Revenue.
- (c) —“ But, even in this case there can be no doubt whatever that the knowledge of the intention to superadd a Cess would, in all new settlements, invariably lessen the amount which the Government would receive in the shape of Land Revenue. Few officers have apprehended the force of this point more clearly than the

Local Cesses on Land Revenue, though set apart for local expenditure, are really an assignment of Imperial Land Revenue—for the knowledge of the intention to superadd a Cess must in all new settlements invariably lessen the amount which the Government would receive as Land Revenue. Indeed, more than one of the Bombay Settlement Officers has recently, in the most formal way, stated that the

## CHAPTER IX.

## ASSAM.

present Officiating Secretary to the Government of India in the Financial Department; and the soundness of the view expressed by him, when Commissioner of a Division in Bengal, in paragraphs 47 and 48 of his letter No. 128, dated the 3rd June 1868, to the address of the Secretary to this Government, seems to the Lieutenant-Governor to be beyond dispute. His words are:

- (d) —“Be the *theory* what it may, I cannot believe that *practically* a landowner will consent to the same settlement, or a Government officer will succeed in imposing the same settlement, when a rate is to be paid, as he would do if there were none. Certainly in Bengal, and I presume elsewhere, there is much actual bargaining between the Settlement Officer and the landowner before the rate is fixed on the land at a settlement. The settlement rules do not, of course, provide for this, but the process, nevertheless, goes on, *pari passu*, with the procedure enjoined by the Rules, which it undoubtedly influences. I feel confident that, in Bengal, the Government will not, in new settlements, get the same revenue when a rate is imposed as it would do if there were no rate; and what does that mean but that, in fact, the Government in such cases has to pay the rate or a share of it? When a rate is superadded, as it must be superadded in the Permanently-settled Districts, there is not, of course, room for any process of the kind.”

- II (18th September 1871).—“Act XVII of 1871 (North-Western Provinces Rates Act) permits 5 per cent on the gross rent of every Estate in process of settlement (that is, 10 per cent. on the Government Revenue) to be raised for Local Purposes, and it allows the Lieutenant-Governor to take one-eleventh of the Government Revenue of Districts already settled, and to devote the amount to Local Purposes. Act XX of 1871 has sanctioned a levy of a Local Rate of 3 per cent on the annual value (of gross collections) of all lands in the Punjab; the Lieutenant-Governor of the Punjab, from his place in Council, explained that this rate could be paid, because the present Land Revenue of the Punjab was light. It may, perhaps, be not unfair to presume that the Local Rate will operate to keep down or to reduce the new assessments of Land Revenue which are about to be effected in the Punjab. The Madras Local Funds Act permits one anna on every rupee of Land Revenue to be collected from the ryot for Local Purposes; at the present time, a similar proportion of the Land Revenue is realised from the Bombay ryots. It must, certainly, be expected that the existence of the Local Rate will operate to reduce the enhancement of Land Revenue which the State might have obtained at impending re-settlements. Indeed, more than one of the Bombay Settlement Officers have, recently, in the most formal way stated that the 6½ per cent. Local Rate must be considered as so much extra Land Revenue before the new assessments of the Bombay Ryotwara Districts can be weighed in the balance and found wanting.”

- (b) —“The state of things in Bengal under the new Cess is that no Cess is paid on sums credited as Government Revenue. Consequently, in case, as in Assam and in most Khas Mehals, Rent and Revenue are identical, such Provinces and Estates will contribute nothing to the Road Fund, and it is in such cases that, in the Lieutenant-Governor's opinion, the 3 per cent. may be fairly granted. In making these settlements it has always been understood that the Fund for Improvement would come out of the gross rent; and neither in Assam, where so large an increase of assessment has recently been effected, nor in any Khas Mehal settled for a term of years, does the Lieutenant-Governor think that a demand for Local Improvement can be added to the State Rent. He, therefore, wishes to deduct a sum for that purpose according to previous practice, just as the Lieutenant-Governor of the North-Western Provinces has been permitted to deduct a proportion from the Revenue of Estates previously settled” (here Sir G. Campbell was in error), “although in the North-Western Provinces no such practice previously existed. If this were not allowed, it would be useless to introduce the Cess Act into, say, Assam, because we should get nothing from it, and there would be absolutely no Fund for Local Improvement in the Districts in which it is most needed.”

- III. (8th October 1872).—“As matters now stand, these Ryotwara Districts of Bengal are among the only Temporarily-settled Tracts in India where the Government does not allow some portion of the gross rental to be devoted to Roads and Local Improvements before the Government Revenue is taken from those Rents. Under all these circumstances, the Lieutenant-Governor would solicit that the Temporarily-settled Ryotwara Districts of Bengal may not be treated less liberally than other parts of India, and that 5 per cent of the gross rental in Districts like Assam and Cachar may be assigned to Local Objects (*viz.*, 4 per cent. to Roads, 1 per cent. to Primary Schools), before the Rent, less farmer's or sub-collector's percentage, is paid into the Government Treasury. If this were done, the Lieutenant-Governor would be prepared to meet from the 4 per cent. Fund such annually recurring charges for petty embankments and for *maintaining* protective works as have heretofore been effected out of the 3 per cent. Improvement Fund. Large new works would be specially budgeted

6½ per cent Local Rate must be considered as so much extra Land Revenue before the new assessments of the Bombay Ryotwara Districts can be condemned as unduly low assessments.

## CHAPTER IX.

## ASSAM

for under the orders conveyed in the Financial Department's Resolution No. 1100, dated 12th July 1872" (which explicitly stated that Assam was not to be dealt with under the orders therein passed respecting Government Estates). "Since the abolition of the 3 per cent Improvement Fund has been threatened, the Lieutenant-Governor has already received references from Assam enquiring how petty embankment charges of this kind are to be met, and, under the orders above noted, the only way of providing money for such petty works will be to place them in the regular Imperial Budget for Agricultural and Other Works."

IV. (11th February 1873).—"It was submitted that on all Government Estates the State gets a full and an increasing Revenue out of the land, that in the Ryotwara Districts of Assam, especially, the whole rent goes to Government. It was explained also that the District Road Cess is only assessable on Rent *minus* Revenue, and that there can be no landlord's Road Cess in Districts like those of Assam or in Khas Mehals."

177. It appears from the preceding and from other papers in this Memorandum that the following Authorities or Officers have held that Local Cesses on Land Revenue in Temporarily-settled Districts are really an alienation of Imperial Land Revenue for Local Purposes, inasmuch as, if the Cesses be imposed outside the Government demand, during the currency of a settlement, they practically cause an abatement (up to their full amount) of what would else be the new demand of Imperial Land Revenue at the next revision of settlement, *viz.* :—

Sir W. Grey (para. 175, Section I).

Sir G. Campbell (para. 175—II).

Bombay Settlement Officers; more than one such officer (para. 175—II; see also para. 44 of this paper).

Sir W. Muir (para. 100 of this paper).

The Hon'ble J. D. Inglis (para. 100 of this paper).

The Lieutenant-Governor of the Punjab (Sir H. Davies, para. 176—II). See also para. 181 of this paper.

The Government of India ruled that works of irrigation, drainage, or embankments required for maintaining or improving the public Revenue should be provided for from the Public Works allotment, and that for other works an assignment had been already made to Provincial Funds

178. The order passed by the Government of India on the preceding Accounts Proceedings, Nos 16 to 28, August 1873. Resolution No 652, dated 27th May 1873. Respecting Government Estates the Resolution stated that—

"For the future it appears better that the authority to expend on the Improvement of each Government Estate a sum up to 3 per cent. of the collections therefrom should be withdrawn In other Provinces (as Bombay and Madras) in which the Land Revenue is collected directly from the cultivators, the cost of works of irrigation, drainage, or embankments required for the increase or maintenance of the public revenues, is defrayed from the Imperial Revenues, being provided for in the Imperial Grant for Public Works. In future, like works in Bengal, in Government Estates, or in parts of which the Land Revenue is collected directly from cultivators on Government account, should be provided for in like manner, at the charge of the Imperial Revenues. If the works are large, the projects should be separately entered in the Estimates, if small, they should be carried out from the assignment for 'Minor Works.'

"For works that are not directly reproductive of Imperial Revenue, a proper assignment has already been made as part of the Provincial Allotment. If the Lieutenant-Governor of Bengal considers that the Temporarily-settled parts of the territories which he administers have a claim to a larger share of this Allotment than the Permanently-settled Districts, he is competent to distribute the Provincial Resources accordingly."

Unless Land Revenue is a rack rent the Government of India cannot admit that Cesses on Land Revenue become eventually an abatement of Imperial Land Revenue Government Estates in Bengal may be assessed to the Road Cess Act, when it is put in force in the particular Districts concerned.

179. Respecting the proposal to allot to Local Funds a percentage on the Revenue collected from Government Estates and in Ryotwara Districts, the Resolution, which followed a Note by the Hon'ble Mr. Ellis, stated (adversely to the conclusion set forth in paragraph 177) that—

"His Excellency in Council thinks it right to say that he cannot accept the view that Cesses levied upon the Land Revenue in India are deductions from the Government Revenue. The Land Revenue of India ought not to be, and, in fact, is not, anywhere, assessed as a rack-rent and a Cess levied for a Local Purpose has only this connection with the Land Revenue, that the Land Revenue is taken as the standard for assessing the rate. This is clearly brought out in the Despatch from the Secretary of State upon the Bengal Road Cess, in which it is affirmed that the Local Rates are over and above, and not part of, the Land Revenue

(b)—"If, therefore, Cesses are to be levied in Bengal on Government Estates, and in Districts in which the Land Revenue is collected directly from the cultivators, in the manner in which they have been levied in other parts of India analogously circumstanced, it would suffice to empower the Lieutenant-Governor to impose them in addition to the Land Revenue."

(c)—“But it may be admitted that Cesses could not, perhaps, be so levied in the Government Estates scattered through the Permanently-settled Districts in Bengal. To such estates the District Road Cess Act will either immediately or presently be applied. The Governor General in Council has often cordially approved the principle, that when the Government is Proprietor of an Estate, it should contribute for Local Objects as any of the neighbouring proprietors do, or ought to do; and therefore, while the proper legal quota will be levied under the District Road Cess Act from the ryots in Government Estates, the Governor General in Council is willing to allow an assignment for like purposes, from the proceeds of the Estate, to the extent of 3 per cent. on the gross amount of Government Revenue collected by the proposed stipendiary officers. This assignment may be devoted by the Government of Bengal, in definitive proportions, to Local Roads, Water-supply, and other Local Improvements, and also to Primary Education.”

180. Respecting Assam and the Bhutan Duars, the Resolution continued:

(a).—“In the Districts of Assam and the Bhutan Duars it ought, in the opinion of the Governor General in Council, to be possible to impose a Local Rate in addition to the Government Revenue. But these Districts are precisely those in which a further expenditure of money is urgently needed, while the assessments have lately been considerably raised. In Assam the Lieutenant-Governor states that the assessment is so high, that the ryots cannot bear further burdens. The Governor General in Council can hardly suppose that the assessment is a rack-rent; and the Province cannot properly be otherwise exempted from Additional Taxation for Local Purposes. Still, looking to the recent great increase of the assessment in these Districts, and to the admitted necessity for the expenditure of money for their improvement, the Governor General in Council is pleased to allow the assignment of a sum equal to one anna in the rupee (or  $\frac{1}{16}$ th) of the net Land Revenue in each District in Assam and the Duars to form a District Local Fund. The assignment cannot fairly be claimed in respect to Revenue which does not reach the Government Treasury.

(b).—“Each District Local Fund thus formed is to be spent strictly within the District; but the Lieutenant-Governor may divide the money at his discretion between Primary Education and Material Improvements.

(c).—“The circumstances of Palamow are different; the settlement there is to last for thirty years, and is very favorable to the people. It is presumed that, hereafter, the District Road Cess Act will be introduced into Palamow, and contributions levied from the cultivators, holders of land, or receivers of rent. It, therefore, appears to the Governor General in Council unnecessary to sanction, in Palamow, an assignment of more than 3 per cent. upon the net collections of Land Revenue.

(d).—“The assignments now sanctioned may take effect from the beginning of the year 1874-75, when the appropriations to the Fund for the Improvement of Government Estates will have quite ceased; and they are to continue till re-settlement only. Whenever the Revenues, whether of Estates, or of a District, affected by these orders, is re-settled, a Rate of one anna in the rupee for Local Purposes may be separately imposed, as in other parts of India, and the assignment will then cease.

(e).—“The Lieutenant-Governor will, doubtless, bear in mind that the Districts in which these assignments are now sanctioned, and in which Local Rates are thus, hereafter, to be raised, will have a claim to receive from the General Provincial Resources not only the same assistance as heretofore, but rather, by reason of their contributions from Local Sources, some additional assistance to meet local requirements.

(f).—“An effort should be made to recover a contribution equal to the assignments now granted from any owner of revenue-free lands in Assam, or the other Districts affected by this Resolution. But, perhaps, without legislation this may be difficult.

(g).—“It is to be clearly understood that the Assignments now sanctioned are to be calculated on the net Land Revenue paid into the public treasuries, and not upon Forest or any other Revenues, and that they are to be shown in the Public Accounts as gross expenditure, and not deducted from the gross Revenues.”

Afterwards it was agreed that the Assignment should be credited direct to a Local Fund, instead of first as Land Revenue, and then by refund to Local Funds; and it was ordered that the Assignment is to be calculated on the gross Land Revenue after deducting assignments of Revenue (that is, the annual value of revenue-free lands) and payments to Headmen, if any, but without deducting the cost of the General Revenue Establishments.—(Accts.  $\frac{20}{1875}$  (Ab.) May 1875.)

181. The foregoing concession in respect of Assam was allowed also, from 1874-75 inclusive, for Cachar, until its re-settlement in 1879,—

“when an extra cess equal to the above rate of one-seventeenth of the gross land revenue” (confirming para. 177) “can be separately imposed for local purposes, as in other parts of India, the present arrangement being then discontinued.”—(Accts (Ab.) No. 10, January 1875.)

182. By an order of the Chief Commissioner, dated 24th September 1874—

“(a).—The annual income of the Fund formed by the Assignment made by His Excellency the Viceroy in Council from the Land Revenue of the District is thus distributed in each District, viz. :—

I.—One-fourth is allotted to a Fund to be called the District Reserve Fund, to be at the disposal of the Chief Commissioner for Local District works.

## CHAPTER IX.

## ASSAM

Looking to the recent great increase of the assessment of the Districts of Assam, the Government of India will allow  $\frac{6\frac{1}{2}}$  per cent. on Land Revenue to the Local Funds of Assam, and 3 per cent. in Palamow, the assignment to cease on a re-settlement of Assam and Palamow, when a Local Cess of  $\frac{6\frac{1}{2}}$  per cent. can be levied instead.

Of the  $\frac{6\frac{1}{2}}$  per cent on Land Revenue, the Chief Commissioner has allotted three-eighths for district roads, one fourth for a District Reserve Fund for local district works, one-fourth for primary schools, and one-eighth for miscellaneous improvements.

## CHAPTER IX.

## ASSAM.

II.—Three-eighths are allotted to the 'District Roads Fund' for the maintenance of the roads, rest-houses, &c., in the charge of the District Roads Committee.

III.—One-fourth is allotted to a Fund to be called the 'Primary Schools Fund,' to be devoted to the purpose of Primary Schools.

IV.—One-eighth is allotted to a Fund to be called the 'Miscellaneous Improvements Fund' to be expended in the construction of works other than roads, such as Rest-houses, Wells, Tanks, &c.

"(b).—The Chief Commissioner will, from time to time, pass special orders regarding the works which are to be carried out in each District from the 'Reserve Fund.' He will also direct, as 'occasion may require, by what agency such works shall be carried out.' The other three Funds are at the disposal of the respective District Committees, or (the Miscellaneous Improvement Fund) of the Deputy Commissioner of the District.

"All the four Funds will be kept distinct in each District, and will not, in any case, be available for expenditure in any other District than that to which they belong. So much of the funds allotted to the three Funds under District Committees or the Deputy Commissioner as remains unspent at the end of each year will be equally divided between those Funds respectively and the District Reserve Fund. One-half will be allotted to the District Reserve Fund; the other half will remain at the credit of the Fund to which it belongs.

"(c).—Any income that may hereafter be derived from a Local Cess imposed upon Free-hold or Permanently-settled Estates, the land revenue of which is not included in the land revenue out of which His Excellency the Viceroy in Council has been pleased to allot a percentage for local improvements, will be devoted to the Funds named in paragraph 3 (section a above) in the proportions therein specified.

"(d).—The Assistant Controller of Public Works Accounts will be directed to open Accounts for each District, showing the income and expenditure of the 'Reserve Fund,' the 'District Roads Fund,' and the 'Miscellaneous Improvement Fund' respectively. He will credit the Funds with the sums allotted to them, from time to time, by Notification in the *Assam Gazette*, and will debit them with the expenditure shown in the Accounts, to be submitted to him by the officer in whose charge the District Reserve Fund may be placed, the District Road Committees, and the Deputy Commissioner respectively. The Accounts will be submitted in the forms in which other Accounts have hitherto been submitted to the Controller of Public Works Accounts, Bengal.

"(e).—The Accounts of the income and expenditure of the Primary Schools Fund will be kept by the Deputy Accountant General in the same manner as the Accounts of other Local Funds are kept."

183. It is seen from paragraph 178 that the Assignment for Local Purposes of one-seventeenth out of the existing Imperial Land Revenue in Assam will cease whenever a local rate is levied outside the amount of the existing Imperial Land Revenue demand; that the levy of such Local Rate has been deferred because the assessments, to use the words of the Resolution of 27th May 1873, "have lately been considerably raised;" and that, until the introduction of a Local Rate on Revenue-paying lands, the Revenue-free lands will also be exempt from a Local Rate. The land revenue demand in the Temporarily-settled Valley Districts of Assam Proper, that is, excluding Cachar, Goalpara and the Eastern Duars, and excluding the Naga, Khasi and Jaintia Hills, has been as follows:

The bulk of the increase of land revenue in Assam having been obtained in 1867-68-69 (in great part from taxing concealed cultivation, apparently), and the rates of assessment being light, it would seem that the time has come for levying a local cess in Assam, and discontinuing the assignment from imperial funds of 6½ per cent. on the land revenue.

	£		£		£
1856-57 ...	78,143	1868-69 ...	207,754	1873-74 ...	221,650
1863-64 ...	97,918	1869-70 ...	208,421	1874-75 ...	
1864-65 ...	99,344	1870-71 ...	208,986	1875-76 ...	
1865-66* ...	123,820	1871-72 ...	217,225		
1867-68 ...	128,851	1872-73 ...	216,518		

184. The bulk of the increase of the land revenue occurred from "the introduction of the new rates of assessment sanctioned by the Government in November 1867," when the old rates were increased, for rice land, from 5 annas and 6 annas to 10 annas per beegah, for other land, to 8 annas a beegah, and, for homestead lands, to Re. 1 a beegah. Considering the fertility of the soil, and the high price of food grains in Assam, these rates do not seem to represent a rack-rent; and the Administration Report for 1872-73 testifies that "the extreme punctuality with which the revenue has been realised in Assam under a ryotwar system is very remarkable." These rates, so easily paid, and the supposed newness of which has (to the sacrifice of ¼th of the Imperial Land



Revenue) deterred Government from imposing a Local Rate, have been in force for eight years.

CHAPTER IX.

ASSAM.

185. Perhaps, too, from the large increase of land revenue in 1868 being ascribed wholly to the new rate of assessment, an exaggerated idea may have been formed of the heaviness of the rate; for the Reports do not show how much was due to revision of rate and how much to the discovery of concealed cultivation. A re-survey of Assam was ordered on a report, dated 6th September 1862, from the Commissioner, who, after communication with the District Officers and a cursory inspection of such records as existed in the various offices, was of "opinion that a re-survey of the greater portion of the Province of Assam is highly desirable, not only for immediate revenue requirements, but to form a basis for a future and more lengthened, if not permanent, settlement of the revenue. \* \* \* The immense quantity of lakhiraj or semi-lakhiraj land in the Province, and the fraudulent inclusion of assessable lands in the areas of rent-free estates, formed additional reasons for the re-survey, together with the consideration that the measurement returns of cultivation now made, and which form the basis of the periodical settlements, have been described to me (Commissioner) as made by a most ignorant and incompetent class, whose low rate of remuneration would, if no other cause existed, ensure their being corrupt."

186. In accordance with the decision for a re-survey, two Revenue Survey parties were transferred to Assam in 1865-66 and 1866-67, and the increase of land revenue occurred in 1868-69. The fact of concealed cultivation seems to be established in the foregoing quotation: if that cultivation was brought under land tax in 1868-69 by the Revenue Survey, or from fear of the advent of the survey to the tracts of concealed cultivation, the increase of land revenue was not wholly due to revision of rate;—if, on the other hand, the concealed cultivation has not yet been brought under tax, then the nominal rate per beegah, on the assessed portion of an Estate which, also, contains concealed cultivation, is much greater than the actual rate at which the land revenue falls upon the whole estate, both taxed and untaxed. On the first supposition, there must be room for a large increase of Imperial Land Revenue; and on the second supposition, there would seem to be room for a Local Rate, whereby the Imperial Land Revenue would benefit to the extent of one-seventeenth of its present amount, while the Local Funds of Assam would also benefit by the imposition of the Local Rate on the extensive lakhiraj lands, and on lands held in fee-simple, &c.

187. In the Bengal Administration Report for 1872-73 it was stated that—

"in the ryotwar District of Assam, apart from other considerations, the application of the Road Cess (*s. e.*, the extension of the Road Cess Act to Assam) depends much on the way in which the ryotwar rents are to be treated as regards the levy of Cesses; and in Sylhet and Chittagong the estates are so small, as to be almost of the nature of ryotwar holdings. The question of introducing the Act into the extreme Eastern Districts has been deferred."

Apparently, the Bengal Government had not, in this passage, any misgivings that the existing rates of assessment form a rack-rent which precludes the levy of a local rate.

188. The substance of this account of the Local Cesses in Assam, and of the Fund for the Improvement of Government Estates in Bengal, is as follows:

Summary.

1. Until the Bengal Road Cess Act, which received the Governor General's assent in August 1871, there was no Cess on the net profits of land; but, under an order passed in 1859, respecting Government Khas Mehals, which comprise estates bought in by or escheated to Government, and lands brought newly under cultivation in the Sunderbuns, or on islands thrown up by the rivers, Commissioners of Revenue were allowed to spend 3 per cent. of the net collections from such Estates on objects calculated to improve the condition of the Estates and of the ryots occupying them.—(*Paras. 166 to 168.*)

2. After a time, however, or from 1862, the 3 per cent. deduction from collections was credited to the Amalgamated District Road Fund, the assets of

\* £17,500 of this increase was nominal, from the revenue having been shown gross for the first time from 1865-66, whereas formerly it was credited net, after deducting commission paid to headmen for collecting the revenue.

CHAPTER IX.  
—  
ASSAM.  
Summary.

which Fund were available, at the discretion of the Lieutenant-Governor, for expenditure outside the Estate, or even the District in which they accrue. In February 1869, however, the Lieutenant-Governor directed that the 3 per cent. deductions should be spent—

“on the Estates from which raised; but, should the amount available not be required for the improvement of the Estates concerned, it may then be held available for expenditure upon such roads or other works in the District, or upon such roads in the neighbourhood, even if not actually within the same District, as are likely to benefit the estates”—(Paras. 169 and 170)

3. In March 1870 the Government of India took exception to this practice;—in January 1871 decided that the Fund must cease gradually by reducing the deduction to 2 per cent. in 1872-73, 1 per cent. in 1873-74, and thereafter nothing;—and in May 1873, after repeated applications from the Bengal Government for a reversal of the order, ruled finally—

“that the authority to expend, on the improvement of each Government Estate, a sum up to 3 per cent. of the collections therefrom should be withdrawn.”—(Paras. 171 and 173.)

4. In the correspondence which passed in the interval between March 1870 and May 1873, the Government of India discountenanced the expenditure of the 3 per cent. Fund outside the Estate on which raised, and without proper financial checks.—(Para. 174.)

5. From the necessity, however, of outlay on Government estates, for embankments, and (in one or two estates) for works of irrigation,—and having regard to the Public Works expenditure in the Madras Presidency for tanks and small irrigation works in ryotwar Districts,—the Government of India ruled in July 1872, and again in May 1873, in the final order for abolishing the 3 per cent. Fund, that—

(a) “in other Provinces (as Bombay and Madras) in which the land revenue is collected directly from the cultivators, the cost of works of irrigation, drainage, or embankments, required for the increase or the maintenance of the public revenues, is defrayed from the Imperial Revenues, being provided for in the Imperial Grant for Public Works. In future, like works in Bengal, in Government Estates, or in parts of which the land revenue is collected directly from cultivators on Government account, should be provided for in like manner at the charge of the Imperial revenue. If the works are large, the projects should be separately entered in the estimates; if small, they should be carried out from the assignment for ‘Minor Works.’

(b) “For works that are not directly reproductive of Imperial Revenue, a proper assignment has already been made as part of the Provincial Allotment.”

—(Paras. 172 to 174 and 173.)

6. The practical effect of the foregoing order is that by the abolition of the 3 per cent. Fund for Improvement of the Khas Mehals described in Section 1 so much of it as used to be spent outside the Estates, or for roads passing through the Estates, is saved to Imperial Revenue.

7. When, however, the ryots on any such Estates are assessed under the District Road Cess Act, the Government will allow an assessment for like purposes, from the proceeds of the Estate, to the extent of 3 per cent. on the gross amount of revenue collected by stipendary officers for the Government. The assignment may be devoted in definitive proportions to Local Roads, Water-supply, and other Local Improvements, and also to Primary Education.—(Para. 79.)

8. The order of 1859, allowing a 3 per cent. Fund, though not so intended by the Government of India, was afterwards applied by the Government of Bengal to Assam, the Bhutan Duars and Palamow.

As the abolition of the Fund would leave these tracts of country without money for local improvements, the Government of Bengal deprecated the order for abolition, urging that the 3 per cent. Fund was of the same character as the Cesses on Land Revenue in Northern India, the difference being merely that in Northern India, out of the whole Government demand, the portion forming the Cesses was set apart in the settlement papers as Local Cesses, whilst in Assam and the other tracts of Country the whole Government demand, at full rates of assessment, and including the 3 per cent. for material improvements, was levied as Imperial Land Revenue, out of which the 3 per cent. had been allotted under the orders of 1859. Of late the Cesses in other parts of India had been increased, and in late revisions of assessment in Assam, the Bhutan Duars and Palamow the total Government demand had been largely increased,

so that an allotment of 5 per cent in assimilation with the North-Western Provinces, instead of 3 per cent, could be afforded, *viz.*, 4 per cent. for Roads and 1 per cent. for Primary Schools.—(*Paras.* 175 and 176)

9. The Government of India refused the application for Palamow, because the Road Cess Act can, at any time, be extended to that District, but, nevertheless, gave an assignment of 3 per cent. on the net collections of land revenue; for Assam and the (Eastern) Bhutan Duars the application was held to be theoretically not allowable; but, instead of the 5 per cent. asked for, the Government of India gave, until the next settlement of those tracts,  $\frac{1}{17}$ th of the Imperial Land Revenue, which is equal to  $6\frac{1}{4}$  per cent. on the land revenue after deduction of the one-seventeenth.

12. Of the one-seventeenth of Imperial Land Revenue which has been granted to Local Funds, the Chief Commissioner of Assam has set apart two-eighths for a district reserve fund for expenditure "on local district works," apparently new roads; and other three-eighths for the maintenance of roads, rest-houses, &c. Of the remainder, one-eighth is allotted for the construction of works other than Roads, and two-eighths for Primary Schools.—(*Para.* 182, *a to c.*)

BRITISH INDIA.

The growth of Cesses on land revenue in British India may now be reviewed. In all parts of India, the Village Police are maintained by grants of land, or from rates on land;—but, only in the North-Western Provinces and in British Burmah are the Rates, and the corresponding charges, passed through the Accounts of Local Funds as Cesses on land revenue and as charges of Rural Police. Again, in Upper India and in British Burmah, there is a Cess on land revenue for the District Post; but, in the Madras and Bombay Presidencies there is no such Cess, and the expense of the District Post is provided for outside Local Funds. With these exceptions, *viz.*, of Rural Police items in the North-Western Provinces and British Burmah, and of District Dak Cess, the Cesses on land revenue in the three Presidencies are devoted to Schools and Roads, and, of late years, outside British Burmah and the Central Provinces, to Hospitals, Dispensaries and Sanitary improvements. In the Permanently-settled Districts of the North-Western Provinces, an Acreage Cess and a Tax on Commuted Jaghirs (*i. e.*, on hitherto revenue-free police lands, the owners of which have now been released from police duties) are a complement of the Cesses on land revenue in the Temporarily-settled Districts. In Bengal the Cess is for roads;—a similar cess for education, though originally contemplated, having been deferred. The Receipts from Cesses on land revenue, including Acreage Cess and Commuted Jaghirs in the North-Western Provinces, are as follows:

BRITISH INDIA.

	1863-64.	1864-65	1865-66	1867-68	1868-69	1869-70	1870-71	1871-72	1872-73	1873-74.	1874-75	1875-76
	£	£	£	£	£	£	£	£	£	£	£	£
Madras	27,407	36,472	18,350	127,542	211,306	231,040	212,819	234,667	377,081	368,267	371,311	380,325
Bombay			126,998	166,678	102,912	263,076	264,641	243,721	290,100	239,001	215,370	214,511
Bengal									2,109	36,243	78,388	130,534
Punjab			55,059	45,412	72,071	66,902	68,330	182,646	102,293	191,804	184,210	193,574
Odish	6,329	4,959	29,028	25,551	31,948	43,278	46,176	60,289	76,889	77,143	74,306	74,407
Central Provinces		37,625	37,330	39,999	33,302	38,539	41,733	32,319	51,396	23,139	32,668	20,756
Assam	2,112	2,600	3,668	1,744	4,023	7,976	6,608	4,638	711	1,916	16,267	15,300*
<b>TOTAL</b>			<b>269,353</b>	<b>407,956</b>	<b>545,310</b>	<b>620,511</b>	<b>630,199</b>	<b>766,075</b>	<b>970,769</b>	<b>944,359</b>	<b>963,017</b>	<b>1,019,509</b>
British Burmah			10,988	15,452	16,183	17,468	19,767	19,317	21,978	24,190	22,483	25,737
N. W. Provinces	196,704	143,306	191,446	185,321	189,439	230,331	267,246	278,513	416,332	430,136	434,798	388,223
<b>TOTAL</b>			<b>202,334</b>	<b>199,843</b>	<b>204,602</b>	<b>247,807</b>	<b>316,001</b>	<b>396,630</b>	<b>438,310</b>	<b>454,316</b>	<b>457,289</b>	<b>416,960</b>
<b>GRAND TOTAL</b>			<b>471,687</b>	<b>606,799</b>	<b>749,912</b>	<b>868,308</b>	<b>946,200</b>	<b>1,162,705</b>	<b>1,409,079</b>	<b>1,398,674</b>	<b>1,420,306</b>	<b>1,436,469</b>
<i>Charges for Rural Police.</i>												
British Burmah				235	31,539	15,611	10,566	9,337	13,029	15,909	13,497	15,339
N. W. Provinces	74,362	65,881	78,680	91,860	86,418	100,190	128,712	174,905	169,614	216,463	213,938	237,534
<b>TOTAL</b>			<b>78,680</b>	<b>92,095</b>	<b>102,029</b>	<b>115,801</b>	<b>139,278</b>	<b>184,242</b>	<b>182,643</b>	<b>232,371</b>	<b>227,435</b>	<b>252,873</b>
Cesses, free of charge for Rural Police			395,107	515,293	633,907	751,407	806,222	977,303	1,197,336	1,168,303	1,207,991	1,183,096
Cesses, free of that charge in N. W. Provinces			112,606	99,141	94,023	128,041	168,533	201,548	216,818	213,673	215,968	150,691
Cesses, free of that charge in British Burmah			10,888	15,227		1,855	8,191	9,890	9,949	10,273	9,008	12,828

\* Estimate.

2. There has been a gross increase, since 1865-66, of one million sterling in the Cesses on land revenue and land :—but, deducting charges for rural police, the increase is nearly £800,000 since 1865-66, £667,803 since 1867-68, and £376,174 since 1870-71, the last-mentioned sum being more than the amount (£331,038) which was deducted from the gross Allotment for Provincial Services. The years 1867-68 and 1868-69 were those of heavy Deficits, which have been extinguished in great measure by the reductions, below the scale in those years, of the expenditure from General Revenue. Hence the increase of income under Local Funds, in 1875-76, by £667,803 since 1867-68, is a satisfactory feature of the foregoing Statement. The several Provinces have benefited, as to amount of excess in 1875-76 over 1867-68, in the following order :—

- I.—Madras Presidency :—increase £232,783, but, per Accounts of 1874-75, the increase is £243,769; in Cesses which are not liable for expenses of the District Post.
- II.—Bengal :—increase £130,634; but, in the beginning of the Cess year 1875-76, the introduction of the Road Cess was stayed in numerous Districts on account of the famine :—the estimate for 1876-77 (with the Cess still remaining to be extended to several Districts) gives £259,600 for Cess, and £27,700 for other items of the Road Cess Fund :—total £287,300.
- III.—Bombay Presidency :—increase £45,635; in Cesses which are not liable for expenses of the District Post; but to this should be added £14,828 of compensation allowed by the Government of India, in the Provincial Assignment, for discontinuance of the anna cess on abkaree contracts, making the total increase £60,463. In this Presidency the cess on land revenue was introduced before 1867-68, and was developed by that year, on a scale (6½ per cent. on the land revenue) which was not attempted in any other part of India until 1871. Hence the small increase over 1867-68 compared with that in other Provinces.
- IV.—Punjab :—increase £148,162.
- V.—North-Western Provinces :—increase £58,550.
- VI.—Oudh :—increase £49,056 .
- VII.—Assam :—increase since 1868-69, £12,277.
- VIII.—British Burmah :—increase since 1870-71, £9,980.
- IX.—Central Provinces :—apparent decrease since 1867-68, £9,242; but this must be owing to special adjustments, or to incorrect classification in 1867-68; for the land revenue of the Province has increased since that year, and the rates of Cess are slightly higher than in that year, in Districts in which settlements were revised after 1867-68. Furthermore, the rates of Cess are less in the Central Provinces than in Oudh, the North-Western Provinces, and the Punjab. It should also be noted that the Pandhari tax, an Imperial Asset, was made over to Local Funds of the Central Provinces in 1868 and 1869; and that, in the three years 1869-70 to 1871-72, it yielded about £25,000 a year, from which amount the receipts fell, in 1872-73, to £21,000, and, in following years, to £14,000.
- X.—Total excess in 1875-76 over 1867-68, £667,803; but adding, as above, £13,000 for the Bombay Presidency, and £128,966 for Bengal (£259,600 less £130,634), total £146,966, the aggregate of increase since 1867-68 becomes £809,769.

3. Viewing the income from Cesses on land revenue relatively to the amount of land revenue, the figures may be presented as follows, including, however,

in the North-Western Provinces, the receipts from the Acreage Cess and from Commuted Jagirs in the Permanently-settled Districts in those provinces, *viz.*—

	1870-71.	1871-72	1872-73.	1873-74.	1874-75.	1875-76.
LAND REVENUE.						
	£	£	£	£	£	£
Oudh .. .. .	1,324,604	1,318,274	1,421,974	1,380,778	1,355,025	1,407,421
Central Provinces .. .. .	604,853	293,891	596,386	608,728	584,919	667,885
British Burmah .. .. .	597,620	646,416	656,073	752,334	728,426	823,655
Assam .. .. .	1,900,569	309,667	324,824	323,162	333,503	337,358
Punjab .. .. .	1,989,292	1,967,707	2,005,666	1,989,963	2,004,595	2,001,526
	4,796,938	4,835,955	5,004,923	5,004,965	5,006,468	5,177,855
North-Western Provinces .. .. .	4,135,518	4,129,444	4,159,223	4,209,704	4,259,179	4,245,745
Bombay Presidency .. .. .	3,595,895	3,402,790	3,751,060	3,683,461	3,688,078	3,690,354
Madras Presidency .. .. .	4,397,803	4,440,313	4,693,469	4,451,489	4,635,487	4,545,023
Bengal .. .. .	3,672,598	3,645,055	3,673,197	3,623,638	3,645,725	3,776,129
	20,598,752	20,453,557	21,281,367	20,973,257	21,234,935	21,435,096
CESSES ON LAND REVENUE.						
Oudh .. .. .	46,176	69,299	76,889	77,142	74,305	74,607
Central Provinces .. .. .	41,733	32,319	31,696	28,186	32,666	29,756
British Burmah .. .. .	8,191	9,980	9,949	10,272	9,006	28,737
Assam .. .. .	6,506	4,533	711	1,916	15,267	16,300
Punjab .. .. .	68,330	182,646	192,233	191,604	194,210	193,574
	160,936	298,767	311,478	309,120	325,454	342,974
North-Western Provinces .. .. .	168,532	201,548	216,818	213,672	215,968	288,223
Bombay Presidency .. .. .	264,641	242,721	290,100	239,001	215,870	214,313
Madras Presidency .. .. .	212,813	234,567	377,031	368,267	371,311	360,325
Bengal .. .. .	..	..	2,109	38,243	79,388	180,634
	806,922	977,603	1,197,536	1,168,303	1,207,991	1,436,469

II. In the Madras Presidency the amount of the Cess is nearer to 8 per cent. than to 6½ per cent. of the land revenue; though the full rate of one anna on every rupee of land revenue is not levied in all the Districts. In the Bombay Presidency, however, that full rate is levied; yet the yield of the cess is only 6 per cent. of the land revenue; although the maximum rate of cess is alike, and though a less rate is levied in some Madras Districts, but not in any Bombay District. In the same way, the 10 per cent. Cess in the North-Western Provinces and the proceeds of the Acreage Cess and of Commuted Jagirs, less village police charges, are fully 50 per cent. less, though the land revenue is greater than in the Madras Presidency. In the Punjab, with a land revenue of only £2,004,595, the Cess amounted to £194,210 in 1874-75, against a land revenue of £4,259,179, and an income from Cess (after deducting Rural Police Charge) of only £215,968, in the North-Western Provinces. In Bengal the amount of Cess collected in 1875-76 is about half of what it will, eventually, yield. In British Burmah the percentage of yield of Cess upon the land revenue seems smaller than the prescribed 5 per cent., because Capitation Tax is included in the Receipts under land revenue, and the Cess is not leviable on that tax.

CHAPTER IX  
BRITISH INDIA.

4. The receipts from Cesses on land revenue, as distributed under various heads, are as follows according to the Accounts for 1875-76 :

	Road Fund	School Fund.	District Fund.	Local Rates	Village Police	TOTAL.
	£	£	£	£	£	
Oudh ... ..	14,688	14,690	3,768	41,461	.	74,607
Central Provinces . . .	13,902	12,621	3,233	.	.	29,756
British Burmah ... ..	5,748	5,748	1,437	...	15,804	28,737
Assam ... ..	16,300	..	..	..	..	16,300
Bengal . . . . .	130,634	..	..	..	..	130,634
North-Western Provinces	4,879	Merged in local rate.	..	363,344	Merged in local rate.	368,223
Punjab ... ..	22,413	22,468	5,932	142,761	...	108,574
Madras ... ..	360,325	..	..	..	..	360,325
Bombay ... ..	150,112	64,201	..	..	..	214,313
<b>TOTAL</b> ... ..	<b>719,001</b>	<b>119,728</b>	<b>14,370</b>	<b>567,566</b>	<b>15,804</b>	<b>1,436,469</b>

5. The Receipts from New Sources of Income, and from Cesses enhanced since 1870-71, are as follows :

	1870-71	1871-72.	1872-73.	1873-74.	1874-75.	1875-76
	£	£	£	£	£	£
<b>ODDH—</b>						
Ordinary Cesses on land revenue . . .	38,813	29,018	34,364	34,259	33,208	33,146
Margin Fund . . . . .	7,363	8,461	..	..	..	..
Local Rate . . . . .	..	36,810	42,535	42,883	41,097	41,461
	46,176	69,289	76,899	77,142	74,305	74,607
<b>ASSAM—</b>						
Cesses on land revenue—Old fund ..	6,506	4,333	711	1,916	17,149	..
New fund . . . . .	..	..	..	..	15,267	16,300
	6,506	4,333	711	1,916	32,416	16,300
<b>BENGAL—</b>						
Road Cess Fund . . . . .	..	..	22,917	59,039	120,128	158,516
<b>N W PROVINCES, as in para. 21, Sec I</b>	168,532	201,548	216,818	213,672	215,368	150,691
<b>PUNJAB</b> ... ..	58,330	214,441	216,194	208,063	211,862	193,575
<b>MADRAS—</b>						
Road Cess . . . . .	212,813	234,567	377,031	368,267	371,311	360,325
Tolls ... ..	..	..	12,144	12,234	14,860	20,531
	212,813	234,567	389,175	380,501	386,171	386,856
<b>TOTAL</b> ... ..	<b>492,357</b>	<b>724,178</b>	<b>922,704</b>	<b>940,333</b>	<b>1,040,850</b>	<b>980,545</b>

A—Balances recovered from Bengal on account of Road and Government Estates Improvement Funds.

This shows an improvement, in 1875-76, over 1870-71, of £488,188, chiefly from raising the Cesses in the North-Western Provinces, the Punjab, and the Madras Presidency, to  $6\frac{1}{2}$  per cent. on land revenue in the two last-mentioned, and to about 5 per cent. in the North-Western Provinces (after deducting rural police charge); by levying a Road Cess in Bengal, which has yet to be developed; and by granting an Assignment to Assam, at Imperial Charge, of  $6\frac{1}{2}$  per cent., instead of 3 per cent. on land revenue, till a Cess of corresponding amount can be levied from the ryots, who are lightly taxed. In the Central Provinces a similar Cess of  $6\frac{1}{2}$  per cent. on the land revenue was considered practicable, but not opportune, in 1870, since when five years have elapsed. In the Bombay Presidency the  $6\frac{1}{2}$  per cent. cess was imposed some years since, and, hence, it is not entered in the above Table of New or Enhanced Income.

## CHAPTER X.

### OPINIONS IN PARLIAMENT, ON DECENTRALISATION, AND THE EARL OF MAYO'S SCHEME.

THE RIGHT HON'BLE SIR STAFFORD NORTHCOTE (1867)

I now come back, for a moment, to the question of Irrigation, or I should rather say of irrigation finance, and I wish to connect, with that subject, a passage in Mr Massey's speech Mr Massey said—

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

I think I see, in that passage, the germ of the solution of several difficulties. It seems to me that a tax like this License Tax, which, applied to the whole of India, causes a great deal of heart-burning and discontent, while, at the same time, it yields but a small result, may, though unpopular and unpleasing in some parts of the Country, be accepted, in other parts, as a recognized and convenient form of taxation. I think, moreover, if you were to adopt the principle of transferring the power of Local Taxation to a limited extent to the different Local Governments, you might enable those Local Bodies to adapt their Taxation to the prepossessions and the prejudices of those with whom they have to deal, while you would, at the same time, enlist those bodies themselves, in the pursuit of the objects you desired to see attained, and free them from those annoyances to which my noble friend has referred—annoyances which grate harshly upon their feelings, but from which it is, at present, difficult to relieve them, because, as long as the whole expenditure of the Country is thrown upon the Government of India, that Government will, of course, be occasionally compelled to interfere in matters which, at first sight, may appear trifling and vexatious. I am inclined to think that, in that way, it would be possible to accomplish another object, namely, that of making your advances for reproductive works upon a footing which would enable you, in a *bond fide* and perfectly legitimate manner, gradually to recover the money so advanced. I do not profess to have elaborated any scheme upon this subject. I only throw out this suggestion for consideration. I am disposed to think that, connecting it with other measures which we may, perhaps, take for the development of Local Government throughout India, we may be able, by its means, to do great good. I am quite sure that the painful matters to which the attention of the House has been directed within the last few days ought to have left upon our minds the impression that it is our duty to take such measures as we are able, in order to give fairer and fuller play for the development of the resources of the Country in its remoter Districts, and that we can, scarcely, accomplish, unless we are prepared, to a certain extent, to relax the principle of centralization by which we have been, so long, guided. I am most anxious to pay attention to the valuable recommendations contained in the Report of the Commissioners in Orissa, to see measures introduced something after the manner of our own Poor Laws—some attempt, that is to say, to provide for the maintenance of those who, accidentally, become destitute. I should also be glad to see some alteration introduced in the relations between the zemindars and the ryots, so as to secure the latter class a fair share in the benefit of that great settlement of which the zemindars, at present, seem to have the lion's share. Looking at this, and remembering to what an extent local knowledge, local interest, and local control are valuable in carrying out such matters as those to which I have adverted, I am very anxious to organize some system of that kind. And, though I possess the highest respect for the great abilities and merits of the gentlemen who have been spoken of as holding high offices in Bengal, and though the system of government in that Province has led to a great respect for the law among the inhabitants, I cannot forget that Bengal is not India, and that we must endeavour so to shape our measures and our policy as to give full play to all portions of the Country committed to our charge.

HIS GRACE THE DUKE OF ARGYLL (1870)

He would next direct the attention of the House to another subject—second to none in importance as regarded the expenditure of the Indian Empire—namely, imposing on Local Cesses or Assessments no inconsiderable part of those public works which had, hitherto, been provided exclusively out of the Indian Revenue. His noble friend and kinsman Lord Dalhousie had remarked that the people of India would do nothing for themselves, that they trusted to the Government to do everything in the nature of public works; that even the repairing of tanks and the embanking of small irrigation courses were left to the Government to execute, and that, in matters of this kind, it would be most important to encourage private enterprise in India. He should be sorry to say that the course taken in giving guarantees to

CHAPTER X

SIR STAFFORD  
NORTHCOTE  
12th August 1867

License tax and  
irrigation finance.

Power of Local Tax-  
ation by different  
Governments

Expenditure on re-  
productive works  
may, hereafter, prove  
recoverable through a  
scheme of Provincial  
Finance.

DUKE OF ARGYLL.  
28th July 1870  
Provision for public  
works from local  
cesses

## CHAPTER X.

DUKE OF ARGYLL,  
28th February 1870

The levy of cesses in permanently-settled Bengal opposed by the Lieutenant-Governor of Bengal, Sir W. Grey.

There is nothing, whatever in the permanent settlement, and in the promises given to the Zemindars of Lower Bengal by Lord Cornwallis, which disentitle the Government of India from throwing upon local resources the expenditure which was necessary for local purposes. The local cesses are to be made, as far as possible, with the co-operation and concurrence of the natives of India themselves.

Decentralization of Finance in India

MR. GRANT DUFF,  
5th August 1870.  
Local improvements, not directly remunerative, to be met by local taxation.

MR. GRANT DUFF,  
24th February 1871.  
Financial decentralization to be carried out experimentally.

public companies had had the ultimate effect of stopping private enterprise in India, except when the Government came forward with a guarantee but the truth was that, when once the example of guarantees had been set, it was almost impossible to get rid of them. In his opinion, however, this was not, properly, private enterprise at all. It was nothing more than the enterprise of the Government acting in a most inconvenient form, and at a great loss to the Revenue of India. His noble friend thought that the expenditure for the education of the people, the making of Roads and Embankments and other improvements of that kind, ought to be provided out of Local Cesses or Assessments; but he was met by an unexpected difficulty, for Sir William Grey, Lieutenant Governor of Bengal, although he at one time appeared favourable to the project, afterwards took a wholly different view of the subject, and said it would be a breach of faith on the part of the Government if they increased, in any way whatever, the demands made upon the Agricultural Classes. A correspondence was carried on for two years in reference to this question, and was resumed when Lord Mayo was out. The Lieutenant-Governor of Bengal, however, continued his resistance to the proposal, and finally, the Government of India appealed to Her Majesty's Government to set the question at rest. During the time he had held his present office he had never been called upon to deal with a more important and, in some points, a more difficult subject; but he at last arrived at a very clear and thorough conviction as to the course the Government ought to take. He would now lay upon the table a copy of the despatch which would settle the question, as far as regarded the opinion of Her Majesty's Government. It was to the effect that there was nothing whatever in the Permanent Settlement, and the promises given to the zemindars of Lower Bengal by Lord Cornwallis, which disentitled the Government of India from throwing upon Local Resources the expenditure which was necessary for local purposes. It was to the effect that he was sorry to say he had met with the opposition of some of the oldest members of the Council. And it was only by a narrow majority that he secured the assent of the Council to the despatch which he now had the honor to lay upon the table. That despatch was accompanied by the protest made by the Minority, and he earnestly recommended the papers to the attention of their Lordships, because they dealt with a question second to none in importance as regarded the Revenues of India. He might here point out that the argument based on the Permanent Settlement of Bengal was equally applicable, for a certain time, to all the other settlements in India, for if, in consequence of the permanent lease given to the zemindars of Bengal, we were precluded from raising Local Cesses for Local Purposes, the same arguments would disentitle us from raising a single sixpence in the other parts of India, during the continuance of the existing settlements, which were for 20, 30 or 50 years. The despatch to which he had just referred had been received in India, and the Lieutenant-Governor proposed to bring in a Bill, in the course of the present year, for raising £500,000 for constructing roads, and from £200,000 to £300,000 for the purposes of vernacular education. It was intended that these Local Cesses should be made, as far as possible, with the co-operation and concurrence of the Natives of India themselves, in order that they might be convinced that the works proposed to be executed would be for their benefit.

Their Lordships had, perhaps, noticed in *The Times* of that morning a short report of a long address delivered by Sir Charles Trevelyan, who had had great experience in Indian affairs, and who was in favour of the Decentralization of Finance in India. The same opinion was held by his Right Hon'ble friend the President of the Board of Trade (Mr. Bright), but he could not help thinking that those who went in for a rapid decentralization of finance in India did not fully perceive the difficulties of the case. Indeed, the natural tendency of events was at present in favour of the centralization of the management of finance in Calcutta; but this project of Local Cesses had a most important bearing in the direction of Decentralization.

## MR. GRANT DUFF (1870)

The third line upon which our financial policy should be built was the throwing as much as possible upon the Local Governments the financial burden of those improvements which, while they did not directly add to the income of the State, and must not, therefore, be paid out of loans, were of distinct palpable benefit to the localities concerned.

The other matter on which I am in a position to give some explanation is the long-discussed question of Financial Decentralization. It will be in the recollection of the Committee that I dwelt upon that, last August, as upon an expedient which ought to be tried. Well, we are going to try it. The proposal to which the Secretary of State in Council has given his sanction will be best explained by reading an extract from a Resolution of the Government of India, dated December 14th, 1870—

"The Governor General in Council is satisfied that it is desirable to enlarge the powers and responsibilities of the Governments of Presidencies and Provinces, in respect to the public expenditure in some of the Civil Departments. Under the present system, these Governments have little liberty, and but few motives for economy in their expenditure, it lies with the Government of India to control the growth of charges to meet which it has to raise the Revenue. The Local Governments are deeply interested in the welfare of the people confided to their care, and not knowing the requirements of other parts of the Country, or of the Empire as a whole, they are hable, in their desire for administrative progress, to allow too little weight to fiscal considerations. On the other hand, the Supreme Government, as responsible for the general financial safety, is obliged to reject many demands in themselves deserving of all encouragement, and is not always able to distribute satisfactorily the resources actually available. Thus it happens that the Supreme and Local Governments regard from different points of view, measures involving expenditure, and, the division of responsibility being ill-defined, there occur conflicts of opinion injurious to the public service. In order to avoid these conflicts, it is expedient that, as far as possible, the obligation to find the funds necessary for administrative improvement should rest upon the authority whose immediate duty it is to devise such measures. This is the more important, because existing Imperial resources will not suffice for the growing wants of the Country. The Supreme Government is not in a position to



understand fully Local Requirements, nor has it the knowledge necessary for the successful development of Local Resources. Each Province has special wants of its own, and may have means of satisfying them which could not be appropriated for Imperial purposes. A tax adapted to the circumstances of one part of the Country may be distasteful, or inapplicable, elsewhere, and, everywhere, rates may be proper for Provincial or Local Purposes which could not be taken for the Imperial Revenue.

CHAPTER X.

MR. GRANT DUFF  
24th February 1871.

It would have been satisfactory had His Excellency in Council been able to propose the enlargement of the power and responsibility of the Local Governments, without charging upon Local Resources any part of the existing Imperial Expenditure. This cannot be done, but it had been determined to make as small a demand upon these resources as possible. At the same time it should be remembered that the relief of the Imperial Finances has been a principal object in the discussion of such Measures on former occasions.

"The Government of India is, accordingly, pleased to make over to the Governments, under certain conditions to be presently set forth, the following Departments of the Administration, in which they may be supposed for Provincial Services to take special interest, and to grant, permanently, from the Imperial Revenue, for these Services the sum of £4,688,711, being less by £330,801 only than the assignment made for the same Services in 1870-71.—Gails, Registration, Police, Education, Medical Services (except Medical Establishments), Printing, Roads, Miscellaneous Public Improvements, and Civil Buildings. Unless some fiscal misfortune, such as a heavy loss in the Opium Revenue, or national disaster, such as war or severe famine, occurs, the Governor General in Council will maintain, for the future, the Assignments for 'Provincial Services' at the amounts now fixed. They will not, in any case, be reduced without previous consultation with the Governments. The actual permanent Imperial Assignments for 'Provincial Services' will be as follows—

	£
Oudh	206,948
Central Provinces	261,263
Burmah	275,832
Bengal	1,168,532
North-West Provinces	640,732
Punjab	516,221
Madras	739,488
Bombay	880,075
	<hr/> £4,688,711

These amounts for works of comfort and convenience, and local purposes of many kinds, are as large as we can afford; but they are not really very large, much less extravagant. Let us see what they amount to, if we use Colonel Chesney's convenient scale of comparison with Countries nearer home. Oudh, which is about as large and as populous as Holland and Belgium united, will receive from the Imperial Government for its works of comfort and convenience, and other things which have more or less of a local character, an allowance of something over £200,000. The Central Provinces, which are about as large as Great Britain and Ireland, but rather sparsely populated, will receive about £260,000. Burmah, which is about three times as large as Scotland, will have about £275,000. Bengal, or say the Australian Empire, will have nearly £1,200,000. The North-West Provinces, about equal in area to Great Britain, and more densely peopled, will have £640,000. The Punjab, or say the Kingdom of Italy, will have about £520,000. Madras, which is rather larger than Great Britain and Ireland, and about as thickly peopled as France, will have £739,000. And Bombay, which is somewhat bigger, will have £880,000. All local services and works, not directly remunerative, that cannot be paid out of these allowances, will have to be paid out of taxes raised by the authority of the Local Governments within the area under their rule, and, presumably, to be benefited. I need not say that the imposition of these Local Taxes will be subject to regulation by the Supreme Authorities.

THE RIGHT HON'BLE STEPHEN CAVE.

With regard to land, it should doubtless be met by the "fixed settlement." Well, he was aware of what, speaking with great humility, appeared to him the most unwise of all arrangements, by which the Government, unlike other landlords, precluded itself for long terms of years, and, in some cases, for ever, from sharing in the rapidly improving value of land. Where faith was pledged, it must be kept, even to our own hindrance; but there was no reason why the landlord should afterwards lay out large sums in raising, artificially, the value of the same land, without demanding from the tenant a percentage of the cost, which, in this Country, was freely given, in such cases, every day. Again, we had in this Country a land tax redeemed in most cases at a fixed rate, but this did not prevent rates being laid, over and over again, upon land for Local, or what were called Local, purposes. Education was defrayed, in great measure, by Local Rates here, in India it was charged on the Imperial Revenue. And, surely, we might fairly ask for Local aid to Railways and Irrigation Works, which had so enormously increased the value of land and its products; that exports had multiplied nearly five-fold, and corn had risen in price at Jububipore from 12s to 36s a quarter. And all this through the State sinking £200,000,000 in improvements, expenditure on which in the last complete Accounts made, according to the Resolution of the Under Secretary, the difference between surplus and deficiency; and yet, taking the same rent as before, and, in some instances, even, alienating land in perpetuity for a mere nominal price. Might not this system of Local Rates lead to the Local and Decentralizing management of affairs which was considered so desirable to those who looked forward to the native population assisting us to govern the Country, and becoming less apt than they were at present to call upon Government to initiate social reforms? At least we might begin locally, and try them with five cities, before entrusting them with the Empire.

MR. STEPHEN CAVE  
24th Feb 1870  
In England, a land tax redeemed, in most cases, at a fixed rate, does not preclude the levy of local rates for local purposes, and surely we might ask for local aid to railways and irrigation works which have enormously increased the value of land and of its products.

SIR CHARLES WINGFIELD.

## CHAPTER X.

SIR C WINGFIELD.  
24th Feb 1871.

Decentralization of finances.

The measure is good, but it does not go far enough; the Local Governments should, further, be allowed control over their receipts.

Great danger to India will result, should the Government of India uncompromisingly persevere in its course of imposing increased taxation by its own discretionary will. In England, local taxation meant self-taxation, but in India the additional taxes would be levied under Acts of Legislative Councils in which the natives were not represented at all. Already serious discontent and irritation had been aroused by attempts to raise new cesses and imposts.

Heavy taxes levied from a poor people only further impoverish them, and every year the people grow less disposed to submit, without murmur, to taxation which they regarded as oppressive, or as a breach of faith.

The hon'ble gentleman (Mr Grant Duff) had read extracts from an order of the Government of India, announcing a scheme of Decentralization of the Finances. He (Sir Charles Wingfield, had examined that Scheme, and it seemed to him good as far as it went; but it did not go very far. The Government of India relinquished all control over the distribution of the sum it assigned to each Provincial Government from the Imperial Funds for the support of certain specified establishments and works; the local Governments would submit their estimates for these Services as before, but they would be able, within the limits of the assignment, to transfer funds from one Head of Account to another, whereas formerly they had to obtain the sanction of the Government of India. Practically, no doubt, this sanction was little more than a form. On the other hand, the Government of India relieved itself of an immediate charge of £350,000, by reducing the aggregate Grants of 1870-71 by that amount, and of all prospective charges beyond the reduced sum now granted, and as these charges related to the very objects in which increased outlay was sure to be called for—namely, Education, Gaols, Local Roads, &c.—the Government of India merely abandoned an authority it found troublesome to exercise. The balance of advantage was clearly on the side of the Government of India. What the Local Governments and what Indian Reformers in this Country asked for was, that, after defraying the cost of their Civil Establishments, and having contributed *pro rata* to the Imperial Expenditure—that was, Debt, Army, Diplomacy, &c.—they might be allowed to spend the balance of their Revenues as they thought best. In short, they asked for some control over their receipts, what they got was control over certain allotted items of Expenditure. He thought, therefore, that this Scheme had no pretension to be styled Decentralization of the Finances. He came now to the most important subject of all. He was not conscious of exaggeration when he said he apprehended great danger to the security of our Empire in India if the course on which the Government of India appeared to have entered, of imposing increased taxation by its own discretionary will, be, uncompromisingly, persevered in. He might meet with the usual fate of those who declined to prophesy smooth things, but he might claim, without egotism, to know something of the feelings and ideas of the people of India, and, entertaining the strong convictions he did on the subject, he was bound not to remain silent. The Government of India, as the Scheme to which he had just referred showed, had avowed its intention of restricting its Grants from the General Revenues for Provincial Purposes, and of requiring the Local Governments to raise the additional funds they needed by Local Taxation. Now, Local Taxation in England meant Self-taxation; but that was not what it meant in India—there was no Self-government in India. There the additional taxes would be levied under Acts of Legislative Councils in which the Natives were not represented at all. Already, serious discontent and irritation had been aroused by attempts to raise new Cesses and Imposts. He had seen a Memorial from natives of the Madras Presidency, complaining of a Bill that had been brought into the Legislative Council to raise funds for local purposes—sanitation being one—by a variety of new taxes, one of them a Tax on Marriage. The Memorialists urged that religious observances and social customs were not fit objects of taxation. It appeared to him to be no defence of such a Tax to plead, as had been pleaded by the Government, that it had been levied by Native Rulers. Why, they could find justification for any enormity in the example of Native Rulers; but, if they could do nothing better than reproduce the native model of government, he did not see what business they had to be in India at all. Despotism for despots, the people of India might say, give us our countrymen. Again, after the 30 years' settlement had been concluded, a Road Cess had been imposed by an Act of the Legislature; and in Oudh, where Cesses for Education had been provided, it was now sought to double the amount. That he regarded as a departure from engagements on the part of the Government. He was aware of the argument on which those impositions were defended—namely, that promises of the Executive Government could be overridden by Acts of the Legislature. That argument would be of more force if the people were represented in the Legislature; but, composed as the Legislative Council was, of Members of the Executive Government and Government nominees, mostly servants of the Government, the Government, in accomplishing its objects through such a Legislative Body, made itself judge in its own cause. It was well observed by a Member of Council, in the papers on Education recently presented to Parliament, that "We have no standing ground in India save brute force if we forfeit our character for truth." He (Sir Charles Wingfield) therefore held, strongly, that if they sought to impose additional Taxation for Local Purposes, they could only do so safely with the co-operation of the people. To that end, Councils should be established at the seat of each Provincial Government, composed mainly of leading members of the landed and commercial interests. The representative element should enter into their constitution, and, without their concurrence, no new taxes should be imposed. No one could fail to perceive that there was a great and growing demand among the upper and educated classes, who were the leaders of native opinion, for some voice in the management of their affairs, especially in the matter of raising and spending new taxes. It was useless to attempt to wring more money out of a poor people—they only further impoverished them—they must trust to time, and the effects of works of public utility, to enrich the Country, and, in the meantime, they held the great source of increased income in the future, they share in the rental of land. The Hon'ble gentleman (Mr Grant Duff) remarked, last session, that representative institutions were not yet suited for India. He (Sir Charles Wingfield) did not seek to transplant the British Constitution there; but there was surely a middle course between full-blown representative Government, and altogether refusing to consult the people on

the matter nearest and dearest to all people, the raising and spending the Revenues they had to contribute. They must, moreover, bear in mind that there was in India an active and widely-diffused free press, English and Native, and that there were facilities for higher education, of which the people eagerly availed themselves. Thousands now read with interest in the newspapers the reports of the debates on Indian subjects in that House, and of the political events happening in Europe, and every year, as knowledge and enlightenment spread, the people grew less disposed to submit without murmur to taxation which they regarded as oppressive and unjust, or as a breach of promise on the part of the Government. If their complaints and remonstrances were unheeded, the sense of wrong would rankle in their breasts, to find vent, some day—not in insurrection, for the power of the British Government was felt to be overwhelming, but in passive resistance to taxation, a form of opposition which would be far more embarrassing to the Government, for they could not issue coercive processes against a Nation of 150,000,000.

CHAPTER X.

SIR C WINGFIELD  
24th February 1871

MR. C B. DENISON (1871)

While hoping that the Scheme of Financial Decentralization, which had been submitted to the House in the form of a despatch, would be successful, he feared it would involve an addition to Local Taxation of burdens which it was found inexpedient to couple with Imperial Taxation.

MR. C B DENISON  
24th February 1871  
Financial decentralization

THE MARQUIS OF SALISBURY (1871).

The general principle of Indian finance required consideration, and he doubted whether this could be effected by the agency of the Governor General. Our progress in the management of Indian finance had hitherto been in the European direction, and he doubted whether, in that course, we had not taken a radically false view. The English idea of finance was that, every year, the Chancellor of the Exchequer put something in the crucible and moulded it anew, raising or diminishing taxes according to the wants of the moment, and the Budget was not merely a necessary incident, but a social excitement. What, however, might be a pleasant excitement for us, was, in India, a very dangerous interference with the peace of the Natives. He believed the ideal of finance of Asiatics was that of repose. The first thing was to settle the amount which could be raised without interfering with the traditions, or departing from the habits of the Nation, let this be permanent, and let the expenditure be adjusted to it. Here it was a constitutional principle for the Estimates to precede the Ways and Means; but all experience of India indicated an opposite course—Ways and Means being a comparatively-speaking permanent arrangement, and the expenditure being forced to fit itself thereto. To the Native everything new was, *primâ facie*, unjust, and scarcely any expenditure, however wise, would justify the great evil of exciting him to compare his present state with his past, and to make a grievance of financial alterations. It was for the Home Government to consider whether the excitement of annual Budgets and new taxes should not be withdrawn from the mass of political dangers with which we had to contend—the more so because, unfortunately, the Opium Revenue, one-sixth of the whole receipts, was so variable that the Finance Minister could not tell, within 25 per cent, whether it would rise or fall. So shifting an item made it necessary that, in its other features, it should have an aspect of stability and repose. Again, it had long been felt by the Local Authorities that their Expenditure was supervised by the Central Government in a manner which trenchanted their independence, and increased the difficulty of administration. The Local Governments had strongly protested for greater Financial Decentralization; and the hesitating steps already taken in this direction, by which some accidental sources of revenue had been handed over to them to deal with as they pleased, would not settle the question. It was difficult to resist the impression that the mechanism of the Government of India was so new, and the Territory over which it extended so vast, that its personal character was almost entirely lost—the enormous machine being too powerful for the Viceroy, however able, to move with his single will, and the ideal of paternal Government degenerating into a Bureaucracy. There was a great tendency in the lower offices where expenditure was incurred to exceed the Estimates; and, without reflecting on the able persons who managed it, there was consequently a general belief that the expenditure did not produce anything like the results which one had a right to expect. He believed that in the Department of Public Works, that impression especially prevailed. \* \* \* He had been asked by these gentlemen to move for the appointment of a Royal Commission. But he could not comply with that request. Indeed, he should regard it as a very great misfortune if any Member of the Opposition should adopt that course. In matters connected with India, it was of the utmost importance that not a shred of party politics should be allowed to interfere, and, therefore, it certainly was not his intention to make any such motion. But he most earnestly recommended the subject to the attention of the Noble Duke (the Duke of Argyll). He might not wish to act upon it, at once, but he believed it would be found that, independent of this Memorial, the subject did require careful investigation with a view to remove the scandal of perpetual falsification of Estimates and expectations, and also to diminish the undoubted discontent among the class, at least, of English residents in India in consequence of the frequent changes of taxation, and the very serious doubts which, he believed, were entertained whether the Revenue equalled the Expenditure incurred. He trusted the noble Duke would not think that, in bringing this matter forward, he was actuated, in the slightest degree, by any hostile feeling; for he had the greatest confidence in the Noble Duke since he took charge of the Government of India. He only desired earnestly to impress on him the importance of giving to it a careful consideration.

MARQUIS OF  
SALISBURY,  
11th May 1871

In England the income is adjusted to the expenditure. In India the people want repose, the amount of taxes should be, comparatively, permanent, and the expenditure should be adjusted to it. The Home Government should consider whether the excitement of annual budgets and new taxes should not be avoided as a political danger.

Royal Commission  
of Inquiry

## CHAPTER X.

## HIS GRACE THE DUKE OF ARGYLL.

DUKE OF ARGYLL.  
Annual Budgets.

The noble Marquess (the Marquess of Salisbury) said that he objected to Annual Budgets and the imposition of new taxes. He concurred in the expediency of avoiding the imposition of new taxes; but he did not think that the people who paid the taxes should not have the Annual Accounts placed before them.

\* \* \* \* \*

Local taxes for local  
expenditure.

Some great questions of policy were, unquestionably, now and then, referred to the Government at Home, when the Government of India were, perhaps, divided respecting them; and one of the most important of these was the question of Local Taxation and Expenditure. The Government were divided upon that point; and the Home Government and a majority of the Council decided in favor of the perfect legitimacy of the plan of raising Local Taxes for Local Expenditure in India. The noble Marquess (the Marquess of Salisbury) described this as a step towards what was popularly called the Decentralization of Indian Finance, and thought it would lead to more extensive measures in the same direction. He spoke of the Government of India having relinquished some powers over Revenue and Local Governments. Now, the noble Marquess could not have been quite aware of all that had actually occurred. The importance of the step taken by Lord Mayo related, chiefly, to the branches of expenditure which he had relegated to the Local Governments. They were comprised under eight Heads—such as Gaols, Roads, Education, Administration of Local Justice, and other matters, in respect of which there was a great pressure for Local Expenditure, and over which it was almost impossible for the Supreme Government to exercise any control. The Central Government would, now, be relieved from the pressure of the Local Governments for the increase of, perhaps, extravagant expenditure under those heads—the object of the Supreme Government being that the Local Governments should be thrown upon their own resources. In a speech delivered in the Supreme Council, Sir Seymour Fitzgerald complained of the taxation of the Provinces, and said he thought that a fair share of the total revenue was hardly assigned to them considering their burdens; but he went on to say that in Bombay there was a large local expenditure already, and there was no effectual system of Accounts. If it were true that no Budget system existed, and that very considerable economy might be effected, in Bombay, no doubt the same result might be attained all over India; and he had great confidence that, when the expenditure of these taxes was brought home to their own doors, and when the Natives found that by roads, tanks, and small works of irrigation of a local character, their wants were attended to, they would afford the amount of taxes necessary for those purposes. He entertained the less doubt on this point, from the important change carried out with regard to the land revenue. Lord Derby, when in office, suggested that the Indian Government should alienate a large part of the land revenue, and settle all the land for a series of years. After long consideration, the Government of India came to the conclusion that it would be unwise to alienate, permanently, the land revenue, and that, over a large area of country, it would be unwise to make a Permanent Settlement. But, in a despatch of 1862 his noble friend (Viscount Halifax) decided that, in certain cases and under certain conditions, the land revenue should be permanent, and he was informed that, in the North-Western Provinces, a considerable area of country was likely to come under a Permanent Settlement. Large questions of public policy were connected with this question. He knew it was the opinion of many, that the State ought to retain in its own hands, the power of raising the land assessment, from time to time. His own opinion was that a Permanent Settlement was the wisest settlement; and that it was better for wealth to accumulate in the hands of the people than to flow into the Treasury. He thought that the wealth of every good and wise Government lay in the wealth of its people; and he should rejoice to see the great land-holding class of India enjoy a higher share of this wealth than it now did. One point, however, must be looked to. If the Government gave over the land in Permanent Settlement, thereby adding largely to the wealth of the Agricultural Classes, there must be some means of getting at that wealth by other taxes for the purposes of defraying expenditure. Remembering this, it became the more important that the principle sanctioned last year—that the Permanent Settlement of the land revenue did not preclude us from raising Local Taxes for Local Expenditure—should be maintained. The Local Governments of India were now preparing Measures for raising Local Cesses; but he had impressed upon Lord Mayo the necessity of great caution in developing this system, and the importance of carrying along with us, if possible, the feelings of the people

Permanent settle-  
ment of Land Revenue

Local Governments  
were now raising  
local cesses, but Lord  
Mayo had been in-  
formed of the neces-  
sity of great caution  
in developing this  
system, and of the  
importance of carry-  
ing along with us, if  
possible, the feelings  
of the people

CHAPTER XI.  
OPINIONS IN ENGLAND.

*Extracts from Minutes of Evidence before the Select Committee on Indian Finance.*

CESSES ON LAND REVENUE.

BOMBAY PRESIDENCY.

SIR BARTLE FREERE.

65. *Mr. Ayrton* ] Were any special charges added to the land revenue at the settlement?— There was a part of Sir George Wingate's original plan, which was devised, I believe, by Colonel Davison, for imposing an extra Cess at the rate of one anna in the rupee, that is one-sixteenth of the assessment, which was to be applied to the formation of Roads and the maintenance of Schools, the Schools were to be of two kinds: Schools for Primary Instruction in reading and writing, and schools in which mechanical art would also be taught, so as to improve the mechanical arts of the Country. This system was a little in advance of the ideas of the Government at the time, and it was postponed for some years, and has only been, latterly and very gradually, introduced, as the people were found to wish for it and to be inclined to accept it.

66. Did the Land Law of Western India or the Bombay Presidency reserve the right of the Government to make any further special assessment to meet emergencies of the State?— Yes, there was a special reservation in the Regulations of 1827 for the purpose.

67. That, legislatively, there might be a General new Tax put on?—Yes.

68. Then this Cess would be a tax of that nature?—It would be a tax of that nature; it was deferred, in some parts, from an idea that it would be considered by the people, as a breach of the covenant made with them during the 30 years' settlement, and where nothing was said about it, at the time of the introduction of those settlements, its introduction was postponed; but in all new settlements it is made a part of the original settlement, and has the same force as the Government assessment.

117. *Mr. Cave* ] With regard to the estates alienated for ecclesiastical purposes, and for others which you mentioned, would they be considered subject to the extra cesses which you mentioned for Roads and Schools?—Yes, I believe, in most cases, they have been included in the demand for the Local Cess, but not invariably.

118. Would it be considered contrary to the agreement if such a Cess was made for the purpose of making or maintaining railways as well as common roads?—The question has never been discussed, and, at present, certainly, I think it would be premature to start a question of that kind for the consideration of the people, because their fear always is that, after the Cess has been imposed, it will be carried off and applied somewhere where it will not benefit them; and our object, in reconciling them to the Cess, was to expend it as far as possible in the parts where it was levied, and to let them see that we kept faith with them in giving them some benefit for the Cess that was levied.

119. At the same time is it not the case that the Railway increases the price of their produce more than the common Road?—Immensely.

120. And that the difficulty with regard to the revenue of India is greatly increased by the expenditure upon the Railways?—Certainly.

121. And that, therefore, there would be the greatest possible reason for the Cess being levied for the purpose of Railways?—It is quite possible that they might be brought to see it in time; but it must be recollected that this Cess, which might be termed a parochial or County Cess, is of very late introduction in most Districts, and it is above all things, in matters of this kind, desirable to let the people thoroughly understand a new impost, and see its reason; and that takes some time over such great areas as you have to deal with in India.

122. You see no reason, on principle, against the introduction of such a practice?—In principle, I see none; but I should think it a dangerous principle to act upon, till the people get much more alive to the advantages of the Railway than you can expect them to be just at present. At present they regard the Railway as a great boon which has been conferred upon them; sometimes, they may look upon it in a different light, as rather an infliction, if it takes off a piece of their fields, or anything of that sort, but, at any rate, they look upon it as a work of the Government, which is essentially distinct from anything that they are called to do for themselves, or to pay for themselves.

CHAPTER XI.

BOMBAY PRESIDENCY

SIR BARTLE FREERE,  
K.C.B., G.C.S.I.  
24th March 1871

## Cesses on Land Revenue.

## CHAPTER XI.

## BOMBAY PRESIDENCY.

SIR H. B. E. FRERE,  
K. O. B., & C. S. I.  
24th March 1871.

And, no doubt, the Government also has some liability for the expenses for railways.

Though land revenue and cess, together, form rent, and not a tax, yet the amount taken as cess is not an abatement from the Land revenue which would have been payable if there had been no cess.

A cess on land for the construction of railways would be different from one for the construction of roads, and it would be unwise to press the former upon the country at present.

Even permanently-settled districts which have benefited by a railway may be fairly required to contribute to its expenses.

The Bombay Regulations specially reserve to Government the power of levying

151. *Sir Charles Wingfield*] With reference to the question that was put by the Right Honorable gentlemen, the Member for Shoreham, about the propriety of the Government levying a Cess for Railways in the same way as it levies a Cess for Local Roads, do not you think, on the other hand, that it is a right principle that the Government which derives a rental of 20,000,000*l.* from its landed estates, is bound to spend some part of that in the improvement of the land, that is to say, in works that will develop the produce of the land?—Doubtless, if it can spare it, but it must in India, as elsewhere, be a matter of discussion and adjustment, I think, between the cultivator and the Government, what each can do towards what is for the benefit of both.

152. But when I affirm that principle, I mean that it would be unreasonable to call upon the people to do everything, that Government, which derives such a great rental from the estate is bound, like the proprietor of an estate in this Country, to spend some portion in works for the benefit of those living on it?—Clearly.

153. *Mr Fawcett*] You referred to levying a Cess upon land for Local Purposes, such as Education, and making Roads; but, supposing that you obtain so much from Cess, it ultimately represents so much deducted from your land revenue, does it not?—I think not, because it does not follow that a shilling which is taken for a special improvement, such as making a Road or for keeping up a School, could be taken if you did not do something for it.

158. But you, in adjusting your land revenue, consider what the land has been accustomed to pay and what the tenants can afford to pay, do not you?—Yes.

159. Suppose that you take this case; you have to come down to re-adjust the land revenue on a particular field in Bombay; the land revenue previously paid has been 4*l.*, and there is a Cess levied upon it of 1*l.* That is, virtually, a land revenue of 5*l.*, because if it was not for that Cess of 1*l.* you could raise the revenue to 5*l.*, and leave the tenant in exactly the same position as he would be in if there were no Cess, could not you?—No, I think not. The case is quite possible that you may be able to levy your 5*l.* only on the condition that you make a road or keep open a school.

160. But you define land revenue, do you not, as rent, not as tax?—It is a portion of the rent.

161. And you try to adjust the rent in proportion to what you think the tenant can fairly bear?—Yes.

162. And Cess is rent too, is it not?—Yes, in that point of view, of course it is.

163. Therefore, looking upon land revenue and Cess as both being rent, it is simply the cutting one item into two?—No; in the one case, you take actually the whole from the Country, and give a man back nothing; in the other case, you give him back the means of carrying his produce to market, or the means of improving his condition and producing more.

175. *Mr J. B. Smith*] I think you said that you approved of the principle of some tax being laid on the owners of land for the making of Roads or Railways?—Yes.

176. Now, in case you levy a tax upon the occupier of land for a Road or for a Railway, at the end of 30 years that land has very much increased in value?—Yes.

177. Then you raise his assessment?—Yes.

178. Does not he pay twice; first he pays for the improvement, and then he pays in an increased rental?—I should make a distinction, in the first instance, between payment for Roads and payment for Railroads; with regard to Roads, the improvement is practical and immediate, with regard to Railroads it is more distant, and a subject which I should think it unwise to press upon the Country, at present; but, with regard to the effect to which you have alluded, I do not see that the man pays twice; he pays, generally, in the way of assisting the Government to make communications, and by those Communications he increases the value of his property in perpetuity; a portion of that property, that is the land in which he is interested along with Government, acquires an increased value, and the Government, interested in the land in partnership as it were with him, also shares, it seems to me, the right to benefit; bearing in mind also, that, as the natives of India are always ready to admit, the interests of the Government and the people are, in the long run, identical.

179. But, now in the cases of Bengal, where there is a Permanent Settlement, and where the lands, as in other places, have been very much increased in value by railways, do you think that the owners of the land ought, in justice, to contribute to that improvement, or should they pocket the whole of the benefit for themselves?—I do not see why they should not contribute.

180. Would that be considered a breach of the conditions of the Permanent Settlement?—I should not consider it so; I have looked into that question, very carefully; and it seems to me that any demand for a Cess that applied to Road-making in Bengal would clearly not be in contravention of the terms of the Permanent Settlement.

181. It would seem to be just that they who have benefited by this outlay, should contribute something towards it?—Clearly.

182. Do you think that it would meet with opposition in Bengal?—No tax is popular.

175. *Mr. B. Denison*] I think your opinion, as regards any Imperial Taxation over and above the land revenue, is, that, as a matter of principle, it is quite an open question; speaking of it as a matter of policy, that is a different thing, but as a matter of principle, it is an open question, you think that the defining and the limiting the land revenue does not preclude

*Cesses on Land Revenue.*

the Government from demanding other taxes, if Imperial circumstances are such as to require them?—There is a special reservation in the Bombay Regulations of the power of Government to levy such taxation.

CHAPTER XI

BOMBAY PRESIDENCY.

SIR H. E. B. FRERE,  
K.C.B., G.C.S.I.  
24th March 1871.

## BENGAL.

754 *Mr. Grant Duff*] And your views as to the bearing of the Permanent Settlement upon the Education and Road Cess question have also been laid before Parliament in a Return moved for by Mr. Kinnaird last year—Yes.

755. With regard to that last matter, the bearing of the Permanent Settlement upon the Education and Road Cess question, you dissented from the view that found favour with the Secretary of State in Council?—Well, I did, partially. I rather gave in at last, for I thought it was so desirable that we should have it, but it was to me very questionable whether it was not a breach of faith.

756. The view that found favour with the Secretary of State in Council was, that the Permanent Settlement in Bengal did not bar the imposition of an Education and Road Cess in Bengal in the way in which it was proposed to impose it?—Yes.

cesses additional to the amount of the settlement.

BENGAL.  
MR. R. D. MANGLES.  
28th March 1871.

## PUNJAB.

803 *Mr. Ayrton*] The other half is the revenue which they pay?—Yes. And, in this new settlement, in addition to the half net return, the proprietors have been called upon to pay 1 per cent for Roads and 1 per cent for Education, that is an arrangement of the settlement.

804 They had notice, at the time of the settlement, that they would have to pay special taxes for those purposes?—That is, in addition to the half net returns that I spoke of

805 But does it form any part of the settlement that they should be, or should not be, subject either to any general increase of assessment to meet the emergencies of the State, or that they should be subject to Special Assessments to meet particular necessities of the District, apart from that which you have especially mentioned?—I do not think there was any understanding of that kind. The understanding is that they are not to pay more than the assessment fixed; and the assessment now formed is plus 1 per cent for Roads and 1 per cent for Education. If more than that was taken, I think they would consider it a grievance.

806 Then the effect of adding the 1 per cent. is rather to give them a guarantee that it is to be locally spent for their benefit?—Yes; and that money is, usually, locally spent, or ought to be, if it is not done so, I think it is not just or fair.

The road cess ought to be spent in the District in which it is levied.

807. You think that they have acquired a right, by special arrangement, to that application of the money?—Yes; they make no difficulty about the road assessment, because, by the tenure of the villages in olden times, they were obliged to construct the whole roads, which was an oppressive burden

808 Are they relieved of that duty of compulsory road labour now?—It does not exist anywhere, I think, in the Punjab now, even before this late revised settlement, and where that arrangement had not existed of the 1 per cent for Roads, they themselves readily agreed to give the 1 per cent, they being freed from compulsory labour.

The cess is virtually a commutation for compulsory labour for making roads

809 But no proclamation has been issued generally reserving the right of the Government to impose additional revenue to meet the emergencies of the State?—No.

810 Then you consider that the Government is bound in good faith, during the 30 years not to increase the land revenue?—Certainly.

809. *Mr. Cave*] You stated that 1 per cent, in addition to the revenue, was paid for Education, and 1 per cent. for Roads?—Yes

800 Does that cover the expenditure upon those two items?—I am sorry to say it does not now, and there is a very general idea that, if possible, we should increase the percentage for Roads; but whether that can be done or not, is a question.

801. Is that 1 per cent as much a fixed part of the settlement as the regular land revenue?—Yes; by the present arrangement.

The one per cent road cess is as much a fixed part of the settlement as the regular land revenue.

802. Then it would be as impossible to change the one as the other during the settlement?—Quite so. Let me qualify that answer. I should say that certainly it would; but there has been a very general impression that it would be desirable, if possible, to get something more for Roads. Still it is a very difficult question, and has really not been decided yet, but is under consideration whether you could increase, for general purposes, the assessment for roads.

803. Would the people be so alive to the advantage of the Roads as to come voluntarily into such a change?—I should say not; as a general rule, the natives dislike roads extremely because they consider them a source of great oppression. In the first place, probably, you run a road through their land and cut up their fields; and, in the second place, from the peculiar customs and habits of India, travellers press labourers and carriage; and, if troops pass along, requisitions are made upon the villages for carriage and for porters, and cause a great deal of annoyance, and, although there is every desire on the part of the Government to pay them, very often the money which is given, does not reach the people; and therefore, as a general rule, I do not think that they appreciate the value of Roads as we would in this Country.

As a general rule, the natives dislike roads extremely

## Cesses on Land Revenue.

## CHAPTER XI

## PUNJAB.

SIR R. MONTGOMERY,  
K C B., G O S I  
31st March 1871.

And they would rather be without roads. Practically the cesses come out of the land revenue, for, in fixing the amount of the former, the settlement officer necessarily takes count of the latter.

## MADRAS PRESIDENCY

MR. R. A. DALRYMPL  
31st March 1871.

Cesses for local purposes are always separate from the land revenue.

Railways and large trunk roads are not considered local purposes.

884 Setting these inconveniences against the increase of the price of produce, you think that they would rather be without the roads?—I think so.

886. *Sir C. Wingfield.*] Engagements are taken, at the time of settlement, for the Cesses and the land revenue in one?—In one; but there is a detail below.

887. But there is one engagement taken for the gross amount?—Yes, so much for Roads and so much for Education.

888. They are additions to the land revenue; still, do not you think that, practically, it frequently happens that they do come out of the land revenue in this way, that when the Settlement Officer has fixed the assessment in his own mind, and comes to tack on to that the Cesses, and finds that these Cesses added to the assessment come to rather a heavier demand than he thinks the villages can bear, he cuts it down?—That is quite correct; but still that is in the officer's mind, and nominally, it is not so.

## MADRAS PRESIDENCY.

1107 *Mr. Cave*] Is there any rule preventing the Government from imposing a special Cess to meet any special expenditure?—No, that is reserved in all the settlements. There is a Cess for Roads, and it is now under discussion to have a General Cess for Local Purposes of all kinds. I think the Bill has been passed, or is about to be passed, by the Local Council at Madras.

1108. Then the Government has a perfect right to put on a Special Cess for special purposes in the middle of a settlement?—Yes, there is no guarantee about that; the guarantee is merely that the land revenue is to be fixed, at certain rates, for the period of the new settlement, and these Cesses for local purposes have been considered always as separate from the land revenue.

1109. Have Railways been considered local purposes?—No; Railways and large trunk Roads are always considered to be not Local, but Imperial works.

1110.—And works of Irrigation?—Large works of Irrigation are also Imperial; small works of irrigation would, perhaps, be considered Local, but it is difficult to draw a hard and fast line of distinction.

## CENTRAL PROVINCES.

## CENTRAL PROVINCES.

MR. J. H. MORRIS  
18th April 1871.

A local tax in a district for a railway which benefits it is justifiable.

Equally so for paying the interest on a loan for such an object.

An irrigation cess unobjectionable.

1270. *Mr. Bourke*] Has the question ever been raised of taxing these Districts Locally, in consequence of the rise in the price of produce in the District through which the railway passes?—It has not been raised exactly in that form. but I submitted a proposal for a Railway to a very out-of-the-way part of the Country in the Central Provinces about a year ago, and, in making that proposal, I suggested to the Government that the guaranteed interest should be provided for by a Local Tax, to be imposed on the District which would be, directly and immediately, benefited by the construction of the Railway.

1271. Supposing that was carried out; would that be looked upon, at all, as a breach of faith between the Government and the people with whom you have made the settlement?—I have heard it stated that it would be; but I do not think that it would be, if you could show that these people directly benefited by the introduction of a Railway which did not exist, and was not taken into calculation when the settlement was made with them.

1272. Was there any reservation made at the time of the General Settlement at all as to immunity from other taxation, or special taxation, on the land?—Not that I know of; the reservation was, as regards the land revenue, that the land revenue should be fixed for a certain number of years. I do not know what the people may understand, but there was no reservation that they should not be taxed in a way which could be considered as not land revenue. For instance, we, in the Central Provinces, get two per cent. Road Cess instead of one, as at the former settlement, and we get two per cent. Educational Cess instead of one; and I think, in exactly the same way, if you could prove that there was any direct and immediate benefit to the people from any work undertaken by Government, Government might fairly look to a return from them.

1273. You do not think that there would be anything unjust in imposing a tax for the purpose of paying the interest of a Loan for such objects?—I do not think so; I proposed that this should be done with respect to that railway to which I have referred. I do not know what orders Government have passed on it, but I proposed that, in that instance, that should be the way in which a portion of the interest should be paid, till the railway paid for itself.

1288 *Mr. Beach*] You stated that a Road Cess and an Educational Cess were paid; would an additional Cess for works of irrigation be considered unjust?—No, certainly not; it would increase the produce of the land so much that, I think, they could pay it out of the increased productive power of the land. In fact, in this large scheme of ours, that is how we propose to repay the interest on the capital which the Government would advance, by an enhanced Cess, under the name of a water-rate, which would vary with the different crops grown on the land which was irrigated.

1289. Would that have a good influence also on the inferior portions of the soil?—Yes; very often it would not do so much for the rich portions of the soil as for the inferior; much of the inferior would, with water applied to it, give a good crop, which now gives next to nothing.



## Cesses on Land Revenue.

1290. It is not from the intrinsic nature of the soil, but from the want of water, that it is poor?—Yes, in some cases; in others, it is from the intrinsic nature of the soil.

1299. *Mr. J. Elphinstone* ] In the course of an Irrigation Work, or a Road, or a Railroad, which you proposed to carry into a distant part of the Country, would it be possible for the Collector or the leading man in the Country to come to a local negotiation with the people, by which they would bind themselves to find the interest of the money, or to repay the capital within a certain number of years, at a certain rate; do you think that that could be done by private negotiation in the different Districts?—Something might certainly be done; and it would be most desirable to lead the people along with one in matters of this kind. I do not know how it might be in more intelligent parts of India. I do not think that, in the Central Provinces, anything that the Collectors might do, in regard to the realisation of money from them, would be looked upon as anything else than a Government order. Even in the more intelligent parts of India I think it would not be easy to get people to agree to it by any mutual arrangement. At the same time, I think the Government could easily convince them that they were bound to repay them when they brought them any material improvement.

1348. *Mr. J. B. Smith* ] Do you think that, under the engagement with the Government, the Government could make a local charge upon them for Roads?—Yes; I think they could, provided there was a direct and immediate benefit conferred. If you could prove that there was a road made through their Country by which they directly benefited; for instance, if there was a tract of country which was, previously, entirely locked up, and Government made a road by which they could get rid of their surplus crops, they would be able to make them pay for that.

1349. You are aware that that right of Government is denied in Bengal?—I am.

1350. Why do you think it will be acceded to in the Central Provinces?—There might be objections; but I think it is just, and that the people could be persuaded what it was that the Government had given up.

1351. If it would be just in the one case, would it not be just in the other?—Yes; and I see no reason why they should not, in Bengal, pay a Road Cess as much as any other part of India.

1352. Have any rates been made on those lands of which the Government have sold the proprietary right in the Central Provinces?—They pay the Road Cess in addition.

1353. But has it been levied in any case?—The Road Cess is not levied only where the amount of the land is very small; but, where the amount of the land is such that the computed value would be of a certain amount of money, it is paid as Road Cess.

1354. But is it paid on that land?—Yes, it is exactly the same as rent-free tenures; they do not pay the Government revenue, but they pay the Road Cess and the Education Cess, and, in the same way with regard to the feudatories, they pay the Road Cess.

1368. *Mr. Eastwick* ] I think you said that Government were justified in imposing a cess for Roads, and for Education, on the cultivators after the settlement had been made for 20 or 30 years?—Yes; provided there was some direct and immediate benefit to them not shared in by the other Districts.

1369. And who is to be the judge of that direct benefit?—The Government itself; and, of course, the people would be able to represent their views in the matter; they would represent them in conjunction with the Government officer, and, if they could show that the benefit to them would not be so direct or immediate, as what it was supposed to be, their views would be listened to.

1370. But, in the case of the cultivators representing that they did not derive any benefit from a Road or Railroad, and, in fact, declining to pay, what would be done; would they levy the money by distraint?—Yes, but, to do that, I think the Government would have to pass an Act specially empowering the Head of the Government, the Chief Commissioner, or the Lieutenant-Governor, to realise a certain Rate for such and such a purpose.

1371. But they would overrule the representation or the remonstrance?—Yes, if they thought it groundless, but not otherwise; and I think that, in cases of that kind, the people would be certain of justice at the hands of their own Local Officer.

1372. Have you ever heard of an instance of remonstrance against the Cess?—No, because it is quite a new principle that we are attempting to introduce. I have myself been proposing it to Government for this Raepore Railway.

1373. In the case of this great scheme, the Kanhan scheme, is it proposed to levy a Cess there?—Yes; it is proposed to realise the Canal Revenue in the form of a water-rate, which is assessed on the land which benefits from the water. An Act would be passed empowering the Local Government to realise such and such a Rate, but then, in a case of that kind, if the people refused to take the water, Government would not take the rate from them. It was proposed in India that they should be actually forced in the matter; and that if they did not take the water, they should still have to pay; but I am hardly prepared to go that length.

1374. There have been difficulties of that character in Orissa, and some other places, have there not?—Yes; but I think that those who take the water would be seen to get such an enormous benefit, that the others would only be too glad to take it.

1402. *Mr. B. Denison* ] I think the tendency of your evidence before the Committee has been to impress upon us that what is taken from the proprietors of the soil as land revenue, is in the nature of revenue, and not as a final tax, final for all purposes?—Certainly that is what I mean; that it is merely land revenue as land revenue; but the Government have the option

CHAPTER XI.

CENTRAL PROVINCES.

Mr. J. H. MORRIS,  
18th April 1871.

A cess for irrigation works or railways could not be negotiated with the people by mutual arrangement, because the desire of the Government for such an arrangement would be regarded as a Government order.

Compulsory Cesses justifiable, provided there is some direct and immediate benefit from them to the District.

But, as regards irrigation, if people did not take the water, they should hardly pay the rate.

*Cesses on Land Revenue.*

CHAPTER XI.  
CENTRAL PROVINCES  
MR. J. H. MORRIS,  
18th April 1871.

open to them, I think, of imposing other taxes, if they think fit, provided a direct and immediate benefit can be shown in return for which these taxes are to be paid.

1403 Then should you conclude, from your experience of the Central Provinces, that the temper of the people in the other Districts where the land revenue settlement is now of long standing, would be the same as in the Central Provinces with regard to extra taxes?—I think, in the North-Western Provinces, the people have no doubt come to look on the extra Cesses as being as fixed and immutable as the land revenue. They have not, perhaps, been given to understand that the Government did reserve to itself certain rights to fix these taxes, but the people have come to consider that the Road and Educational Cesses' Rates are as fixed as the Government revenue.

1404. Do you know whether, either in the Central Provinces or in any other parts of India, objection and remonstrance has been made by the holders of rent-free tenures to these cesses, the Road Cess and the Educational Cess?—I do not recollect any particular case of remonstrance, but there was something in the North-Western Provinces about it. At Allahabad, something came up about it I do not recollect, however, whether the Government take the Road and Educational Cesses from the rent-free tenures in the North-Western Provinces.

1405 You have said, more than once, have you not, that in the event of any great local improvement, such as a road or canal being imposed, the advantage of which could be made clear to the occupiers of the adjoining lands, there would be no objection, on their part, to contribute a Cess towards the erection and maintenance of them?—They might object, but I do not think it would be a valid objection, but one that might be overruled. If they could show that the benefit was not so direct or immediate as the Government assumed it to be, and that the Government were incorrect in their data, then, I think, they would have good grounds for resisting the tax, but if the only objection was that the Government assessment had been finally fixed at the time of the settlement, I do not think that ground of objection would be a good one.

1406 For instance, in the case of a canal, you do not see any objection to calling upon neighbouring proprietors to contribute to the expenses, though they may not want to have the water?—Yes, I do. I do not go the length of saying that, in such a case, you can make a man pay; because I do not see what the direct benefit would be to him. In the case of a road, he would have the benefit, whether he wished it or not; but in the case of irrigation, he would not get any benefit from the water unless he took it.

Would not make people pay for water from a canal if they did not use it.

1407. But are you aware that, in other parts, some canal officers have insisted upon charging water rent to proprietors who have refused to take the water?—Yes, that has been proposed; and it has been argued that the objection of the few should not militate against the good of the many, but I think it is, perhaps, pushing it to an extreme. In fact, I may say that, by taking the other course, the people themselves would see their neighbours benefiting so much from the water that they would soon get it for themselves.

The cess proposed for meeting the expense of the Raepore Railway would be tentative.

1408 But, supposing your principles were carried out, you do not apprehend any political danger?—I do not, in the Central Provinces, certainly; but, at the same time, I wish it to be observed, that the measure would be a tentative measure, and, in proposing this plan for the Raepore Railway, I meant that the Government should leave it to me to see how far we could realise this, and that, if we found that there was difficulty in realising this, then we should get the revenue from other sources.

1409 Do not you think that the temper of the people in the Central Provinces may be, in a great measure, owing to the newness of the Administration, as it were, and their inaptitude to call in question Government measures?—Partly so, perhaps I think that we might say, on the other side, that the temper of the people in other parts of India may, perhaps, have been induced by the Government not having sufficiently asserted their rights, and the people having assumed that they had certain rights and privileges which, in reality, they ought not to possess.

The people in the Central Provinces are a more simple and a quieter race than those in the North-Western Provinces and the Punjab.

1410. But it would not be incorrect, would it, to say, that the population of the Central Provinces are a more simple and unsophisticated population than that of other parts of India?—They are a more simple and a quieter race than they are in the North-West and the Punjab.

#### OUDH.

OUDH.  
SIR C J WINGFIELD, K.C.S.I., C.B.,  
25th March 1873.

In the Settlement instructions for Oudh issued by Sir C Wingfield the rates of road, school and district post cesses, aggregating 2½ per cent. on the land revenue, were fixed for 30 years, and to raise them before the termination of that period as has

2049. *Chairman.*] What were the offices that you held in India?—Different offices in the Civil Service. The last office I held was that of Chief Commissioner of Oudh.

2050. Will you explain to the Committee what steps were taken to impose Local Cesses in Oudh?—Perhaps I had better state, first, the instructions which were given before the settlement was commenced for the levy of Cesses in Oudh. I will read two paragraphs of those instructions. They refer to the levy of the Government revenue and Cesses. The first is this: "The average gross rental [of an estate] having been determined after careful consideration of the capabilities of the estate, both present and prospective, and after duly weighing the circumstances which may influence the value of the staple product of the District, the [Government] demand will be fixed at the proportion of 51¼ per cent. [of the rental] as hereafter explained." Then those instructions are given with regard to the Police Fund and the fund for the payment of Village Accountants, and it was decided that the Government should not interfere in any way with them, but that those functionaries should continue to be remunerated as they have been, from time immemorial, by the voluntary payments of the

## Cesses on Land Revenue.

villagers. For the police, the villagers were required to set aside three acres of land, besides their customary dues; and the reason which I gave, then, for not interfering with the payment of the Village Accountants was, that the substitution of a cash salary is extremely distasteful to the people themselves, and that I would prefer to see the Village Accountants continue to be remunerated as they had been from time immemorial. Then, with regard to the other Funds, namely, the Road, School and District Post (those were the only three remaining Funds to be dealt with), the instructions were these: "There remain the Road, School and District Post Funds. Of these, the Road Fund only has, as yet, been levied in Oudh" that is, under the Temporary Settlement made on the occupation of the Province. "The levy of any Cesses in addition to the Government demand proper is viewed with great suspicion by the people who regard them as exactions to which no limit can be assigned, and by far the preferable course, in the Chief Commissioner's opinion, is to include all Cesses in the Government demand, and to set aside, from the General Revenues thus raised, a fixed proportion for specific objects. The people greatly prefer this course, as they then consider that the State, by devoting a portion of its revenue to the maintenance of institutions calculated to confer great public benefits, is performing its proper functions, towards which they should not be called on to contribute. The Chief Commissioner has, therefore, with the consent of the Government of India, determined to fix the Government demand at 51½ per cent. of the average gross rental, and of this sum, 50 per cent. will be credited to the Imperial Government, and 1½ per cent. will remain at the disposal of the Local Government, to be devoted to the purposes marginally noted." It should be stated 1½ over and above the 50, because 1½ on every 50 rupees of the Government revenue is 2½ per cent. Those were the instructions. Now, my object was to give the proprietors of land security that their Cesses would not be raised during the currency of the settlement, that is, for 30 years. When the assessment of an estate is fixed, a contract is drawn up, signed by the proprietors and by the Government officer, in which the terms are defined, and the payment is fixed. Now, as the demand of the State was here fixed for 30 years, and the Cesses were included in that demand, the Cesses were also fixed for 30 years; and to raise them before the termination of the contract is, in my opinion, to modify the terms of that contract. I am aware that, before the Act of 1871, which authorised the levy of 2½ per cent. additional from the proprietors of land, was passed, the consent of the Talookdars (who are the great landed proprietors of Oudh, like the Zemindars of Bengal) to double the Cesses, that is, to pay an additional Cess of 2½ per cent., was obtained; but I also know very well that such consent is never voluntarily given. It is obtained through administrative influence, and it is given because they feel themselves helpless, and from the fear of provoking worse measures by resisting a request put to them, in that way, by the Chief Commissioner. And I also think that it is not a dignified thing for one party to a contract, and that the stronger party, to ask the other and weaker party to agree to a modification of the terms of the contract to his disadvantage; but, even assuming that the consent of the talookdars or great landowners was voluntarily given to the doubling of the Cesses, still one-third of the soil of Oudh is owned by peasant proprietors, and their consent was never asked; so that the terms of the contract were modified without the slightest reference to them, at the pleasure of the Government. Now, with regard to the views which I have stated with reference to the Cesses, that the imposition of additional Cesses after a settlement had been concluded, was excessively obnoxious to the people, who regarded it as a departure from the engagements, they are views which many men of experience had been led to entertain by the Mutinies; I for one. People who were fugitives during the Mutinies, like myself, often heard many things which, in other times, would never have reached their ears, and I did not know that the practice which had grown up in the Upper Provinces after the settlement, of getting the people, by what was called, their voluntary consent, to pay an Education Cess, or some Cess of that kind, which was not in their settlement engagements, was excessively unpopular, and was regarded as a breach of the contract entered into. I was so very much impressed with that, that I wished to give the landowners of Oudh a security that the amount of Cesses fixed at the settlement should not be exceeded during the currency of that settlement.

2051. Did you make any remonstrance to the Government on the subject?—Yes, in England, long after I had left India. When I saw that this Act had passed, doubling the Cesses, I extracted the passages which I have read to the Committee, and stated the views which I have now expressed to the Committee, and communicated them to the India Office. At this moment, I cannot exactly recollect whether I sent it to the Secretary of State, or to Sir Robert Montgomery, with a request that he would bring it before the Council: one or the other I certainly did.

2052. Did you get any acknowledgment of the receipt of the paper?—No.

2053. Or do you know what has become of it?—No. That is all I have to say on the subject of the raising of the Local Cesses in Oudh. There is one other point which I should like to refer to. In the examination of Mr. Harrison I said that the imposing of a Road Cess in Bombay after the settlement had been concluded had been disapproved of by Sir Charles Wood, and declared by Sir John Lawrence to be a breach of faith. I took that from a Parliamentary Return, and I have referred to it now, and I find that it is a minute of Sir Frederick Halliday with regard to the imposition of Local Cesses on the landholders under the permanent settlement in Bengal. I am not going to refer to that question, but an argument had been drawn from the imposition of a Cess in Bombay, and Sir Frederick

## CHAPTER XI.

## —

## —

SIR C. J. WINGFIELD, R.C.S.I., &c.  
25th March 1873.

been done by the Oudh Local Rates Act of 1871 was a breach of the contract. The Oudh Talookdars did, indeed, consent to double the cesses; but Sir C. Wingfield knew very well that such consent is never voluntarily given. People who were fugitives during the Mutinies, like Sir C. Wingfield, often heard many things which in other times never reached their ears, and witness knew that the practice which had grown up in the Upper Provinces after the settlement of getting the people, by what was called their voluntary consent, to pay a cess of some kind which was not in their settlement engagements, was excessively unpopular, and was regarded as a breach of contract with them.



*Cesses on Land Revenue.*

2065. But, under the Native Governments, was it the practice, in addition to the collection of the land revenue, if works of a local character had to be carried out, to have them carried out by forced labour?—Speaking to the best of my knowledge, I do not think that the Native Governments ever carried out what I may call District works of merely local utility. If they wanted to build a palace, or a great bridge over a river, they would use forced labour, no doubt, I do not mean unremunerated labour; but they would compel labour.

2066. But, so far as they had some local works carried out, was it not the practice to have those carried out by forced labour at unremunerative rates, imposing a considerable burden upon the inhabitants of the District?—I think it is very likely that they did not get the full remuneration; but they must have been kept alive while they were doing the works. But, then, I do not think that what the Native Governments did is any authority for us, because there is no enormity which you cannot justify by reference to Native usage; and if we could do nothing better than produce the Native model of government, I do not see what right we have in India at all.

2067. For the purpose of ascertaining the nature of the land revenue as compared with any Special Taxes for the purpose of improving the Districts for the benefit of the landowners, I understand your view to be, that, although the majority of the landowners of a District may wish works of local improvement to be carried on for the local improvement of the District, the Government, by its proceedings, especially those which you have brought before the Committee, has reduced itself to a state of utter impossibility, and made the inhabitants share that impossibility, of doing any good in the Country?—There would be nothing to prevent the landholders subscribing among themselves to have a road made and asking the Collector to make it; but I say that the Government deliberately said, only 10 years ago, that a Cess of 2½ per cent. would suffice for local purposes, and they gave a distinct assurance to the people that that would be the limit of the Cesses throughout the term of the settlement, and I do not think that they ought to raise it during the term of settlement.

2068. Then it is your view, now, that nothing can be done except by spontaneous benevolence on the part of the inhabitants, each person assessing himself to the extent he likes?—Yes, during the term of settlement.

2069. Is it your opinion that the proceedings of the Government in this respect have been politic or impolitic; that they have been beneficial or injurious to the general welfare of the Country?—I think decidedly injurious; because to shake public faith, to make the people think that the Government is grasping and overreaching, and does not abide by its deliberate engagements, must be injurious.

2070. You think, perhaps, that it would have shown more foresight if the Government had intimated at the time the possibility or reserved the possibility of levying rates for carrying out works for the benefit of the inhabitants?—Perhaps, if the Government had foreseen this difficulty, they might have reserved their right to levy Cesses apart from land revenue; but, at the same time, that is a right which must be exercised with very great caution, because it is absurd to limit the assessment on the land for land revenue, and then to retain power to put on Cesses to any extent, because for all practical purposes that amounts to an increased demand from the land. Whether you assess 100 acres of a man's land and take payment from him as owner of those 100 acres, or whether you put a Cess or Cesses upon him as owner of those 100 acres, it comes to the same thing. In either case the demand is from this land.

2071. Is not the difference this, that, in the one case, the demand of the Central Government may be defrayed wholly beyond the view of the person assessed, whereas in the other case the limit of the assessment is the cost of the work that is to be done for his benefit, and therefore, the thing regulates itself?—No; because these Cesses have been imposed, not with reference to the means of the man assessed, but with reference to the value of the land which he holds; and on that he pays a separate land revenue demand.

2072. But, if the money is to be paid exclusively for the benefit of his District in making Roads, Canals or Irrigation Works for his District, surely, that is a sufficient limit to the demand?—I do not see how that imposes any limit, because the ideas of improvement may be so very large. Certainly some Rulers would have no scruple in taking any amount of money from the people for what they consider such beneficial objects.

2073. Do you think that they could be trusted with the power?—Most certainly not; and that is why I disapprove of the Decentralization Scheme, because it puts the Local Governments more under a direct motive to screw as much as they can out of the people; and I know, by experience, what crotchets and fancies Local Governors have.

2074. You think that, having regard to their permanent connection with the people over whom they rule, it is not desirable that the Local Governments should have the power which is given under this Decentralization Scheme?—Certainly not, if the Government of India interposes no check, or places no restriction on their power of levying Local Rates; I think it would be most dangerous.

2075. Do you think it would have been a better policy if the Government had continued its responsibilities with regard to the taxation of the people, and had either assigned a fixed sum to the Local Governors to spend in their Districts in Local Administration; or, as the other alternative, if they had left them the Local Taxes generally, and required them to remit to the Imperial Treasury a certain sum out of them?—I do not think the plan of giving them Fixed Assignments altogether a good one, because it offers no inducement to economy, and

CHAPTER XI.

SIR C J WINGFIELD,  
25th March 1878.

Even if Government has the right to increase the rate for cesses during an existing settlement, the right must be exercised with great caution, because it is absurd to limit the assessment on the land for land revenue and then to retain power to put on cesses to any extent, because, for all practical purposes, that amounts to an increased demand from the land.

*Cesses on Land Revenue.*

## CHAPTER XI.

—  
OUBH.SIR C. J. WING-  
FIELD.

25th March 1878.

those who asked most would get most; but I approve of the plan of Sir Charles Trevelyan, to leave the Local Governments whatever surplus remains after defraying Imperial Expenditure and Civil Establishments.

2076. Without giving them any power to levy taxes?—They should have no power to levy taxes without the consent of the Supreme Government.

2077. That is to say, the responsibility of levying the taxes should be the responsibility of the Supreme Government, and the Local Governments should be left to make their economies in the best mode of administration out of the taxes levied in their District?—Yes; and if they had the spending of that surplus, they would have a motive for economy. As it is, if an economical ruler saved money by reducing his establishments, he did not get the benefit of it; it would go to supply the demands of some extravagant Province.

2078. *Mr. Bourke.*] With regard to the communication which you made to the India Office, in that communication did you apply any of your great local knowledge and experience in the Province of Oudh to the question as to whether the 2½ per cent. Local Cess that was imposed by the Act several years ago was sufficient, in your opinion, to carry out the local requirements of the Country in regard to Communications, Roads, and so on?—No; but what I say is, you made, deliberately and advisedly, an agreement and stipulation, and whatever the inconvenience might be, you are bound by it for the term of the settlement.

2071. You only, in fact, turned your attention to the question of what you considered to be the breach of faith?—Yes; because I have always held that the most important point to be attended to in our connection with India is, that we should preserve our character for strict observance of our promises; and I believe that, in the earlier times of our history, it was the reputation that we acquired for this scrupulous adherence to our pledged word, that we mainly owe the establishment of our Indian Empire.

2080. *Mr. Cross.*] And you think that no expediency ought to induce us, under any circumstances, to break that faith?—Certainly.

2081. *Mr. Fawcett.*] The breach of faith which you describe, I understand to be analogous to this: in this Country the Crown has certain lands; the rents of those lands are devoted to the General Revenues of the Country; if the Crown promises a tenant to let the land on lease for 30 years, and, in addition to the fixed rent for 30 years, said, "I will charge you a certain sum for improvements, and I will charge you no more than that sum," and if, afterwards, the latter sum for improvements were arbitrarily doubled, you would consider that, in that case, there would be a very great breach of faith?—Certainly.

2082. And that is a case analogous to what has taken place in India, is it not?—Yes.

2083. And it is a breach of faith which would be just as bad as it would be if a private landowner disregarded the covenant of a lease, and charged a greater rent than the lease authorised him to levy, and, then, in those cases, the tenant would undoubtedly have a remedy in a Court of Law?—Yes.

2084. And you, I suppose, agree with the opinion that there is really no difference in the breaking of a promise, whether the land is owned and let to a cultivator by the State, or whether the land is owned by a private individual and let by him to the cultivator?—No, certainly not, in the one case, a man has a remedy, but, in the other case, he has none.

2085. Therefore, it is all the more important, having no remedy, as he has no security except a moral one, that that moral right should be sacredly protected to him?—Yes; on that point there is a very remarkable passage in a speech of Mr. Fitzjames Stephen, lately Legal Member of the Governor General's Council. Having obtained the consent of the Talookdars to increase the Cesses, not the consent of the peasant proprietors, then they pass an Act to legalise this doubling of the Cess. Now, of course, the Legislature has the power to do that; you cannot dispute the legality; but, as Mr. Stephen said, when he was meeting the argument, that Lord Cornwallis in making the Permanent Settlement of Bengal, had assumed a power of binding his successors which he did not possess, and meeting also the argument that the Permanent Settlement of Bengal should be repealed, "It may be affirmed, with perfect truth, that your Lordship and the Council have the legal power to repeal the Regulation of 1793, which embodies the Permanent Settlement System, just as you have the legal power to do a vast number of other things, good or bad; but whether you have the moral right to do it is a separate question, which requires independent consideration." In considering the question of the moral right of the Government to alter the arrangements made at the Permanent Settlement, it appears to me that the leading consideration to be kept in view is as follows: we are not a representative Government, with every wish on the part of every Member of the Government to use his powers for the benefit of those whose interests they affect, it is impossible not to feel, at every turn, how great are the differences between the Governors and the Governed, and how supremely important it is for all parties, that, whatever else the people of the Country may feel about their Rulers, they should feel perfect confidence in their good faith, and in their scrupulous observance of their promises. A really representative Government may deal with the pledges of their predecessors in a very different way from a Government like ours.

2086. *Chairman.*] Do you recognise in this preamble of the Regulation relating to the land revenue in Bombay, and in the clause that I will read to you, a clear definition of what the land revenue in India is. This is the Regulation of 1827, under which the land revenue is assessed in Bombay: "Whereas it is expedient, with a view to the protection of the rights of the State, and of individuals, that the principles on which the public revenue is assessed

*Cesses on Land Revenue.*

and its realisation secured and effected, should be made, knowing that authorised receipts on account of revenue should be regularly and correctly recorded, and unauthorised exactions promptly punished; and the powers and responsibility of subordinate revenue officers, of farmers, and of superior holders of land should be defined." Then it goes on to other details; and, then, the Regulation contains this declaration: "All land, whether applied to agricultural or other purposes, shall be liable to the payment of land revenue to Government, according to the established principles which govern the assessment of that description of land to which it belongs, except such as may be proved to be either wholly or partially exempt from the payment of land revenue, under any of the provisions contained in Chapters IX and X of this Regulation. Provided, however, that nothing contained in the preceding clause, or in the enactments therein cited, shall be understood to affect the right of Government to assess to the public revenue all lands, under whatever title they may be held, whenever, and so long as, the exigencies of the State may render such assessment necessary." Do you consider that, with that definition of the land revenue, and that declaration, an assessment made under this Act could be held in any way to prevent the Government passing a law, if it were necessary, to make roads and bridges in the Country, to levy a contribution from the land for payment of the expense of those roads and bridges?—The best proof that that was not alone sufficient was, that they brought in an Act to enable them to levy the Cesses afterwards in 1869.

2087. Was not that the legislative mode of exercising the power of the Government in the same way that this Regulation was made. It was not a question of the right of the Government?—The practice has always been, as was pointed out in Sir Frederick Halliday's Minute, to fix Cesses at the time the settlement is made, when they are engaged for, with the rest of the revenue; and it has always been thought that you cannot levy a Cess during the currency of the settlement after these engagements are concluded.

2088 Has not the difficulty arisen from the want of a reasonable foresight on the part of the administration of the Government of India in not declaring to the community the proper nature and conditions of the land revenue and the assessments under it, so as to prevent these questions arising, and which, in point of fact, were perfectly well foreseen by reasonable persons at the time that the assessment was made?—No; I think the right principle was always regarded as being that Cesses should be fixed at the time when the land revenue is fixed; because, if the Government of India in former times were to have laid down such a principle as this, "We fix your land revenue, but we reserve to ourselves perfect freedom to impose what amount of Cesses we like," that would have neutralised all the benefit of the limitation of the demand, because there was no limit to be assigned to these Cesses. When the Permanent Settlement of Bengal was made, the Government repudiated, on their own part, what were called the irregular exactions above the Government demand, and they ordered the zemindars to discontinue their irregular exactions from their tenants. In fact, it is the limitation of the Government demand that creates property in land. If the Government can take the whole rental, there is no property left. Property in land in India entirely depends on the moderation of the Government demand.

2089. *Mr Pascoe's*] The 30 years' Settlement, in fact, becomes a meaningless farce, if, after you have made a 30-years' settlement, you can impose new Cesses on the land simply at the free will of the Government?—So it has always appeared to me.

2090 And, according to this action which the Government has taken, the peasant proprietors in Oudh have no security whatever, that, if the exigencies of the Government increase, they may not find Cess after Cess to any amount imposed?—Certainly, none.

2091. So that, actually, in this indirect way, although the rent of the land was fixed by a 30-years' settlement, there is no reason why it should not be doubled?—None but the moderation of the Government of the day, their ideas of moderation, that is to say.

2092 And those vary from time to time?—Yes.

2093 And, as far as the cultivators of India are concerned, they have no security, with recent transactions before them, that these Cesses on their lands will be, in any way, limited simply to carry out improvements on their lands, because Cesses on the land have been imposed for education, have they not?—Part of the amount has, I have no doubt.

2094 And there is nothing whatever under this new Decentralization Scheme, is there, to prevent these Cesses on the land being devoted to any one of the purposes which have to be defrayed out of Local Taxation?—I should not like to answer that question without looking at the Act. The Act, I think, does contain some provisions saying what objects are to have a prior claim.

2095. Yes, prior claims; but still some of those that have the prior claim are not by any means confined to the improvements in the land. For instance, great as the advantage of education may be, education does not directly carry out landed improvements?—I think the Act says that the bulk of it is to go to making Roads; but, at all events, that is discretionary.

2096. You could not, for instance, assure a peasant cultivator in Oudh, if this system is sanctioned, but what he might find that Cesses were imposed on him for a great variety of purposes unconnected directly with effecting improvements in the land?—Certainly that is the case. Sanitation, for instance, is one of the things, they may take to filling up the cessa-pools in every village, or something of that kind.

CHAPTER XI.  
SIR C. J. WINGFIELD  
25th March 1873.

Cesses which can be increased at the pleasure of Government, during the currency of a settlement, are incompatible with property in land, which depends on the limitation of the Government demand. The 30 years' settlement, in fact, becomes a meaningless farce, if, during its currency, new cesses can be imposed simply, at the free-will of the Government.

*Cesses on Land Revenue.*

## CHAPTER XI.

—  
ODISHA.SIR C J WINGFIELD,  
25th March 1873

2097. And, as far as I understand, a Cess might be imposed on land for the sake of carrying out higher education, might it not?—I do not see anything, in principle, to prevent it, having once admitted the principle that you can impose Cesses *ad libitum*.

2098. As I understand you, if it had not been for this Decentralisation Scheme, which virtually deprives the Local Governments of 350,000*l.* which before they had been accustomed to receive, a great part of the necessity of imposing this new Cess in Oudh would not have existed, would it?—No; I understand that the Decentralisation Scheme is made the plea, and it has reduced the Grant in Oudh by 15,000*l.* And in the Decentralisation Order you will find it is particularly mentioned that the Deficit must be made good by the Local Governments, and they refer to the Local Taxation that either has been, or is now being, introduced, and Oudh is mentioned as one of the Provinces in which it is being introduced to supply this Deficit.

2099. Therefore, I understand that you agree with the view which I believe was brought forward by the Chairman on the last occasion, that the Imperial Government, in order to relieve themselves from the responsibility of raising 350,000*l.* by Imperial Taxation, imposed this necessity on the Local Governments, and the result of that necessity has been that all kinds of new Cesses and other taxes have been imposed which have caused great alarm throughout India. And these new Cesses, so far as your opinion is concerned, make our Government have to bear the charge of breach of faith towards the people of India?—Yes wherever Cesses have been imposed subsequent to the conclusion of the settlement engagements during the currency of those engagements. In fact, the early part of the question which you have put to me is identical with the question which I put to Sir Charles Trevelyan when I asked him whether it was not the act of the Government of India that has led to this creation of new Cesses for Local Taxation.

## BRITISH BURMAH.

## BRITISH BURMAH.

COL SIR A P  
FRAYAS

18th April 1871

1498. *Mr. J. B. Smith.*] Supposing that the Government executes public works, have they any right to assess the people for those?—Yes; I think they have, for the benefit of the whole.

1499. Has any experiment of that kind been made; have they ever been called upon to contribute?—Within the last six or seven years, for the first time, in Burmah, a Cess has been laid for public roads, for education, and for rural police.

1500. And has it been cheerfully paid?—It has been cheerfully paid; I never heard any objection to it.

1501. The people appreciate the benefits to be derived from it?—Undoubtedly they do.

## BRITISH INDIA.

## BRITISH INDIA.

MR. S LAING  
2nd July 1873

7719. *Mr. Laing.*] You were talking about Local Cesses just now. Is it your opinion that Local Cesses ought to be levied for the various objects enumerated, Education, Roads, and so on, in those places where there has been a Permanent Settlement?—Yes, I think so.

7720. You think that it is something quite beyond the objects for which the Permanent Settlement was made?—Yes; I think that if the man who holds under a Permanent Settlement is in the position of an English landlord, that is as good a position as he can fairly expect to be in; or an English landlord, say, with his land tax redeemed. You have no right to increase that specific assessment, but I think that he may be fairly subjected to such Local Rates as the land-owners in England and other Countries are for purely local objects from which he derives a benefit in his own locality.

So long as the line can be drawn between a district and imperial charges, it is perfectly fair, on the analogy from the position of an English landlord, to levy a cess for the local expenditure from even permanently-settled estates which are benefited, but the principle must not be stretched so as to throw imperial taxation on the estate.

7721. Especially, if it is a manifest benefit to him among others in the locality?—Yes. There are many of those local objects of which it is difficult to trace the benefit home to the man. I mean it need not be for a road to his own estate, but it is enough if you make a road through the District, or if you establish a good local police and local schools; in fact, very much the same class of objects as are carried out in England by local taxation.

7722. And, as a matter of fact, such improvements have increased the value of property, have they not, in India?—I should say so, immensely.

7723. And therefore those who pay these Local Cesses, in addition to what is paid under the Permanent Settlement, are better able to pay both than they were formerly able to pay?—Yes. It is, of course, a matter of discretion in each case; you must not carry that principle so far as to make it apparent that you are throwing on him what is purely Imperial Taxation, pretty much as in this Country, there are certain expenses which are evidently local and paid out of Local Rates, and there are others which are Imperial. As long as you can draw the line, pretty much as you do in this Country, I think you have the right to levy that Local Taxation.

7724. You may, of course, levy so much that a man's daily life may be made much more intolerable, for the sake of future benefit; that you would not recommend?—You must be careful not to go too far; because the Indian public are impatient of taxation; probably, if you were to consult their wishes, they would rather stand still than pay this Local Taxation, therefore you must not hurry them too fast and impose this Local Taxation on them too rapidly, even for useful objects.

7725. That impatience of Local Taxation for local objects is not confined to India, is it?—No; still, I fancy it is stronger in India than it is in this Country.

Impatience of local taxation is stronger in India than in England.



*Cesses on Land Revenue.*

7726. You perhaps know that in this Country those Local Authorities are subject to the greatest unpopularity, who are the most improving in the way of drainage and other purposes, which the locality often very much requires?—These things are all questions of degree; still, I think, you may assume that most Indian communities would be satisfied with a less amount of those improvements than an English community would, rather than pay for them; that where an English community would rather pay and have the water or the schools, the Indian communities would rather not pay, and go without them.

7727. Now, is it the fact that the Road Cess falls entirely upon the ryot, half indirectly and half directly?—Of course it is always a question, where part of a tax is imposed on the landlord, how far he recoups himself in the rent.

7728. In such a case, as it is very often done in England, it is settled in the rent?—Yes; I suppose that, probably, in the long run, the laws of supply and demand bring the rent up to the point that people can afford to pay; and, therefore, in the long run it falls on the tenant in paying higher rent.

7729. *Chairman*] If he can afford it?—Yes. In Scotland, where Local Rates have generally been paid by the landlord, the landlord has been, I should say, a good deal more than recouped by the higher scale of rents.

7730. *Mr. Cave*] Would you say that the expenditure, generally, throughout India has had the effect of very much increasing the prosperity of the Country and the rate of wages paid for labour?—Enormously, both the scale of wages on that immense population, and the value of property of all sorts and conditions, have risen immensely since the mutiny.

7731. You would say that, in all cases of expenditure for such purposes, whether wise or unwise, the question is one rather of degree than principle?—Yes, I think so. I think that the Government of India is very much more a question of tact and ability on the part of the men who administer it, than one of the application of broad general principles.

7732. You may go so far with your improvements as to be a bankrupt before you reap any return from those improvements?—I should hardly say bankrupt financially; but you may make yourselves very unpopular in India if you go on too fast.

7733. Therefore, you would say that all that is required is great care in each individual instance, so as not to go so far and so fast as to be oppressive and unpopular with the people?—Yes, I should say that we have gone on extremely well in India for the last 10 years, and that our object should be to go on pretty much as we have been going on, exercising tact and discretion, and not doing things that will be unpopular, without a clear necessity for them.

7734. *Chairman*] Do you think that the distinction, with regard to local expenditure, between India and this Country consists in this, that, in England, the people from long habit look to the Local Authorities and to local opinion as responsible for what is done in their District, and for any inconvenience or taxation that they suffer; whereas, in India, the people hold the Government responsible for everything that happens, whether done by Local Authorities or not, and decline to recognise any other responsibility or Authority but what they call the Government?—I should rather doubt that being the case; I think, in India, the tendency was rather the other way, to look to the man in authority in the District as the Great Man and Supreme Ruler, no doubt that may be diminished, somewhat, by the facility of intercourse by railroads with Calcutta, but, even now, I should think that a man in the Madras Presidency, where it is a question of Local Taxation, looks to the Chief Commissioner of his District and then to the Madras Government, quite as much as he does to the Supreme Government at Calcutta.

7735. I did not use the phrase the Government as representing any particular action of Government; but the view of the Natives is to consider every one engaged in the Government as part of one great whole; they do not enter into the question as to whether it is a Collector, or a Council, or the Government of India, but, to their mind, it is the Government, and they hold that Government responsible, is that your view of the subject?—Of course they have not the same faculty for self-government and self-reliance as we have in England; and, therefore, they look more to the man at the head of affairs; I merely meant to say that they look to the Local Authority very much, and that a great man, in the position of Lieutenant-Governor or Chief Commissioner, by personal intercourse with leading natives, and so on, very often induces them to accept, cheerfully, what might have been unpopular, if forced on them in an arbitrary manner without explanation.

7736. I meant that the people in this Country entirely discriminate between what are called Local Authorities and what is called Her Majesty's Government as regards responsibility for what is done in a District?—Yes.

2120. You also mentioned the importance of moderation in taxation, with regard to making the holding of land valuable to the people who hold it?—Yes; I think that property in land in India depends on that.

2121. Then you are, perhaps, confirmed in that opinion; I mention to you that, in the Madras Presidency, millions of acres were left uncultivated in consequence of the excesses in the land-tax?—I have read a great deal about the Madras Land Revenue Settlements in the Fifth Report of the House of Commons of 1812, and the Minute of Sir Thomas Munro, and of the other Madras officials. It was moderation in the demand, lowering the demand, that restored the prosperity of that Country. All property in land had been nearly annihilated under the Mahomedan rule.

2122. It was computed that when Lord Harris lowered the Cess, in one District alone upwards of 60,000 acres were brought under cultivation?—I can well believe it.

CHAPTER XI.

BRITISH INDIA.

MR S LAING.

2nd July 1872.

By proceeding too fast with improvements the Government may become unpopular

Whether the distinction between local expenditure and that of the Government is as clearly understood in India as it is in England?

SIR C WINGFIELD,  
K O B.

## Cesses on Land Revenue.

## CHAPTER XI.

SIR C. J. WINGFIELD, K. C. S. I.  
25th March 1878.

Employment of the people on public works.

The expenditure of the road cess will not apparently add to the value of the land.

Sir C. Metcalfe said that the native road was as good a road as the country people wanted.

Objection of the people to an increase of Cesses during the currency of a land settlement is universal, never knew any man voluntarily consent to pay one farthing more than he was bound by his engagement to pay, what was called voluntary consent was a mere farce.

The custom of forced labour having been converted into a money payment in the original road cess in one per cent, any increase of that rate during the currency of a settlement, as a further commutation of the value of forced labour, is not conceivable.

2123 With regard to the employment of people in carrying out public works, I may mention to you that the people of the Madras Presidency, most heartily and willingly, gave their labour for making all Irrigation Works. These works were immediately beneficial to the land, and they turned out in hundreds, and received remuneration only at a very low rate. That would be an instance where people would willingly contribute labour and time for carrying on their own public works?—Yes; and, in some parts of the Country where a cheap native system of irrigation could be carried on from streams running out of the hills, I have known the people, there, to come to the European officer, and say, "Help us to make an Irrigation Work from this point to that point," and they would give their labour.

2124 But, you are aware that, in the Madras Presidency, the thousands of tanks upon which the fertility of Madras entirely depended, were almost entirely supported and kept up by the voluntary labour of the people?—I dare say that was so.

2125. *Mr. Candlish.* ] As a matter of fact, will the increase of 2½ per cent. in the Cesses add to the value of the land by making roads and bridges?—I can hardly say that it would appreciably add to the value of the land. I do not say that the money will not be well spent.

2126. Would not any increase of intercommunication tend to the value of the land through which roads pass?—If you assume a Country destitute of roads, and, then, immediately make some, of course the effect will be very remarkably felt. But the Country was very well supplied with roads. Additional funds would, no doubt, improve them; but the Communications were at such a point that any very sensible increase in the value of land from improving them was not to be expected.

2127. Would the improvements which this expenditure would effect, give an increased value to the land?—I should think hardly appreciable.

2128. Would you regard the money as wasted?—No; I do not say that it is wasted, because it is always better to have a very good road than a moderately good road, and additional convenience would be secured; but, as to saying that it would have a direct effect on the value of the land, I do not think that things were at that point, that any very large advance in the value of land was to be expected by spending 2½ per cent. more upon roads.

2129. Better roads would give facility of intercourse, and would cheapen intercourse, would they not?—As a general principle that is so; but that is very much modified by local circumstances. No less an authority than Sir Charles Metcalfe said that the native road was as good a road as the country-people wanted.

2130. That would not apply to bridges?—No.

2131. If bridges are an improvement, would not the people get value for that increased Cess?—The money would be well laid out; but my objection is to the principle.

2132. I am asking you as to the matter of fact, do you think that they would get value for the increased Cess paid?—I think that is a matter which might have been left to the people themselves, I think they are very good judges of what improves the value of their land.

2133. Are there any other instances in which the Cesses have been similarly increased, in addition to Oude?—Yes, in the North-Western Provinces they have levied a Cess on the owners of land, an additional Cess for roads, and other purposes. In the Punjab they have done the same.

2134. Is there a universal objection to this increase?—I should think, certainly; because I never knew a landholder in India like to pay more than he was bound to pay; I never knew any man voluntarily consent to pay one farthing more than he was bound by his engagement to pay, what was called voluntary consent was a mere farce.

2146. *Mr J. B. Smith* ] Was it not the custom, in Oude, to force labour to make roads?—By the common law of India it is held to be a duty of the village proprietors to keep village roads in repair; and it would be necessary for that to be done constantly. I have no doubt, in Oude, when the king, or any great man, made his progresses through the Country, the zamindars were all ordered to put the roads in good repair.

2147. That was a custom of the Country?—Yes.

2148. That custom has since been abolished?—We consider that the Road Cess that has been imposed is in lieu of the obligation to repair roads. The obligation is commuted into a money payment.

2149. Then, in this new settlement, there was no clause abolishing forced labour, if it was found necessary?—Putting in a clause to abolish forced labour would be like forbidding any act that is notoriously forbidden. It has always been contrary to our principles to have anything like forced labour.

2150. But there was nothing in the new settlement which prevented the employment of forced labour, if it became necessary, was there?—Well, I should say that the whole principle and practice of our Government prohibited forced labour.

2151. But we are speaking now, not generally, but of Oude?—But when we bring a Country under British rule, we apply British principles to its administration.

2152. Even if you apply British principles in abolishing forced labour, may you not, instead of that, apply British principles in levying a Cess for Roads which were formerly made by forced labour?—So we did levy a Cess; and we fixed it at a certain amount.

*Cesses on Land Revenue.*

2153 Is there any reasonable ground to complain of this Cess, it being for the benefit of those from whom it is collected?—There are no grounds for complaining of the Cess levied at the time of the settlement, under the settlement engagements. The ground of complaint is against arbitrarily doubling that Cess, that is to say, taking twice as much as was agreed upon.

2154 But although they take more than was agreed upon, they abolish forced labour?—The British Government might just as well claim credit for not having continued slavery in Provinces where domestic slavery was in force, as for abolishing forced labour.

2155 Is there any analogy between the two cases?—I think so; both are repugnant to the principles of British administration.

2156 I suppose you are aware that it is not long ago since there was forced labour upon the roads in this Country?—Well, I never heard of it.

2157 The tenants were obliged to send men for a certain period to repair the roads; and that, in this Country, has been abolished, and in lieu of that we have levied highway rates. Is there anything unjust in doing the same thing in India, these highways being for the benefit of those who have to pay the Rates?—My position has been, not that there is an injustice in levying a Road Cess, but that, having agreed to levy a certain amount of Road Cess, for a given time, you ought not then, of your own motion, to go and break that engagement by levying a larger amount than you undertook to levy.

2158 Was it levied for the purpose of Road Cess only?—So much Road Cess, so much other Cess; three Cesses. I read out in the extract That is the simple point that I am contending for; when you have made a compact you ought to abide by the compact. You regret, perhaps, that you did not levy more, that you did not provide for a larger contribution than you did. Very well, you must wait till the settlement has expired, and you come to renew it, before you can increase it.

2159 But, as I understand it, the contract was that you should levy a certain Cess, and you had also the right of employing forced labour?—I do not see that you had a right of employing forced labour. At all events, as to the obligation, by the common law of India, on landowners to repair roads, you commuted that for a money payment; I only want you to abide by that money payment.

2160 How would you prove that that was commuted by a money payment?—Because it was. I mean to say that that was the object of levying a Road Cess. The right to levy, or the principle of levying a Road Cess was, that landowners were bound, under native usage, to repair roads.

2161. *Lord E. Fitzmaurice.*] Your objection then is to the increase and not to the levy itself?—Certainly, when the Settlement expires, and you come to make new engagements, if you think that the amount fixed at the last settlement is not enough, then propose double or treble, and, if the zemindars agree, there is no objection.

2162 Are your present remarks applying only to Oude?—They apply equally to the North-Western Provinces and to the Punjab, where, similarly, they have imposed additional Cesses on the landowners for roads; wherever, in short, the settlement engagements have been departed from.

2163 Then your remarks, in fact, apply to those three Provinces that you have mentioned; but do they apply also to Bengal?—That is a larger question which I should hardly like to commit myself to an opinion upon. It has been a very controverted question. You have the highest authorities, who have given their opinion both ways; but Mr. Stephen supported the levy of Cesses in Bengal, and said that it was not contrary to the Permanent Settlement, on this ground, that the Permanent Settlement left the question of Cesses entirely untouched. That is his ground; nobody thought of Cesses in those days, nobody thought of Education or District Post, or anything of that kind; and therefore, he said, you cannot suppose that they precluded themselves from dealing with such questions, at a subsequent time. But in these Provinces, the North-Western Provinces, the Punjab and Oude, the question of Cesses was dealt with and provided for. It is the breaking of this engagement by adding to the Cesses that I complain of.

2164. You mentioned just now a sort of consent that was got from some of the owners to this addition, what form did that consent take?—The Talookdars have an Association, what they call the British Indian Association, in Oude, and they had a meeting of the Association, and they signified their consent to doubling the Cesses; but, as I say, of course that was not done voluntarily.

2165. I understood you also to say that it was only the consent of the large proprietors, that is to say, the Talookdars?—Certainly, the others were never asked.

2166. The small proprietors were never consulted at all, and, so far as they were concerned, it was perfectly arbitrary?—Yes.

2167. *Mr. Lytton.*] The word Local is quite arbitrarily used in India, is it not; it may apply to areas as large as Oude or Bengal?—Yes; the term "Local Government" applies to each separate Government.

2168. There is no analogy in that use of it, with our idea of Local Taxation?—No; our Local Taxation implies self-government and self-taxation, I think.

2169. Here it always applies to areas extremely limited in extent, whereas, in India, it may apply to Bengal?—Yes, but then the taxation in each District would be levied separately per District, and spent separately per District.

2170. Was not the Road Cess in Oude levied for the whole of Oude?—No, it was always the practice to let each District spend whatever it contributed as Road Fund.

CHAPTER XI

SIR C. J. WINGFIELD, K. C. S. I.  
25th March 1878.

There is no analogy between local taxation in India, which is taxation by the Government, and local taxation in England, which implies self-government and self-taxation.

*Cesses on Land Revenue.*

- CHAPTER XI. 2171. Of what extent were the Districts?—They averaged, I suppose, about 120,000*l.* of land revenue a piece.
- SIR C. WINGFIELD, 2172. Could the advantages derived from the Road Cess be brought home to the minds of the population in the same sense as they are in England?—I think that all classes of landholders acknowledge the benefit which has been produced by making good roads.
- 25th March 1872 K.C.B. 2173. Do you think that there is a difference, in practice and in principle, between adding to the land revenue for local purposes and adding to it for Imperial purposes?—No; I do not see any difference at all; when you have once made your contract you are bound by that, for the term. As I have said before, the reservation of that power to impose Local Cesses may be so worked and used, as to take away all the value of the limitation of the demand on the land; I have known people who, I think, would abuse it.
2174. Do you think, as far as its effect on the minds of the landholder is concerned, there is any difference between Local and Imperial taxation?—Not the least.
2175. *Mr. Eastwick* ] When you sent up that Memorandum either to the Secretary of State, or to the India Office, to which you just now referred, what was your object I should like to ask; did you expect that they would withdraw this additional Cess?—No, I did not expect that they would, but I thought it was due to myself, having given an assurance that that cess should not be increased during the term of settlement, to let the Secretary of State know that, and also I thought it was right that he should know the nature of what had been done.
2176. *But I should like to ask whether you think it could have been withdrawn, at that time, after our having imposed it; would it have been possible to have withdrawn it?—They had got the consent of the Talookdars, and they could always fall back upon that, but, as regards the other people, whose consent was not asked, of course they might have withdrawn it.*
2177. Do you think that it would have been politic to have withdrawn it?—I think it would have been politic to have withdrawn it there, and I think it would be politic to withdraw it in the Upper Provinces, and in the Punjab, where they have done the same thing. And I say my view has always been that the first condition of our policy in India is to avoid giving the slightest colour to the imputation of not keeping our word.
- It would be politic to withdraw the recently enhanced cesses in the North-Western Provinces, Punjab and Oudh.

## DECENTRALISATION OF INDIAN FINANCE.

*Local Taxation.*

- MR. S. LAING, 7697. *Sir C. Wingfield*.] There has been a very sensible reduction of the Income Tax, as you have just observed, and a large number of persons have been relieved of it; but concurrently with this reduction of the Income Tax, local taxes have been imposed by the Local Governments, for instance, the Education Cess in Bengal, one-half of which has to be paid by the cultivator, rates on land in the North-Western Provinces, Oudh, and the Punjab, which will fall on all proprietors; a tax on the incomes of the non-agricultural rural classes of the Bombay Presidency, when those incomes amount to 50 rupees; so that thousands are really brought now under taxation who never paid Income Tax; I might say hundreds of thousands?—Yes, that may be the case.
7698. Therefore a reduction of Income Tax, so far from being a relief to the many, has, rather, been the signal for imposing new burdens upon them?—But then in the Local Taxation, I should think, as a general rule, they get full value for their money in local benefits.
7699. But do you think that it makes a tax more palatable to the people that it is imposed by a Local instead of the Imperial Government; and do you think that the people, at present, sufficiently appreciate the objects on which these taxes are expended to induce them to contribute cheerfully?—I should say so; for some objects, and in some localities, certainly they do. I have known a great many instances where I have been told of the natives voluntarily acquiescing in Local Taxation for the object of roads or tanks for irrigation. As regards education, I am not so sure about that; I think it is very probable there that the Government may be ahead of native opinion.
7700. And is there not also this danger in Local Taxation, that measures affecting a particular Province such as Oudh or the Punjab, or the North-West Provinces, where there is little or no independent European or Native opinion, are much less likely to attract attention and publicity than similar measures of taxation which affect all classes of the Empire?—Yes, that may be so; but my impression is that, as a general rule, the Local Taxation would only be imposed for very useful objects, and where the persons in authority, and immediately responsible for the tranquillity of their Provinces, have reason to believe that they would not be extremely unpopular.
7701. On the other hand, has there not been always a great desire on the part of Provincial Governors to signalise their Administration by some great works?—By improvements, certainly; I have no doubt that is one of the incidents of our British rule in India; it is administered by a number of superior men in the different Provinces, each of whom is wishing to distinguish his Administration by giving an impulse to improvement and civilization, in doing that, his rule is perhaps not always so acceptable to the Natives as if he were to sit still and let them go to sleep and do nothing.
- The reduction of the income tax has been accompanied by a great increase of local taxation.
- The expenditure of local taxes for local objects must reconcile the people to the taxes.
- On the other hand, the local Governments, in their desire for the material progress of their provinces, might eagerly push local taxation.

*Decentralisation.—Local Taxation.*

7702. But is there not this danger also, that, in his desire to make these improvements, he may be led into imposing unpopular taxes?—No doubt; and, therefore, each case must be judged by itself, and weighed on its own merits, you want a man of tact and discretion who knows how to draw the line between the stagnation which perhaps the Natives themselves might desire and pushing on too fast.

7703. There is a danger, is there not, that such measures of taxation are more likely to be earned through in a high-handed manner in spite of their unpopularity by a Local Government than would be possible in the case of measures brought to bear on the whole Empire, and in face of an enlightened public opinion in the Presidency towns?—Of course, there is always some danger where you give power to Local Authorities of its being abused; but if, in order to guard against the remote and possible danger of that power being abused, you attempt to centralise everything at Head-quarters in Calcutta, I believe you will run into a very much greater danger.

7704. You said in your former evidence, "If the Government of India had been left a freer hand, under the action of public opinion surrounding them in India, both European and Native, my belief is (I do not know whether it is right or wrong) that some of these taxes would not have been maintained, and that they have been maintained in consequence of some pressure from Home," now I wish to ask, is it not the case that the local taxes have latterly been imposed in the face of very strongly expressed opposition from public opinion, both European and Native, and that their discontent has found vent in numerous petitions addressed to the Secretary of State against the proceedings of the Government?—I am not aware that the Local Taxation has produced anything like general discontent. I am aware that questions have been raised in Bengal especially, under the Perpetual Settlement, as to how far the zemindars will object to Local Taxation or not; but, with that exception, I am not aware of anything like general complaint.

7705. Are you not aware that petitions have been addressed to the Secretary of State from Calcutta, Allahabad, Bombay and Madras, against recent measures of Local Taxation?—Yes; but, now-a-days, I do not attach so much weight to petitions of that sort, because India is brought so very near to Downing Street, and there have been so many instances of reversals of decisions taken in India, that it seems to me the most natural thing in the world that anybody dissatisfied with decisions taken in India, should take his chance of appealing to Downing Street.

7706. Have you not heard that Lord Mayo said, in a Minute written about a year before his death, that it was impossible to exaggerate the danger of the discontent produced by our incessant measures of taxation of late years?—I understood that to have reference more to the Income Tax. My own impression, right or wrong, is that the Income Tax, in itself, has caused ten times more discontent throughout India than all the Local Taxes put together.

7707. But the great increase of Local Taxation that I have referred to has only taken place within the last two years or so?—Yes; I still am of opinion, from all that I have seen of the expression of Indian public opinion, that the Income Tax has been by far the most unpopular, and it is the one to which most opposition is directed, and I would observe, as regards these Local Taxes, that, if any particular tax is very unpopular in a District, many of these Districts now have their own Legislative Councils, and their means of expressing an opinion; and that influence brought to bear upon the Local Government and the Governor General will, I have no doubt, secure redress for anything that is really wrong or oppressive.

7708. For instance, a tax on the incomes of the Non-agricultural Rural Classes of Rs. 50; that goes considerably lower than an Income Tax ever did before?—Yes.

7709. And therefore must be felt to be still more oppressive than the Income Tax?—Well, I believe the circumstances of India are so extremely different in different parts, that that is the great argument in favor of Local Taxation. Many things, which, if you apply them universally throughout all India, would be unsuited for a great many places, and produce much discontent, may on the other hand be very well suited for other places and be carried out without discontent; and I think you may try a number of very useful and interesting experiments in the way of taxation on a small scale; and if you have made a mistake, you may easily remedy it, and that, on the whole, it will excite an amount of public opinion and agitation on these questions which, though it may be rather inconvenient to us as a Governing Nation, is, on the whole, very useful as a means of educating a great nation like the Indian people.

7710. Do you concur in the opinion expressed by Lord Lawrence in a Minute, that the people of India are very impatient of taxation, except of the peculiar kind to which they have been accustomed?—Yes, I think so.

8000. *Mr. Fawcett*] Passing to the subject of Local Taxation, I believe that you have devoted a great deal of attention to the growth of Local Taxation in India, have you not?—Well, it forced itself, in the same way, on our attention, inasmuch as our servants and dependants were oppressed by it, and came to us for advice.

8001. *Chairman*] When you speak of Local Taxation, do you refer to the Local Taxation that exists in some towns and places of India on houses, horses, and carriages, or to what class of Local Taxation do you refer to?—I mean the new taxes imposed on the poorer classes.

8002. Will you just enumerate those, if you can, shortly?—Some of these taxes have been abolished, but their number quite confuses the people, and the changes in their rates equally so.

CHAPTER XI

MR. S LAING,  
2nd July 1872

The danger of extreme taxation is greater with local than with imperial taxation.

Has not local taxation been imposed in the face of very strongly expressed opposition from public opinion?

MR. DACOSTA,  
5th July 1872.

*Decentralisation.—Local Taxation.*

## CHAPTER XI.

Mr. Dacosta,  
6th July 1872.

8003. Will you specify what are, in your mind, which you call the Direct Local Taxes?—The Income Tax, the Certificate Tax, the License Tax, the Chowkeedaree Tax.

8004. What do you mean by the Chowkeedaree Tax, the Police Rate?—No; it is an additional tax, imposed for the first time to the best of my knowledge in December 1870, but under an Act which was passed in 1855-56, the operation of which appears to have been stayed on the petition of some Native Associations.

8005. But what is it?—It is a tax levied, at the option of the assessor, on the rental, or on the general circumstances of the man

The police rate, or chowkeedaree tax, is an inquisitorial income tax.

8006. For the payment of what?—For the payment of chowkeedars, who are watchmen.  
8007. Then it is a police rate?—Yes, but it is in addition to what is called the police rate, and is a new tax; and it is very inquisitorial from the fact that when a man pays a small rent, they look into his circumstances, and try to find whether he has got any income which they can reach; therefore it is another shape of income tax.

8008. You were going to enumerate some other taxes as the local taxes to which you refer?—The increased House Tax, the Road Cess, and the Education Cess.

Besides the discontent from direct taxes, there is the uneasiness from constant proposals of new taxes

8009. *Mr. Fawcett.*] Then, in addition to these taxes which you have enumerated, the people have been kept in a constant state of uneasiness, I believe, in consequence of various other taxes being from time to time proposed. A short time since there was a tax proposed upon Feasts, was there not?—There was.

8010. And another tax upon Marriages?—Yes, and upon Tobacco.

8011. So that, when you estimate the amount of public discontent that has been created, you must take not only the taxes that have been imposed, but also the imposts that have been threatened?—Yes; but their anxiety was greatly increased by the circulation of false rumours, emanating, it is believed, in fact it is known, from the police and underlings of the Magistrates' Courts for the purpose of extorting bribes.

8012. What do you mean by that, is it that, owing to these constant proposals of various kinds of Local or Provincial Taxes, officials tell the people that taxes have been imposed when they actually have not been, and in that way they extort money from them?—Yes; in some instances it has been said that a tax has been imposed, and money extorted on that pretence; in other instances, it was said that the tax was about to be imposed, and money was extorted from persons on the plea that their names would be kept out of the list of those who would be taxed

8013. In addition to those taxes that you have enumerated, you have mentioned the Income Tax as a direct tax, but you mean by that not the Imperial Tax, but in some parts of India, for instance in Bombay, a Local Income Tax has been imposed, has there not?—There was a tax imposed in Bombay which reached incomes of £ 5, and which, therefore, could be realised only through underlings on very small salaries, and exposed to all the temptations of receiving bribes

8014. Taking the Chowkeedaree, you know the manner in which that has been levied because I presume you have paid that tax, have you not?—I have; it was levied, in my case, on the rent of my house, and I never referred to the Act until I was asked what were the circumstances of some native clerks employed in my office, and I then found that it was optional to assess them according to their general circumstances.

8015. So that, from your own experience, you know that the system of assessment of this particular tax was so vague, that it would give great room for oppression and extortion?—Exactly, and for corruption and misstatements.

8016. Have you any further remarks to make, from your experience or from official documents, as to the effect that this Local Taxation produces upon the people?—No, not beyond what I have said, without repeating what others have said on the subject.

The zemindars' portion of the road cess in Bengal will be recovered by them from their ryots

8017. I mean, have you with you the opinions of any official persons to strengthen your own testimony on the point?—With regard to the Road Cess, it has been the opinion of most of the officers who were consulted on the subject in 1870, that the portion payable by the proprietors of land would ultimately fall on the ryots or cultivators, as the zemindars would compel them to make it good to them.

8018. That is the opinion which was generally shared in by officials, was it not?—It was.

8019. Having lived in India for 30 years, and taken great interest in the people and Country, which I believe you have, have you noticed any change in their attitude towards the British Government?—It is very difficult to give an opinion on that point, because the Natives of India are very reserved in any manifestations of that sort, and no indications were given to show that the Mutiny of 1857 was at hand.

The increase of taxation has created a great deal of discontent, irritation and despondency.

8020. But what is your opinion as to the effect on the public mind, produced by this increase of taxation; has it produced discontent?—What we could well see was, that it created a great deal of discontent and despondency, and in some parts a great degree of irritation.

8021. But do you think that the people are more despondent, less hopeful than they were?—Well, I will quote the words of some of the people that came to us. When the Income Tax was doubled in the middle of the year 1870, the cultivators in Purneah, where our indigo factories he, had already paid a tax which they thought exempted them from further taxation for that year. They came in great numbers to the factory, saying, "Why

*Decentralisation.—Local Taxation.*

does the Sircar" (that is the name by which they designate the Government) "not tell us what money is required? We have been told that the Government is in debt. If they will say what amount is wanted to clear the debt, and will collect it through the heads of our villages, they will collect it from the men, and take it to the Collector. We shall sell our cattle and ploughs, if necessary, and wait till we can buy others, but, this year, we have commenced our cultivation, and, in the midst of it, our cattle and our implements are taken away from us to pay this addition to the Income Tax." They came in large numbers with such a tale

8022 Does it at all reconcile the people to this Local Taxation, of which you have been speaking, that it is said to be spent for local objects in which they are interested?—It cannot reconcile them, because they do not understand it, nor has it been so spent, and, as a proof of that, the chowkedaree tax levied in the District where I reside has not, evidently, added a single chowkedar to the establishment which existed before.

8023 Then what has been done with the money?—It probably went to pay some Deficit in the Fund, as most of the Municipalities are in debt

8024 A Deficit in Imperial Funds, or Local Funds?—Probably Local Funds

8025. Then the people have no security, or do not feel any certainty, that money raised for any particular object will be spent for that object?—None

8026 Have you at all considered the Decentralisation Scheme which has been explained to us by General Strachey?—I have, and it has impressed me, only, as a means of increasing taxation by throwing on the Local Governments the burden of that increased taxation.

8027. *Chairman*] Is it not rather a shifting of responsibility and administration?—Worse than that, it is a mode of rendering further taxation absolutely necessary.

8028 *Mr. Fawcett*] Do you mean it will have this effect, that it will lead to an increase in the aggregate amount of Local Taxation, because these local taxes are not brought so much under public opinion, not known so much; and therefore Local Taxation may be increased with greater impunity than Imperial Taxation?—That might be one of the objects.

8029. Do you think that will be one of the results?—It must be, because the Local Taxes are not brought before the public in the same prominent way as the Imperial Taxes are.

8030. From your evidence you evidently think that it is essential that this increase of taxation, or rather this constant imposition of new taxes, should be checked, but if it is checked, in what way would you propose to provide the money?—Well, the increase of taxation has been so great, during the last 10 years, that the difficulty ought to be met by a retrenchment in the Expenditure

617. *Mr. Fawcett*] You used the expression that the East India Company managed the finances of India on the general principle that the revenue ought not to be considered elastic?—Yes

618 Do not you think that that was a very wise principle for them to maintain?—I think it was exceedingly wise for them to maintain, because we were a new, strange, foreign Government, suddenly called to the administration of a great Country which had been accustomed, time out of mind, to be governed despotically. They never had any confidence even in their own Rulers, still less in us, so that they looked with the greatest dread upon new taxation, and especially upon the Income Tax, which is a wonderful instrument for diving into the pockets of the people and their prevailing feeling was that their only real protection was what they called "dustoor," that is, established custom, and they relied upon established custom as upon a constitutional right. The East India Company, which founded our Indian Empire, were quite aware of these circumstances; and, while they abolished the most oppressive of the old taxes, and endeavoured to regulate those that remained, they carefully abstained from new taxation

619. Then this principle, which was observed by the East India Company, and which has not been observed so carefully since the abolition of the East India Company, you regard as constituting what ought to be the cardinal principle of Financial Administration?—Yes, certainly, it ought to be our cardinal principle until we have finally remitted the income and expenditure into the hands of the people of India themselves, by a proper system of Local Administration, whereas, in fact, since the Mutiny, we have been doing nothing else except inventing new taxes; we seem to have forgotten, all at once, the old maxim, that the true plan was keeping down expenditure, and to have exercised our ingenuity in inventing and discussing, and elaborating all sorts of new taxes, Income Tax, License Tax, Tobacco Tax, Succession Duties, Marriage Tax, and all sorts of taxes.

620. And the evil which you describe as resulting from this state of things, namely, the constantly inventing, elaborating, and discussing of new taxes, is not to be estimated by the financial burden which they impose on the Country, but a great part, and probably the greater part, of the evil is due to the alarm and worry, and irritation and uneasiness which they cause?—Yes, by far the greater part. The Income Tax of one per cent. is a case in point. The one per cent. is nothing; the native Sahocars would have no objection to pay one per cent., if they were sure that was all; but they do not like to see a machine maintained in action, which, by a few turns of the screw, would make the one per cent. 10 per cent., besides all the inquisition and extortion of the unprincipled native officers, which is worse than the 10 per cent. itself.

1080. *Mr. Grant Duff*]—You said, in answer to Question 682, that the perpetual discussion of new forms of taxation has had a very discomposing effect, and you say, in answer to Question 764, that, before our time, the question was not what was taxed, or what was not taxed, in

CHAPTER XI.

MR. DACOSTA,

5th July 1872

The spending of local taxes for local objects does not reconcile the people to the taxes

The decentralisation scheme will increase local taxation, which is not brought before the public in the same way as imperial taxation. The increase of taxation has been so great during the last ten years, that there should now be a reduction of expenditure

SIR C E TRAVELMAN,

K C B,

21st February 1873.

To the people of India, established custom is in the place of a constitution, and new taxation imposed by foreign rulers is regarded with great dread. Quite aware of these feelings, the East India Company abolished the most oppressive of old taxes, and carefully abstained from new taxation, whilst since the mutiny we have done nothing else except inventing, discussing and elaborating all sorts of new taxes

*Decentralisation.—Local Taxation.*

## CHAPTER XI.

SIR C. E. TREVELYAN,  
4th March 1878.

fact everything was taxed. Now I want to ask you, has the British Government of India discussed one tax for 10 that the previous Governments levied? If it has not done so, surely there is some exaggeration in the talk we hear about the discomposing effect of our discussion of new taxes?—The two statements are perfectly consistent. The Native System was, as I stated, a system of universal low taxation, petty taxation; I could mention many laughable and immoral instances of it. Everything whatever was taxed; but the rates were extremely moderate, and each particular exaction was only slightly felt. The natives had become thoroughly accustomed to it from long tradition; it had almost become part of their nature; it had become the dustoor, the common law of the Country, and it did not, in the least, alarm them; because, although vexatious, yet they had no fear of any further inquisition or any further extortion; whereas, now, the Income Tax is a portentous instrument of inquisition and exaction, it is a machine by which you might dive into the purses of the natives to any extent by giving a few turns to the screw

1081. How many in a thousand, does it affect as it is levied now?—It depends upon the minimum income assessable, and we have rung all the changes upon it.

1082. As it is now, how many in a thousand does it affect?—I think one in a thousand now, but then the question occurs all over the Country, in reference to everybody, whether he is that one or not; and that is the point of extortion, whether a particular individual should be included in the taxable number.

Perpetual discussion of new taxes.

1083. Then, with regard to the phrase, "perpetual discussion of new taxes," by "perpetual" I suppose you mean occasional?—No, perpetual, the commencement was what I called, in the Minute for publishing which I was recalled from the Government of Madras, the three tremendous taxes proposed by Mr. Wilson, namely, the Income Tax, the License Tax, and the Tobacco Tax, an universal Income Tax, an universal License Tax, and an universal Tobacco Tax, I sacrificed all my prospects of official advancement to the duty of preventing that at all hazards.

1084. How many new taxes have thus been discussed?—Since that, every possible tax has been discussed.

1085. Have there been a dozen discussed?—Yes, I could name a number.

1086. Do you think you could name a dozen?—I dare say I could, in fact, the Income Tax has been constantly under discussion in its various forms of Income Tax, License Tax, and Certificate Tax; then there is the Tobacco Tax, the Succession Duty, and the tax upon Betel Grounds.

1087. Have there been a dozen?—I feel sure there have; the Government of India sent a Circular to all the principal officers in India, asking them to suggest taxes, and asking their opinion upon different taxes; and I will answer for it that if those papers were consulted, it would be found that there were a great many more than a dozen.

1088. Were many of these taxes, or were any of them, taxes that had never been levied by Native Governments in India?—In some form or other they had all been levied by a Native Government, but it was under the circumstances I have described; it is a very old observation that the Natives are extremely tolerant of established burdens; the meaning of that is, that they have been accustomed, time out of mind, to live in a despotic Country, and they look at established custom as a sort of constitutional protection; the moment that is departed from they become alarmed.

Taxes which are obviously to be spent for the people's benefit are more willingly paid

1877. Sir C. Wingfield] But do you think that it makes much difference to the people with regard to the willingness with which they pay a tax, how the money is to be spent?—Yes; I think it makes a great deal of difference. If it is obviously to be spent for their immediate benefit, they are more willing to pay the money than they are if it is to go to a distant treasury, and to be spent in ways they know nothing of, and care nothing about

Sir C. Wingfield's experience in India was that it is utterly immaterial to the people how a tax is spent.

1878. Would you be surprised if I state that my experience is, that it is utterly immaterial to them how the money is to be spent, and that what they do not like is having to pay it. When I was in India, if I had wanted £10,000 from a District, whether I had said it was to build a house for myself or a hospital for them, it would have been perfectly immaterial to them, they disliked paying it not more in one case than in the other?—There is a growth of opinion in India. I think that the people of India are rapidly improving and acquiring just ideas on this, as well as on other subjects. The only true analogy is the village communities. There we have the municipal system in full vigour on a small scale, and, as you know, they have worked admirably.

1879. You mentioned the case, I think, the other day, and you are well aware that the attempt to levy a House Tax for Municipal purposes has led to serious riots amongst other places in Benares and in Bareilly, in Bareilly, I think, a British officer was killed; however, it has led to serious riots in a great many large towns in India, and it has been always a subject of very much apprehension to the local officers. There was an instance, if any, where one would think that the mode of application of a tax would reconcile the people to levying it, that is, a tax for police to guard their towns; and yet no tax has given rise to more serious discontent. Does not that show that the people are not reconciled to an impost, because it is for municipal objects?—You are speaking of occurrences which happened more than a generation ago. Wilberforce Bird was Magistrate at Benares when that disturbance took place, and he died, at a good old age, a great many years ago, the people of India have grown in knowledge, and in their confidence in us, and they are willing now to receive institutions, and new modes of administration, which they were not prepared for in former days. One of the best things



*Decentralisation.—Local Taxation.*

I did during my financial administration of India was, with great labour to gather together all the strings of Local Administration in the shape of a Resolution of the Supreme Government upon decentralising the police expenditure, dated in August 1864. This was a comprehensive measure of local chargeability and local self-government which would have been impossible in former days, yet it was generally accepted, and became the foundation of the further step in advance which was taken by Lord Mayo

CHAPTER XI  
SIR C. E. TREVELYAN,  
4th March 1873.

2117. *Sir G. Balfour.* You have expressed opinions, and permit me to say very sound opinions, with regard to the importance of keeping good faith with the people of India. I would ask you also, with regard to moderation in taxation, your opinion as regards the great importance of moderation in taxation as regards our military expenditure?—That is very important.

2118. With regard to levying Cesses, there is no more difficulty, as a matter of account, in assigning the proportion of the General Imperial Revenue for local expenditure, than there is in collecting it separately for separate Heads?—No, there is no more difficulty in it, of course. The object of the Government of India, as I understand, in this Decentralisation Scheme, was to relieve themselves of the burden of supplying a certain amount of money, by throwing that burden on the Local Governments.

2119. Then, practically, it is simply nothing more than levying additional taxation?—Most decidedly, that has been the effect. In fact, the exemption of incomes from assessment to the Imperial Income Tax, and the lowering of the Imperial Income Tax, while it has relieved a few, has subjected the many to new taxation. In fact, it has brought hundreds of thousands under taxation who never paid Income Tax before. The Hon'ble Member for Brighton was, I think, asking on the last occasion about this tax on the Non-agricultural Rural Population in the Bombay Presidency, and, referring to some notes which I have, which I extracted from the debates in the Bombay Legislative Council, I find that, when the Act was under discussion, it was estimated that it would bring 700,000 people under taxation. Now I do not think that when the Imperial Income Tax was at its lowest, that is to say, going down to the lowest scale of incomes, when it reached incomes of 200 rupees, much more than 100,000 of people were brought under taxation to the income tax; and here is one tax alone in Bombay which is estimated to bring 700,000 people under it

5593. *Mr Fawcett.* With regard to Local Taxation, you, probably, are aware that, in consequence of the policy described as the Decentralisation Policy, various Acts have been passed which give Local Authorities the power of taxing almost every article which is worn or consumed by the people of India; that this possible amount of taxation is constantly hanging over them?—I am not prepared to say that the Local Taxation extends to every article in the way that you describe; but, no doubt, the Local Taxation at one time was assuming very serious proportions. I think there is a good deal that may be said against some of the sources from which the Local Taxation was derived; but, at any rate, I am quite against making it in any degree excessive, and I think it was a very wise policy to limit it. But the people of the Country, if you are to have revenue for certain improvements about towns and so forth, do prefer paying it in the way that those Municipal Taxes were raised, rather than pay it in a direct way.

LORD LAWRENCE,  
G C B  
1st July 1873.

The people do not like to pay direct taxes, and it was wise to limit the indirect taxes for municipal purposes

5594. But are not a great many of the Local Taxes which have been imposed, direct taxes, whereas, probably, if the wishes of the people had been consulted, they would rather not have had them direct, for instance, has not a House Tax been in many cases imposed when probably the people would greatly prefer an Octroi?—Not in any part of India that I personally know; I think in Madras a tax of that kind has been introduced since I came away.

5595. But this Local Taxation policy has assumed its great development since you left India, has it not?—Well, to some extent, it has; but when the Income Tax was given up, or when the law under which the Income Tax was raised expired by efflux of time, (it expired, I think, in August 1865), within a very few months it appeared to Sir Charles Trevelyan himself, that he would not be able to get along without something in substitution, and one of the measures that he proposed was to throw upon the Local Governments a considerable proportion of the expenditure on police, particularly of the towns. Well, they had no remedy, they could do nothing else but either absolutely refuse to respond to the call of the Government of India, or increase their Octroi Duties. As long as their Octroi Duties were very low, the people did not care about them; for they were hardly appreciable, but, when you came to raise the Octroi Duties in order to meet the increased expenditure on Police and other matters, then they began to be felt, and, as time passed, it became evident that if some modification was not made, the trade of the Country would begin to change, that, for instance, the merchants would make their depôts in the cantonments instead of in the towns, and, so, the matter was brought to our notice, and a modification was carried out, and a reduction of the Octroi was made.

There has been a tendency to increase of local taxation since towns police charges were thrown on municipal municipalities in 1865, and since the abolition of the income tax in that year

5596. But the great development of Local Taxation took place under the Decentralisation Policy?—It is quite true; but what I meant to say was, that there was a bias that way from the time that we dropped the Income Tax.

6202. *Mr. Ayrton.*—Have you had your attention directed to the change that has recently been made in remitting the authority over public works to the Local Governments?—Yes; the change was made, to some extent, as a consequence of suggestions made by myself. The present arrangement is that there is a certain gross sum which is assigned to each of the Local Governments for expenditure on certain specified objects, among which, is included a certain part of the public works; that, so far as those objects are concerned, the Government of India

MAJOR-GENERAL R  
STRACHAN, R. F.,  
4th June 1872.

*Decentralisation of Finances:—Its Expediency.*

CHAPTER XI.  
 MAJOR-GENERAL  
 R STRACHET,  
 4th June 1873

waives its power of detailed interference. The arrangements that I was describing refer to that part of the expenditure which has not been brought into the Provincial Grant.

6208. You mean expenditure on public works that will still fall under the control of the Government of India?—Yes.

6706. *Mr. Fawcett*]—You stated, did you not, in your former evidence, that no Local Tax could be imposed without the consent of the Governor General, and that the Act which imposed it was subject to the veto of the Secretary of State?—I do not think that I did give evidence to that effect, but I believe that what you say is quite true.

6707. Are you aware of the Punjab Municipal Act?—Which Punjab Municipal Act?

6708. The Punjab Municipal Act of 1867; there was a proposal to renew it recently?—Yes, it has been renewed, from what I see in the newspapers, for a year, I think.

6709. A debate took place upon that in the Council at Calcutta on the 2nd of March in the present year?—I dare say that you are right.

6710. Are you aware that the 6th Clause of that Act, in the most clear and distinct words possible, gives town committees, having obtained the consent of the Lieutenant-Governor of the Province, and not of the Governor General, power to levy taxes for various local purposes, that they can say what the amount shall be, and on what property the taxes shall be levied?—Not having the actual Act before me, I cannot speak as to that; but I think there is no reason to doubt that what you have said may be in the Act, and I do not think that that is at all at variance with the other position, because, in the nature of the constitution of the Government of India, a Lieutenant-Governor is bound to comply, in every respect, with the orders that he receives from the Governor General in Council.

6711. But, then, if the initiative comes from him, if he gives his consent, the tax is imposed and may, for some time, be levied?—But the Governor General in Council is always in a position to give general instructions, and, I believe, does give general instructions, to local authorities who have such powers under the Legislature, as to the general nature of the policy on which they should act.

The amount of  
 municipal taxation is  
 considerable

6712. Is it not the case that, under this Clause (and I shall quote a high authority) which gives this power to town committees, an enormous amount of taxation has been levied in the Punjab and in the North-Western Provinces?—I think that the word "enormous" is not quite the right adjective, perhaps; but that a considerable amount has been, there is no doubt.

6713. Are you aware that Mr. F. S. Chapman, who is a high authority on the subject, a Member of the Council at Calcutta, stated as a fact, that in some Districts the Local Taxation which had been levied in this form amounted to 50 per cent. of the land revenue?—I am not aware that he stated that; and, if he did state it, I should think it was probably inaccurate.

6714. Why then was it not contradicted in the debate?—It may be accurate in one very restricted sense; if you take the actual geographical area which is comprised within the limits of a town, and ascertain what technically is the land revenue levied on that particular area, I think it is extremely probable that the Local Taxation will not only be 50 per cent., but 500 per cent. more than the land revenue.

6715. But his words carefully excluded that interpretation; he did not speak of Towns, but he said Districts, and no one contradicted it?—Not having been at the debate, and not knowing the circumstances under which the statement was made, I can give no opinion on it; but I totally disbelieve that there is any such condition of things in any part of India.

And a high author-  
 ity stated that the  
 taxation was causing  
 greater discontent  
 than that produced  
 by imperial real tax-  
 ation

6716. Should you be surprised if the Military Member of the Council, General Norman, speaking on the same subject, said that his experience went to the same effect, that the Local Taxation levied under this Act was increasing so much that it was producing amongst the people of India a much graver discontent than was produced by Imperial taxation?—It is possible he may have said so. I have no knowledge of the fact.

6717. As you doubt what Mr. Chapman says on the subject, I can give you his exact figures, he says that in the Presidency of Bombay, from the up-country people, excluding the people of Scinde, and the people of the Island and the town of Bombay, the amount of taxation levied in the manner which I have described amounted to more than half a million?—I think that that is a probable statement; but how it is possible that that can be 50 per cent. of the land revenue of Bombay, I cannot conceive.

6718. I did not say throughout Bombay, but in some Districts?—My impression is, that if he did say such a thing it was poetical.

A great deal of the  
 existing local taxation  
 is intolerably bad  
 and the grant of un-  
 limited powers of tax-  
 ation to local author-  
 ities should be very  
 strictly controlled.

6719. In the same debate, speaking on the perfectly irresponsible power which was vested in the Local Authorities to levy objectionable forms of taxation, are you aware that Mr. Robinson also a Member of the Council, stated that, at the present time, in Madras, in the form of Local Taxation, they were reviving the old transit dues in their worst possible form, and this was causing a serious impediment to trade in India?—I think it possible that such a statement may have been made. If, by the questions that you are putting to me, you wish to establish that I support the grant of unlimited powers of taxation to Local Authorities without very strict control, you are entirely wrong. If, also, you think that I am prepared to support the propriety of a great deal of the existing Local Taxation, you would be equally wrong, I think that a great deal of it is intolerably bad.

6720. You and I agree on that point; I want to get at the facts on your authority; then under the Scheme of Decentralisation, of which you were the author, I think it is obvious that, onerous as Local Taxation is at the present time, it must necessarily increase?—I think not.

*Decentralisation of Finances:—Its Expediency.*

6721 Not to meet the increased expenditure on public works?—I am not aware that there is any necessary call for increased expenditure on public works.

6722 Not with all the schemes which, in your last evidence, you say that if you have not recommended, you have suggested?—Those schemes which I have suggested have nothing at all to do with the raising of money in the sort of way we are now talking of, that is to say, for Provincial purposes. The schemes which I have recommended to the Government are schemes to be carried out entirely by loan, on the security of the Imperial Taxation, and they would not affect in the least the Local Taxation.

6723. But I understood from your evidence, that, as yet, the Government had not clearly and distinctly defined, in a way that I for one can understand, what works are to be considered works to be thrown on the Imperial Revenues, and what works are to be carried out through Provincial agency?—That is true, there has been no such definition. The Government of India, on every occasion on which a proposal has been made to take up a work to be paid for by borrowed money, has considered the character of the work, and the cogency of the reasons which have been made use of in supporting such a proposal, and have considered, on the merits of each case, whether the work was of such a character as to make it worthy of being carried out in that way.

6724 Then, if there has been no clear, intelligible, and precise definition laid down as to what public works should be carried out by borrowed money obtained on the security of the Imperial finances, and what public works should be carried out by Provincial Funds, what security have we that some portion, at any rate, of these large public works which you have suggested or recommended will not have to be defrayed by Local Taxation?—I do not know that you can say positively that there is anything in the nature of security given that public money will not be applied for public objects of any description, either out of Local Taxes, or out of Imperial Taxes. I think, in the nature of the case, such security is impossible, that the only security that you have for the proper action of Government, is the sense of responsibility that is put upon the Government, and the sort of preventive check that there is on irregular action, by taking care that your Governors, and your persons entrusted with authority, are capable and honest men.

6725. Then the people of India being, at the present time, sorely burdened by Local Taxation, the only security that they can have that this Local Taxation will not increase in consequence of these public works, is the assurance which they can place, whether it be great or small, in the care with which the Government watch over these public works?—I think that last remark, as to the security against further taxation, is perfectly true, with this extension that it not only applies to expenditure on public works, but to all expenditure; and I think it is invidious and erroneous to introduce the idea of public works as though the only expenditure that could be objectionable or wasteful was on public works.

6726. In examining other witnesses I shall show that my dread about waste and extravagance in India is not, by any means, confined to public works; I can easily satisfy you on that point, but then do you think that the people of India can rest very content with that assurance, considering your own admission that, hitherto, vast sums have been spent in the Public Works Department without any adequate or sufficient control?—Before I answer the question I should say that, although I do not on every occasion correct expressions that are contained in the questions that are asked me, which I think call for correction in the way of extremely strong epithets and so forth, still I desire that it should not be understood that silence on such points at all implies that I assent to particular statements or sentiments which are contained in a question which is thus put to me. If you will allow me to go on, I will now answer your question and say, that when you talk about the people of India resting content, I do not think that, at the present time, there is anything in India which deserves the name of public opinion, not in the sort of sense in which "public opinion" is applied in a Country like England, or in a Country even in which progress has been very much less; at the same time I admit thoroughly, that, although there is not such a public opinion, the position of the persons who administer the Country should not, on that account, be considered to be one of less responsibility than if the country had arrived at such a state of advancement as to be able, so to speak, to take care of its own interests. Therefore, I think, that it is incumbent on the Government to do everything in its power to arrive at a satisfactory knowledge of what really are the particular and detailed wants, and even the wishes, of large portions of the community before taking up measures or determining to act upon them. And I carry my views on this subject to this extent, that I have, all along, thought, and I continue to think, that, coincident with this establishment of Provincial Financial Administration, there should be created some Local Consultative Body to which the financial schemes of each Local Government should be referred, bodies which should be in the position of discussing those schemes and proposals, of asking the Government and its officers any questions that they thought fit, regarding every part of any proposed scheme for expenditure or any proposed scheme for new taxation; and I think that it would be perfectly right, or necessary even, that in such bodies should be included a considerable number of the most intelligent of the Native inhabitants of the Districts which would be affected by the measures of the Government.

6727. But, admitting the value of that opinion, still, as a matter of fact, this Decentralising Scheme, which gives Provincial Bodies increased powers of imposing Local Taxation, has been carried into effect, and these Consultative Councils which would represent the feelings of the Natives, and which you think necessary, exist only in the dim future, and the people of India have no security at all that they will ever get them?—I should not altogether assent to

CHAPTER XI.

MAJOR-GENERAL  
R. STRACHAN  
14th June 1872.

What security is there that, under the scheme of decentralisation, some portion of the public works extraordinary expenditure will not be defrayed by local taxation?

Consultative councils, which would represent the feelings of the natives, are necessary to restrain any tendency to over-

*Decentralisation of Finances :—Its Expediency.*

## CHAPTER XI.

MAJOR-GENERAL  
R. STRACHAN  
14th June 1878.

taxation under the  
scheme of decentral-  
isation.

The scheme of de-  
centralisation was in-  
tended to introduce  
as much economy as  
possible in the ex-  
penditure of public  
money, and not to sti-  
mulate local taxation

18th June 1878  
India is not over-  
taxed.

that; the Local Legislative Councils in Bengal, in Madras, and Bombay, do, to a certain extent, give the means of the sort of discussion that I have spoken of, and in fact considerable discussion has taken place in those councils on such subjects as these. But it seems to me that, in the very nature of progress, it is impossible, (and the remark is not at all a novel one, or one that I need take any credit for), to develop, suddenly, a great and perfect scheme of administration. The only way in which progress in administration can take place is by steps; and it, obviously, is the natural course to adopt in extending financial administration to local bodies, to begin by giving them the power under reasonable control, and, then, carefully, to watch the operation of the new machinery, and to introduce, from time to time, any such additional supports or checks as experience shows to be necessary.

6899. *Mr Bourke*] With reference to what has been called the Decentralisation Scheme, the main object of that was to induce the Local Governments to exercise as much economy as possible in the expenditure of public money?—Certainly.

6900. Now, it did not give them greater powers of taxation than they had before, did it?—Not at all, none.

6901. Now, applying your mind to the questions which have been asked you by the Hon'ble Member for Brighton, with regard to the increased taxation which he seemed to think, and possibly justly, has taken place lately with regard to these local works, did the system that was introduced of Local Taxation give greater facilities than before existed, to the Local Governments to tax the people?—It made no change whatever.

7002. *Mr Grant Duff.*] And some questions were also put to you with regard to Local Taxation in India?—Quite so

7003. And an opinion was expressed that India is, on the whole, overtaxed, is that so?—There have been such opinions freely expressed: I do not refer to this room, but I mean in public discussion.

7004. Now, what is your opinion about that?—Well, I think, that the only real test that any one can have of the effective weight of taxation, and the general result of the administration of a Country, is the actual facts as they exist in the condition of the Country. There will always be a great deal of rhetorical discussion in connection with such facts; one set of people will attach more weight to one matter, and another to another; but the real substantial basis on which we have got really to found a judgment is the facts as they are; and I think, myself, that the facts as indicated by the condition of the Country, are such as to prove, in the most satisfactory way,—at all events they do to my mind—not only that the finances have not been ill-managed, and that the Country has not been ill-governed, but that the contrary of those propositions is, most eminently, true. As regards the results of the taxation, and, particularly, as regards the result of the expenditure on the great public works that I have particularly been questioned about, I would point out what follows. In the year 1861-62 the total charge for the public debt of India was 5,191,000*l.*, against which there was a set-off of 84,000*l.* in the shape of receipts of interest, giving a net charge of 5,157,000*l.*

7005. *Mr. Fawcett*] Does that include the interest on Guaranteed Railways?—No; in 1872-73 the total charge for interest is estimated at 5,871,000*l.*, against which has to be set off 466,000*l.* in the shape of receipts of interest, to a considerable extent arising from its own securities held by the Government, and other elements of income of that description, giving a net charge of 5,405,000*l.* Consequently, the net increase of the charge for interest is 248,000*l.*: now 248,000*l.*, capitalised at 4½ per cent, is equal to 5,500,000*l.*, which may be considered to represent the effective addition to the weight of debt, so far as to the interest. Now, then, let us see what is the condition of the cash balances, the money at the disposal of the Government: at the commencement of 1861-62 it was 15,000,000*l.*, at the end of 1872-73 it will be 19,500,000*l.*: the consequence is that there will be an actual increase of assets to the extent of 4,500,000*l.*: if you set off that 4,500,000*l.* of actual increase of assets against the 5,500,000*l.* of increase of weight of debt, we arrive at the result that there has been a virtual increase of no more than 1,000,000*l.* of debt in that period of years. And what have we done during those years between 1861-62 and 1872-73? We shall have spent on the extraordinary class of works, these Irrigation Works, and Railways, and what not, 10,000,000*l.*; and, besides that, we shall have spent 9,000,000*l.* on barracks by the end of 1872-73. The total, therefore, of this unusual outlay is no less than 19,000,000*l.* sterling, while the effective additional burden that will have accrued up to the end of 1872-73 is only equivalent to 1,000,000*l.* the consequence is that we have, virtually, saved the difference between that 19,000,000*l.* and the 1,000,000*l.* out of the Revenues in that period, we have saved, virtually, the 18,000,000*l.* Of course, it is perfectly plain that the 18,000,000*l.* has not been saved directly, but it is possible, by other means, also, to save by good administration of the finances, for instance, by making reductions in the charge for debt, and that, is just as much the duty of the financiers who manage the affairs of India as it is to look after the actual receipt and the expenditure of the public money. That such results have been produced is, as it seems to me, a most perfect and thorough reply to any one who says that, by reason of this great expenditure on public works, any inconvenience or serious pressure has been put upon the Country. But I would supplement what I have just said by pointing out what I consider a further real test of the condition of the Country, namely, the condition of the Imports and Exports. The value of the Imports in 1861-62 was a total of 37,272,000*l.*, of which 22,320,000*l.* was merchandise and 14,952,000*l.* was treasure. In 1868-69, which was the last year the figures for which I have for reference, the total of the Imports had risen to 51,146,000*l.*, of which 35,990,000*l.* is merchandise, and 15,150,000*l.* is treasure; thus showing that the whole

*Decentralisation of Finance :—Its Expediency.*

of the increase has taken place in the merchandise which the people of India have been able to pay for, and an increase amounting for a single year to no less than 13,500,000*l.* sterling. Now if that is an indication of national decay, or of oppressive taxation, let it be so to my judgment it is not. The Exports again stand thus: total in 1861-62, 87,000,000*l.* sterling, of which 36,317,000*l.* was merchandise, and 683,000*l.* treasure. The value had increased in 1868-69 to no less than 54,457,000*l.*, as a total, of which, 53,062,000*l.* is merchandise and 1,395,000*l.* is treasure. The consequence is, that we have an increase of the exported value of merchandise of no less than 16,750,000*l.* and that sum represents the improved sales of the community of India for a single year. Now I inquire whether any man can allege, for one moment, that that is typical of bad administration, or of a deteriorating condition of the Community. I say, without any hesitation, that these results have been essentially produced by the generally excellent administration of the Government, and to a very great extent by the operation of these great public works to which we have been devoting so much of the resources of the Country.

7006 *Mr Grant Duff*] In short, your general view I take to be this, that, although many mistakes have been made, and are being made, and always will be made, when an Alien Race attempts to govern a people thousands of miles away, the Natives of India are, nevertheless, immensely richer and more prosperous in the year 1872 than they were in the year 1856?—  
The natives of India are immensely richer and more prosperous in 1872 than they were in 1856.

7150. *Sir S. Northcote*] I will call your attention to your reply to two questions put to you by Mr. Bourke, namely, 6900 and 6901, referring to the recent Decentralisation Scheme. You were asked, "Now it did not give them greater powers of taxation than it did before, did it?" and you said "Not at all, none." Then the second question is, "Did the system that was introduced, of Local Taxation, give greater facilities than before existed to the Local Governments to tax the people?" and the answer was, "It made no change whatever." Now this, of course, is undoubtedly true, the increased powers of taxation could only, of course, be given by a Legislative Enactment, and this is a mere financial order, and the Legislative Councils have ample powers of taxation at present; but it appears to me that those questions and answers might lead to the impression that there is no connection between this Decentralisation Order and Local Taxation. and what I want to ask you is this, is not the main object of this Decentralisation Order, as explicitly set forth in several paragraphs, to relieve the Imperial Revenues by transferring charges heretofore borne by those Revenues to Local Resources, to be provided by Local Taxation. I refer to Parliamentary Paper 29, "East India (Local Finance)," 16th February 1871, and I will here, if you please, read the passage to which I refer:—"The matter" (of Local Taxation) "has been before this Government on several occasions since 1862, and the view now taken of it has already received, in general terms, the approval of the Secretary of State. It is only by a judicious system of Local Assessment and Control that what is needed can be accomplished" (That refers to Public Works) "This is not less true of some other Departments of the Administration. The Supreme Government is not in a position to understand fully local requirements; nor has it the knowledge necessary for the successful development of Local Resources. Each Province has special wants of its own, and may have means for supplying them which could not be appropriated for Imperial purposes. A tax adapted to the circumstances of one part of the Country may be distasteful or inapplicable elsewhere, and, everywhere, Rates may be proper for Provincial or Local Purposes which could not be taken for Imperial Revenue. These principles are now generally recognised; and important steps have been already taken to develop provincial resources. The Government of Bombay has for some years raised a considerable revenue for local purposes. Important measures to the same intent, are under the consideration of the Legislative Council of Madras. The Government of Bengal is maturing a scheme in accordance with the decision of the Secretary of State, for the levy of a rate for local objects in the Lower Provinces of Bengal. In all the other Provinces of India, Provincial Revenues have been raised, and measures for increasing them are now being devised." Now it appears to me that the increase of Local Taxation is, in fact, one of the chief objects aimed at in this Decentralisation Order?—There is no doubt that you have read the *ipsissima verba* of the Government, what you are talking of—the Decentralisation, as it is called by some persons—was an important part of the financial policy of the Government of India, when that arrangement was made by the Government of India in 1871-72, one and a half million sterling of Income Tax was given up, and when that one and a half million sterling of taxation was given up, the Local Administrations were told that they would receive certain Grants, aggregating something between £4,000,000 and £5,000,000, as far as my recollection serves me, that that sum would be the equivalent of a certain portion of the public expenditure, less £331,000. Therefore, while, on the one hand, an obligation was put upon the Local Governments to increase the Local Taxation by £331,000, there was, so far as the Country was concerned, an absolute diminution made in the Imperial Taxation at the same time of one and a half million, and consequently the Country might presume that it was better off, to the extent of the difference between £300,000*l.* and 1,500,000, or £1,250,000 we will say. And what are the subsequent facts? The last information that we have on the subject is, that, instead of the actual amount of new Local Taxation having been increased by £331,000, in reality the total increase is not more than £267,000. That is the last information that I have, which is contained in a statement made by Sir John Strachey, and I suppose that, if anybody knows the facts, he is likely to know them, therefore, I repeat that the result of this measure has been an absolute reduction of expenditure of £1,250,000.

## CHAPTER XI.

MAJOR GENERAL  
R STRACHEY, R. N.  
21st June 1872

21st June 1872.

According to the letter of the orders of the Government, the main object of the scheme of Decentralisation was to relieve the Imperial revenues by transferring charges, heretofore borne by those revenues, to local resources, to be provided by local taxation. But this was not the actual result.

*Decentralisation of Finance :—Its Expediency.*

## CHAPTER XI.

MAJOR-GENERAL  
R STRACREY, R. R.,  
21st June 1872

7151. But you forget that that £1,500,000, of Income Tax which was left off was the result of an excessively high rate of Income Tax imposed, suddenly, to meet a financial emergency; and it never was contemplated to keep up such a rate of Income Tax as that; neither was that remission equally distributed over the several Governments, so that it could be said to bear any proportion to the Local Taxation?—If taxation of one sort is taken off, and taxation of another is put on, it does not follow that the individual incidence remains the same.

7152. But that amount of taxation was only put on just to meet that extraordinary financial emergency?—It seems to me that that has nothing to do with the question at issue; the fact was, that, simultaneously with the necessity for the increase of the Local Taxation there was an actual reduction of £1,500,000 of the Imperial taxation. I must also add that it is altogether a mistake to talk of that additional taxation, that addition to the income tax, as being taxation necessary to meet an emergency, the emergency was only of this nature, that the expenditure had risen to such an amount that it was necessary to meet it somehow.

7153. But I recollect, perfectly, that the Income Tax, which, at the commencement of the year, was only one per cent, was raised suddenly to two, and then, before the end of the year, to three; and it was stated by Lord Mayo, when he discovered the startling deficiency, that it was put on for the purpose of meeting that?—It was emergency in one sense, but not in another; it was emergency in the sense of its being urgently necessary to provide the means for meeting the expenditure of the year. When it was ascertained, in the course of the year, that the expenditure would be greatly in excess of income, so far, there was an emergency, but there was no emergency in the sense of its being a means to be applied for a single year, or a single half-year, and then dropped altogether; and nobody ever thought or admitted that it was.

7154. But, most certainly, Lord Mayo, on the opening of his Council, said that it would not be maintained at this rate; that it was merely to meet this pressure, and that he would never dream of maintaining it?—For this reason, that he knew that it would be possible, by suitable arrangements, to be able to take it off soon; that he had, in his own mind, already the conception of his Scheme of Localisation, and that he was aware that, by suitable arrangements, it would not be necessary to maintain the increased rate of Income Tax, but that those arrangements could not be matured suddenly.

7155. The short of it is, that it was an exceptionally high rate of taxation which nobody would think of maintaining; and, therefore, this reduction of Income Tax which would have taken place in any case cannot be pleaded as a set-off to increased Local Taxation?—It was exceptional to that extent, that whereas it was one, it was made three. Whether any one can say that one, two, three, four, or five, is, in the abstract, high, I am not prepared to say; it may be

The Provincial assignment was permanent in the sense that it would not be increased, though on serious emergency it might be reduced.

7156. It is also said in the Resolution, that this is the amount of Grant to be permanently made; the word "permanently" is used?—There is the word "permanently" here.

7157. Then, in paragraph 17, the Governor General says that he hopes not to be under the necessity of reducing the Assignments?—Quite so.

7158. Therefore, it appears that, while the contingency of a reduction is contemplated, that of an increase is ignored?—Well, I think not. I think that the intention, no doubt, was not to lead the Local Governments to think that these Grants were to be increased. In the very nature of the whole transaction the intention was to provide a limited sum out of the Imperial Revenues, from which the Local Governments were to be bound to meet certain classes of expenditure, adding to that limited sum, either specific economies in the sums allowed for the various branches of the Administration, or such improved Revenues as they could obtain. There is no question that that is the very pith of the whole thing.

7159. I think if you held this language to anybody, "I make you this permanent allowance, and I will not reduce it if I can help it," you would lead him to understand that it might be reduced, but that there was very little chance of its being increased?—No doubt that was the intention.

THE RIGHT HON'BLE  
W N MASSEY  
9th July 1872

*Mr Lytton* ] I thus obtained about 200,000*l.*, and I had to obtain from 300,000*l.* to 500,000*l.* more. Now I must observe that, soon after I came to India, I was convinced that it was not only impracticable, but unjust, and, indeed, almost absurd, to maintain one central system of finance through the whole of that heterogeneous Empire. I obtained the permission of the Viceroy to issue a Circular to all the Local Governments, asking them their opinion as to the expediency and practicability of instituting a limited system of Local Finance, of course for local objects, and whether they could furnish from their own Governments, any resources in aid of that object. The answers which I obtained were, upon the whole, favourable to the principle of the Scheme, with the exception of Madras, which was entirely opposed to it. They all said that the principle was right; that it was perfectly practicable, and that Local Resources could be found. I may say that I was very soon satisfied there were odds and ends of finance that might be fairly utilised without doing harm to anybody, but which were not fit subjects for an Imperial System of Finance; and the only way in which those sources could be utilised was by conferring upon the Local Governments some power of taxation with reference to their local wants. Having in view the policy which I have sketched, I determined that it would be desirable to frame a tax for the present uses of the Imperial Service, which might be subsequently available to the Local Governments in

*Decentralisation of Finance :—Its Expediency.*

the event of the Scheme which I proposed being carried into effect; and I selected a License Tax upon Trades and Professions. It was a very moderate tax, it was a rough and arbitrary assessment upon Trades and Professions, including the Civil and Military Services, and I felt the less disinclination to impose a tax of that kind, because Trades and Professions contributed nothing directly to the Revenues of India; and, therefore, following not merely the English practice, but following what was a practice fairly established in the Municipal Taxation of India, I thought a rough License Tax would be a very useful instrument of taxation to arm the Local Government with, by way of inaugurating a system of local finance. That License Tax was calculated to yield about 500,000*l.* a year; it did, ultimately, yield about 650,000*l.* And thus I had from 1,200,000*l.* to 1,400,000*l.* a year added to my Ways and Means

8582. Will you tell the Committee what was your view in preferring a License Tax to an Income-Tax?—The reason which determined me in preferring a License Tax to an Income Tax was one which I have already named—namely, that a License Tax would apply to persons who contributed nothing to the resources of India. Trades and Professions were not taxed in any way save as they were subject to the Customs and Excise; in no other way did they pay a tax not shared in by the rest of the Community of India, but when I came to consider the alternative of an Income Tax, I found myself met with the difficulty of renewing the Income Tax upon scientific principles. It would be hardly possible to establish an Income Tax throughout the whole of India upon the rough and arbitrary system which was adopted in the License Tax; and I was very early satisfied, from my experience of Indian affairs, that any attempt at the inquisitorial process of the English Income Tax would be fraught with very great difficulties, and even with danger. I looked at the Income Tax not merely in a financial point of view, but as a very great and serious question of public policy, and I also considered the Income Tax to be a great reserve of taxation to be resorted to under circumstances of pressure and exigency; that it was the only tax to which we could conveniently resort when, from any circumstance whatever, from a famine, or from a war, or from any other unforeseen or temporary pressure, it was necessary to recruit the revenues of India. That was very much Mr. Wilson's view when he went out. Mr. Wilson, I need hardly say, was perfectly justified in imposing the Income Tax under the circumstances in which he found India, devastated by the Mutiny, and disorganised in the financial, and in every other department. But Mr. Wilson felt the danger and difficulty of the ground upon which he trod, and it was with very cautious footsteps that he traversed that ground. He was most emphatic in his intimations that the Income Tax was only imposed for a particular exigency, which demanded additional resources. I think the Deficit of India was then something enormous, 8,000,000*l.* or 10,000,000*l.*, and it was absolutely necessary that most vigorous and prompt measures should be taken to repair such a state of things, therefore Mr. Wilson was perfectly justified in resorting to an Income Tax. But what I object to is the establishment of an Income Tax as an ordinary part of the fiscal system of India. It ought to be considered as a great financial reserve. Used in that way, occasionally resorted to, it would be accepted, I believe, by the people of India, without murmuring. They have been accustomed, under centuries of Native Rule, to occasional severe exactions, but those exactions were always consequent upon some exigency which they understood and of which they admitted the validity, but they never have been subjected to any regular system of taxation such as that which an Income Tax implies, and there is a repugnance which you cannot remove in the Native mind to submit their pecuniary or private affairs to the inquiry of the State. It is my opinion that they connect the idea of the Income Tax (for they are very suspicious, like all conquered people) with some prospective plan of confiscation, and they regard, with dread and horror, and with a repugnance which I can hardly exaggerate, the erection of a machinery which will enable the Government to administer such a tax. Therefore it is that I must repeat, at the risk of being considered tautologous, that the plan of maintaining the machinery of an Income Tax, even although you use it to an almost inappreciable extent for the purpose of applying it suddenly upon any emergency which may arise, is quite as objectionable as creating an Income Tax with a very onerous burden. In my opinion, when you want extraordinary means, you are justified in resorting to an Income Tax, but, when the exigency ceases, let your Income Tax go and let your machinery be broken up; your machinery you can always revive whenever the occasion occurs; but do not keep it as a standing menace to the people of India. I have no doubt that these views may sound strange to gentlemen who are conversant only with English finance, but they are views which are founded on the peculiar character of the people of India. I entertain them so strongly, that nothing on earth should induce me to hold office in India as the Financial Minister if the condition imposed upon me by the Secretary of State was the maintenance of an Income Tax as an ordinary source of revenue.

8583. Will you be good enough now, if you please, to proceed to give the Committee some information as to the best mode which might be adopted, or whether any mode you think could be adopted, of adjusting the Expenditure to the Income, instead of raising the Income to meet the Expenditure?—The principle of English finance is, adjust your Income to your Expenditure. In my opinion, the contrary principle should be adopted in Indian finance. The truth is, that your resources are so limited, that if you should outrun the constable a little you are at once landed in a Deficit. You cannot expand any of your taxation; you cannot create new taxation with the exception of Income Tax. I wish to say that, in round terms, for there is no new source of taxation, as far as I am aware, that

CHAPTER XI.

THE RIGHT HON<sup>BLE</sup>  
W. N. MASSIE  
9th July 1872.

*Decentralisation of Finance :—Its Expediency.*

CHAPTER XI.  
 THE RIGHT HON<sup>BLE</sup>  
 W. N. MASSEY.  
 9th July 1873.

The principle of English finance is to adjust income to expenditure. The contrary principle should be adopted in Indian finance, because Indian taxation cannot be expanded.

it is possible for you to invent. Therefore it is that I would most earnestly impress upon all Indian financiers the expediency of accommodating their Expenditure to their Income. They were the last words that I used when I left India, "Live within your ample income; you have an income now of some 50,000,000*l.* a year, and you might, if you chose to be lavish, and to give rein to the Local Governments, spend 100,000,000*l.* a year." But you have to consider the services which it is absolutely necessary to maintain; of course, the great military service is indispensable. I will not pretend to go into the question as to the exact adjustment of the military force which is necessary to hold India, but I will assume that the military strength now existing in India is necessary for the purpose. If that is the case, you have a military expenditure equal to that of this Country; I think it varies from 14,000,000*l.* to 16,000,000*l.* sterling a year now. Upon that point, I should wish to make an observation with reference to retrenchment. The military expenditure of India comprises, of course, an enormous mass of detail which is to be found in a blue book compiled by officials (I do not wish to say this disrespectfully) of a subordinate character, and, as far as I am aware, not under the direction or control of any superior member of the Government of India. The Military Member of Council has nothing to do with it, the Commander-in-Chief, although a Member of Council, has nothing to do with the financial administration of the army, the preparation of these details is entirely left to the Local Governments, and is under the general superintendence of the Comptroller of Military Accounts. The late General Broome, than whom a more laborious or able officer could not be, did, I am sure, everything that he possibly could, within the scope of his power, to keep those Accounts within due limits. But, for my part, I knew nothing whatever about them; they were placed before me perhaps a few days before I had to make up my Budget, and I was told that this was the amount required for the Military Service. It would have been quite impossible for the Financial Member of Council, whose time is fully occupied, to enter upon the details of a vast system of expenditure which are quite sufficient to occupy the time of a first-class official. I have heard it roundly conjectured by men in India, gentlemen of high station, conversant with military matters, that the extreme probability was that a more systematic revision of the Estimates would result in the saving of a million a year upon that Head alone.

8584 Your view is that there should be as complete a supervision over the Military Expenditure, with the same sense of responsibility, by an independent Member of the Council, as there was with reference to the finances generally by the Finance Minister?—I think that that is so, and that a Member of Council should be charged with the special duty, as the War Minister is here, of superintending this vast outlay; and that he should be in constant correspondence with the Financial Member of Council sitting in Council with him on an equal footing. That idea has been the frequent subject of communication between Lord Sandhurst and myself when he was Commander-in-Chief in India. Lord Sandhurst's well-known project, which he has frequently submitted to the Government, is the abolition of the office of the Commander-in-Chief, and the conversion of the office into a War Ministry.

8585 I may mention that we have not, yet, gone into any question of detail of Military Expenditure, and therefore, perhaps, you had better confine your evidence to this question of supervision, which seems of very great importance, do you consider that it would be necessary, in order to enable a Member of Council to discharge the duties which you propose that he should, from day to day, and throughout the year, be engaged in the examination and investigation of all the details of military expenditure, with a view to economic arrangement?—Yes, I think he should be charged solely with that duty; and I believe the very fact of a high officer, like a Member of the Council of the Governor General of India, being charged with that duty, would itself have a tendency to restrain waste and peculation.

8586 Then, with regard to the civil expenditure, did you consider that you were a Controller of that Expenditure in all its details, and had you the means of exercising that control?—Far from it, the arm of the Central Government is not long enough to reach the numerous, powerful, and, I may say, semi-independent Governments of India. I may remind you that the Presidencies of Madras and Bombay are in direct communication with the Secretary of State, and they are disposed to resent the interference of the Government of India, and to regard the Government of India more as an equal than as a superior. We found, I may say, especially with regard to the Presidency of Bombay, that our power of financial control over the expenditure of Bombay was baffled and defeated almost at every point. These great Governments had nothing to do but to aggrandise the importance of their Administration, by making out expensive Estimates, and by maintaining the absolute necessity of all those Estimates when they were criticised by the Central Government. It was a very serious responsibility for the Central Government to take upon itself to say that this and that expenditure, at a distance of thousands of miles under a semi-independent Administration, were unnecessary. Of course you might arbitrarily strike your pen through a certain item of Expenditure and say, "It shall not be allowed;" but that was a responsibility which the Government of India were exceedingly loth to assume.

8587 But do I rightly understand that the Budgets from Madras and Bombay, and all the other Governments, came up to you *en bloc*, so to speak, that is complete in all their details, leaving you to find fault with them as far as you could?—Yes, there is a series of Budgets. There is a Blue Book, which has been, I dare say before the Committee, containing, I think, eight budgets of the eight separate administrations. Every one of those is sent up to the Government of India for adoption. If the Government of India puts its



*Decentralisation of Finance :—Its Expediency*

finger on one item, and says "It is excessive," they say "It is not, it is exceedingly economical, and you cannot diminish it without starving the Service." If you say that such and such an expenditure can be altogether dispensed with, there is a chorus of remonstrance from the whole banded officials of that Government, which overbears the Government of India; and probably an appeal to the Secretary of State, which results in a despatch requiring the expenditure to be allowed. So that the control which the Central Government exercises over the expenditure of India is of the weakest possible description.

8588. You are of opinion that, really to control expenditure, you must begin with it, and follow it at its very root in the minute details, out of which it arises, and that there is no system by which you can take expenditure at the end in the shape of a budget, but that you must examine it as it goes on in detail?—There is no other mode of retrenching expenditure that I am aware of, and I am quite satisfied that the Central Government is wholly incapable of exercising that mode of supervision, and that was one strong motive which led me to find my way, if possible, to some system of Local Finance, so that a portion of the Imperial Revenue should be allotted to the several Governments for their domestic expenditure, and that they should be allowed a license of taxation within certain limits.

8589. We have not yet received the information from the Secretary of State as to the extent to which the system of Local Taxation has gone, and, therefore, we are unable now to speak, from any knowledge that we possess, of the nature and extent of that Local Taxation; but what I wished to direct your attention to is this, that as far as the system has been explained to us, although there was a limit of charge imposed upon the Imperial Revenue, under the new system, there is no limit of expenditure, because the Local Governments are allowed to supplement their expenditure, as far as we can make out, indefinitely, by Local Taxation; that is to say, as far as they can get people to pay taxes, therefore, we have not seen how the new system would tend to keep down Expenditure, on the contrary, it seems to increase it?—I think that if a system of Local Finance was established, the result might be that more public money would be spent throughout the length and breadth of India, but I do not attach much importance to that. What I consider to be the great evil of the Imperial System of Finance is this, that you cannot tell how much money you will want. Demands are made for Roads, for Gaols, for Tanks, and for various things which are of local necessity, and we find that the revenues of India are pressed too close upon their margin in order to meet them. My impression is that the present system of finance wholly fails in one most important safeguard of finance; that is, in imposing a principle of economy, or a motive for economy, upon the spenders of public money. The Local Governments have nothing to do but to draw upon the Imperial Treasury, and, of course, they think that the more they draw, the more it will redound to the honour of their Administration. Again, I would ask the Committee to look at this future of a Central System of Finance over a vast Country such as is represented by that map before us. Is it not strange that the people of Burmah, or the people of Madras, should be taxed to make roads, or wells, or buildings, in Bombay or in the Punjab? But that is the case under the present system. If you bring the whole of the resources of India into hotch-pot as we do, one District gets more than another, and another does not get its proper due. Well, it seems to me that, as you have established several systems of Local administration throughout India, and as those Administrations are capable of conducting the ordinary business of Government, there is no reason why you should not add to their duties the financial branch of administration, and I think it would be most conducive to the economical administration of those several Governments, and would be a great relief to the Government of India from a peril which constantly encompasses it.

8590. I was anxious to make it clear how the system works as a check on expenditure by the Local Governments, unless the Supreme Government will accept the responsibility of putting an absolute limit to the income which the Local Governments are to expend, if you leave the door open, so that the Local Governments may add to their income by Local Taxation, is not that rather a shifting of responsibility from the Governor General to the Local Governments than a check upon Local Expenditure, if the Local Governments were to carry out your system, is it not, therefore, necessary that the Local Governments should have an absolutely limit to their income, and then, as you say, be compelled to live within it?—I think that they should not have an absolute license to tax the people of their Province to any extent that they might think fit. I always had it in contemplation that either the Government of India or the Secretary of State should exercise a veto upon Local Taxation. But my belief is, that if a certain allotment from the Imperial Revenue was assigned to each of the Local Governments, and they were told that any expenditure in excess of that, must be provided by them from Local Sources, they, feeling, as everyone engaged in Indian administration must feel, the danger and difficulty of creating new sources of charge, would have the strongest motives for avoiding the discontent which would, unquestionably, ensue from anything like a stringent system of taxation. But I would not leave it entirely to the discretion of the Local Administrator; I would exercise a control, either by the Central Government or by the Secretary of State, over any new source of revenue which the Local Government proposed to create.

8591. You are not then prepared to recommend that the Supreme Government should grant, I if may use the phrase, a credit to the Local Government for the expenditure with an absolute injunction that it must administer its affairs within the limit of that credit?—No, certainly not, I would not impose any such hard-and-fast line upon the Local Administrator as that, he would, no doubt, receive injunctions from the Secretary of State to practise eco-

## CHAPTER XI.

THE RIGHT HON'BLE  
W N MASSIE  
9th July 1872

The control which the Central Government exercises over expenditure in India is of the weakest possible description—and that was one strong motive for resorting to decentralisation of the finances.

But if the Local Governments are allowed to increase their expenditure, so long as they can meet it by local taxation, how will economy be promoted thereby?

The measure of decentralisation should be entirely gradual and tentative.

*Decentralisation.—Local Taxation.*

CHAPTER XI.  
 THE RIGHT HON<sup>BLE</sup>  
 W. N. MASSIE,  
 8th July 1872.

The Local Govern-  
 ments are under far  
 less control now than  
 in 1834.

onomy, and avoid undue expenditure ; and he would have a motive which he has not now to exercise that economy. With regard to this system of Local Finance, I should desire that it should be entirely gradual and tentative, it is a very great experiment. In the opinion of some Indian Statesmen of the highest authority, it is a dangerous experiment, and one which might involve the credit of India. I do not concur in that alarm at all ; but, at the same time, I should be the last to recommend at once the adoption of a system which should be one of gradual development, and which I hope to see ultimately attained ; and I believe it can only be attained by a gradual and tentative process.

8592 Are we not proceeding, one may say, in a circle, in point of fact ; for you may perhaps recollect that, before 1834, the whole taxation of the several Presidencies was carried on on the responsibility of the Governor in Council of each Presidency, and there was no authority on the part of the Governor General to impose any taxes at all or charges upon the several Presidencies. That system, it was considered a master-stroke of policy to abolish, and make the Governor General and his Council responsible, we are now merely recurring to that which existed before 1834 ; but, what I wish to ask you is, whether we are not recurring to it under infinitely worse conditions than then existed, because, at that time, were not Local Governments kept under a most stringent supervision, in all their details, by the Court of Directors, and are they not now acting with very much less control, and with a much less sense of responsibility ?—Yes ; I think that, since the transference of the Government of India to the Queen, the Local Governments have been greatly aggrandised, and that they are not under that subordination to the Supreme Government which they were when they were under the rule of the Company ; their ideas are higher and more imperial than those of the Company's Servants ; and, to that extent, I think that, unless some restraint was imposed upon the Governors of Provinces, it is very possible that this System might be subject to abuse ; therefore it is that I would only adopt it gradually. I understand that it has been inaugurated in a very moderate way ; and I would expand it as circumstances dictated ; I would keep a strict hand over the Local Governments in resorting to new sources of revenue, but at the same time I would not lay down a rule that you shall expend so much and no more.

8593 Do you think that the sense of responsibility of the Governor of a Presidency is now very much less than it was some years before 1834, inasmuch as then the Governor had no one to fall back upon to share his responsibility, except the few Members of his Council, who were, personally, equally responsible with himself, unless they actually dissented ; whereas the Governor of a Presidency can avoid all responsibility by putting himself under the control of a Council composed of persons who really occupy no responsible position in India or anywhere else ?—I have no doubt that, under the former rule of the Company, when communication was much less frequent between this Country and India, the Governors exercised a very wide discretion. In fact, history discloses some particulars of the mode in which administration was conducted, and especially the mode in which money was extorted from the people. Those days have gone by, and the tendency of modern circumstances is to divest now the Governors of India of responsibility ; even the Governor General now, by means of the electric telegraph, relieves himself from the difficulty of deciding an important question by referring it to the Secretary of State. That is an unavoidable incident of the increased means of communication. It is, I think, a misfortune ; but it is one that cannot be helped.

8594. But do not you think that if you allow to the Governors now the power of taxation they will exercise that power with their responsibility very much diminished by the fact you refer to of the rapid communication with the Governor General and the Secretary of State for India ; but above all by their being able to shield themselves under their own Council composed of gentlemen taken from the inhabitants of the Presidency Towns, but who have no real responsibility at all for anything that they say or do ?—I think that the Governor or the Principal Administrator of every Province in India should be held by the Secretary of State to be responsible for the government of his Province, and that he should not be permitted to shield himself under the advice of a Council. The functions of an Indian Council ought to be consultative, and not executive. The Governor General of India, whose Council is generally composed of men picked from the various Services of India, men of the highest quality, has the power, if he thinks fit, to overrule the decision of the Council, and to act upon his own responsibility. I do not think that, under the present conditions, he is, very likely, often to exercise that power, unless he is a man of very resolute will indeed.

8595 Do you think that the economy of administration has been, in any degree, weakened by what is generally called the separation of the Government of India from the financial administration of India, and that the Governor General, now instead of being responsible for the financial administration of India, has morally, and in public opinion, relieved himself of that responsibility ?—In my time, Lord Lawrence, than whom no man was more conversant with his duties, or more resolute in maintaining his rights, always maintained, and most justly, that he was responsible for the administration of the finances of India ; and that, in fact, I was merely his adviser and assistant, which was precisely the position which I occupied. Probably, an ordinary Governor General would depend very much upon, and be guided by, the advice of his Financial Minister, pretty much as a limited monarch is guided by the advice of the Minister of the day ; but, at the same time, the position of the Financial Member of Council is very different from that of the Chancellor of the Exchequer ; for instance, if the Governor General overrules the policy of the Financial Minister, he cannot throw up his

*Decentralisation of Finance :—Its Expediency.*

office and appeal to what is called public opinion, and justify himself; he is bound in honour to remain at his post.

8596 Bound in law, is he not?—Bound in law. His mode of relieving himself from responsibility must be a postponed and tardy remedy.

8597. All his duty, prescribed by law, is to enter his opinion on the Minutes of Council?—He can enter his opinion on record if he chooses, and it will be recorded in the transactions of the Government of India.

8598. I mean that is the duty prescribed to him by law?—Yes.

8599. And therefore that is his duty in point of morals and honor?—He has discharged himself, when he has exercised that duty.

8600. Then do you think that the only mode of enforcing economy in the expenditure is really to hold the Governor General in his case, and the Governors themselves, individually responsible for administering their governments within the finances?—Certainly.

8601. And that they ought not to be allowed to escape any of that responsibility by endeavouring to put it off on the Councils or other persons by whom they are surrounded, or with whom they are connected, in the administration?—Certainly; the Secretary of State ought not to receive it as any answer from the Governor General of India that he was guided by the opinion of Mr. Massey, or Sir Richard Temple, or whoever might be the Financial Member of the Council of the day. It is his duty to be responsible for the administration of the finances of India as for every other department of the Administration.

8614 *Sir C. Wingfield.*] I think you say that you do not think that there is danger that the Local Governments will impose additional taxation to such an extent as to be dangerous, and that you would give a veto to the Supreme Government, so that the Supreme Government should check a tendency of that kind. But it seems that latterly it has been the Supreme Government rather that has been urging these Local Governments to impose additional taxes?—I am not aware of it; that was since I left India.

8615. Lord Mayo, in that Decentralisation Order, says that it is a necessary part and complement of the system that Local Governments should impose taxes to meet the deficiency; and he mentions, in that Order, that the different Governments of Bengal, the North-Western Provinces, Oude, Punjab, and all have imposed additional taxes; they are going to add further to those taxes; what I am afraid of is, that the influence of the Supreme Government will not be used to check the disposition to raise more money; what is your opinion on that point?—In my time there was a very great jealousy on the part of the Supreme Government of yielding to the suggestions of the Local Governments for the imposition of any Local Taxation. I think that that jealousy was, perhaps, a little excessive.

8616. But now the Supreme Government, having relieved itself to the extent of 350,000*l.* a year from Contributions to the Local Governments, and having thrown on the Local Governments those particular public services, which are sure to demand some increase of expenditure, as, for instance, education and roads, that is a direct inducement now to encourage the Local Governments to find the additional funds that will be required?—Yes; I do not know the scale upon which Assignments have been made to the Local Governments. If that scale is not sufficient, of course they must complement it by Local Taxation.

8617. By this Scheme the Supreme Government relieves itself immediately to the extent of 350,000*l.*, and from all prospective liability to increased charges?—Yes, that is quite right, if the system is to be adopted at all.

8618. How do you think it would be if all the different governments of India were called upon to contribute ratably to what are called Imperial Charges, taking as Imperial Charges such things as Army, Debt, Diplomacy, Home Charges, Post Office, and Telegraphs, which are common, in fact, to all India, and will continue, and cannot be apportioned among the different governments; to call upon them ratably to meet all the Imperial Charges, and then let them spend their Surplus, or a proportion of their Surplus, after defraying the cost of the Civil Administration, reserving a margin for Imperial Purposes?—I would not have the Imperial Government part with certain sources of Revenue. In the first place, the credit of the Imperial Government must be maintained. Loans will be advanced to the Government of India on the credit of the Central Government, not on the credit of the Local Governments; I should therefore think it highly impolitic for the Central Government to relinquish its complete control over certain sources of Revenue.

8619. I do not think that you quite apprehend me, I do not propose that any power of borrowing should be given to the Local Governments; but all I mean is that the Supreme Government, having fixed its expenditure for the year, might call upon the Local Governments to ratably defray that Expenditure, and say, "Whatever is left you may have for your own Local Expenditure; that is to say, the purely Civil Expenditure, or the expenditure that is really due to that particular Province only?—Well, I should rather hesitate to give an opinion upon that point; it is involved in the future development of the system. If the tendency of the system was found to be favourable to the particular mode of supplying the Government of India which you suggest, I should not object to it, but, as at present advised, I would not make it at all a part of the System of Local Finance that the Central Government should, in any degree, depend for its Resources upon the Contributions of the Local Governments.

8620. It has been thought that this plan would give the Local Governments a more direct inducement to economy, inasmuch as, whatever retrenchments they can make in their

CHAPTER XI.

THE RIGHT HON'BLE  
W. N. MASSEY.  
9th July 1872.

The tendency of the scheme of decentralisation is to stimulate Local Governments to increase local taxation. Does it not further dispose the Supreme Government to encourage the Local Governments in that course instead of restraining them?

It would be highly impolitic and injurious to the credit of the Government of India for the Central Government to relinquish its complete control over certain sources of revenue.

*Decentralisation of Finance :—Its Expediency.*

## CHAPTER XI.

THE RIGHT HON<sup>BLE</sup>  
W N MASSIE.  
9th July 1872.

administration, the larger Surplus would remain to them to spend in useful purposes?—Yes; that would be a very important stride, indeed, which you might not be able to retrace if you did not find it answer. I would much rather go by steps, make an assignment to them from certain sources now at the command of the Central Government, and then require them to supplement those Grants from their own Resources. It might be, in the course of the development of the system, desirable to change that plan, and, partially, to surrender to the Local Governments certain sources of Revenue now maintained as the property of the Central Government; but, at present, I should not recommend any other proceeding than that of an assignment of a certain sum of money from the Imperial Government, with an intimation that that Assignment would not be exceeded, and that any Local Taxation which the Local Government required for the purpose of supplementing that Assignment should be subject to the consent of the Secretary of State or of the Government of India. At present, as the Honourable Member for Gravesend is aware, no Local Government can pass an Act in its Legislative Council which acquires validity until it has been approved by the Governor General; that system I would continue.

8621. At present the income of the different Local Governments is not very fairly estimated, that is to say, Local Governments, now, get credit for an income which is really contributed partially by other Provinces; for instance, the Bengal Government gets credit for all the Salt that is imported into the port of Calcutta, whereas a very large proportion of it is consumed in the Upper Provinces; similarly, it gets credit for all the Opium grown in the North-Western Provinces and Oudh; the Central Provinces again get credit for a great deal of the Salt that is taken into the North-Western Provinces and Oudh, simply because the Customs Line runs through it; Bombay again gets credited as Revenue with the duty on Opium grown entirely in a Foreign State. Therefore, the expenditure, as compared with the income of a Province, gives a very unfair idea of the financial position of a Province?—Yes.

Excise revenue  
ought to be entirely  
surrendered to the  
Local Governments,  
with the salt revenue,  
but not at present.

8622. Would it not be right to apportion properly the true income to each Province?—I think that, when the system became more matured, there are certain branches of revenue which might be entirely surrendered to the Local Governments; for instance, Abkari or Excise; I would retain the Port Duties and the Land Revenue entirely in the hands of the Central Government; but there are certain sources of revenue which might fairly, in connection with the system, be surrendered to the Local Governments, when the system became more matured and was found to answer; but, under the tentative process, I would not surrender any portion of the revenues now collected by the Central Government.

8623. It has also been suggested that the Imperial Government might, for Imperial expenditure, take the Salt, Customs and Opium Revenues, and defray the Imperial Expenditure from them; then it would draw on the remaining Revenue of each Province for such balance as may be required, and leave the rest to pay the expenses of the Civil Administration of each Province; what do you say to that idea?—The 18 or 20 millions that we get from the Land Revenue is the backbone of the Revenue.

8624. But that those sources of Revenue which I have mentioned might first of all go to meet Imperial Expenditure?—With regard to the Excise and Salt Duties, there is a great deal to be said for surrendering them for the purpose of carrying out this scheme, but not at present; let us first see whether it answers.

8643. *Mr. Beach*—With reference to the question of Local Taxation, is the view that you are suggesting meant to be confined to Financial Administration, or does it apply to the General Administration of the Government?—Every department of domestic administration is now in the hands of the Local Governments, with the exception of finance, and I wish to add finance.

8644. When we talk of Local Taxation in this Country, we do not apply it to the power of taxing, but merely to levying taxation; when you speak of Local Taxation in India, you mean to imply the power of creating the taxes as well as the power of spending the money?—Yes; the power of taxation I would give to the Local Governments for local purposes, subject to the control of the Central Government or the Secretary of State, or both.

8645. Would you retain the same eight Local Administrations?—That is a question of policy; but I think the eight Local Administrations, so far as the administration of finance is concerned, might be retained. I do not know that anything could be substituted for them that would be more convenient.

8646. Take Scinde and Bombay, for instance; are they very closely related?—Scinde and Bombay are virtually governed under Separate Administrations now. The Chief Commissioner of Scinde governs that Province under a nominal dependence upon the Government of Bombay, but really, I believe, it is, virtually, a Separate Administration.

8647. Would it not be desirable, before establishing a system of that kind, to reconsider the different Provinces into which India is now separated?—I would take the Provinces as they exist and make them the Centres of Administration, for the limited purposes of finance.

8648. But you would still retain Bombay and Scinde as one?—I do not know, that is a matter of detail upon which I should wish to speak with reserve.

8649. Do not you think that it is very important, with reference to the future progress of such a system, to start with a good division of the Country into local Administrations?—Yes; but I do not think that, for so limited a purpose as the partial administration of the finance, it would be justifiable to readjust the Provincial Limits into which India is divided.

*Decentralisation of Finance:—Its Expediency.*

8650. If there were any system of this kind, would you retain one General Service for the Civil Service of India?—Yes

8651. And how would you arrange the payment of that Service divided into Provinces? The higher branches of the civil service of India would be in the Imperial Service; they would be the commissioners and deputy commissioners and judges.

8652. Those are the Heads; I was taking the whole Service through the whole grades of the Service. Talking just now of the control that the Finance Minister has over the Budget, I understood you that there was a difficulty, because the Local Governments insisted upon a number of servants for this or that work; I should imagine that, according to your Scheme, if the officers they employed were in the Imperial Service it must be managed under one Head?—The inferior Civil Servants of each Province would be paid out of the resources of the Province, that is the resources under the Decentralisation System.

8653. Who would regulate their number, and their pay?—They would be regulated by the Government of the Province, subject to the approval of the Secretary of State.

8654. But I presume that they would not be confined, in their service, to one Government; it would be a Gradation of Service all over India?—The general character of the present Civil Service would be maintained, no doubt; there would be no difficulty in that; they would have to draw their servants from the General Civil Service of India; that is a huge staff which is educated in a particular way, and no person but Members of that Civil Service would be eligible to any office which is now held by the Covenanted Service of India.

8655. Take the Civil Service Estimates that would comprise all that class of Servants; ought they not to be under the control, in truth, of the one Financial Minister in India?—I think not. The Financial Member of Council, or rather the Government of India (for that is the mode of designating it), knows nothing at all about the subordinate officers of the Local Governments. The scale of pay of those Officers would properly be adjusted by the Central Government, but the appointments of those officers, and their pay, would be made and provided by the head of the Local Government.

8656. To give an illustration of how the Scheme which you seem to anticipate would eventually work, would it be in the form of something like the States of America, being separate Governments under one General Central Authority, or would it be one Government with deputed officers in different parts?—The whole civil administration of the Local Governments would remain entirely untouched by this system, except with regard to the payment of their salaries, they would be paid their salaries by the Local Government. I do not mean to say that at present that would be the case. In the future development of the system, when it was completed by the light of experience, every person employed in the Local Administration would be paid out of the Local Funds.

8657. It is with regard to the future development of such a system that it strikes me that it is very important to start with some clear idea how that future development should be carried out, as it to be a future development of self-government in the Province, or simply a system of Local Organization entirely under the Central Government?—No, the whole; every portion of the domestic administration of each of the Presidential Governments, at all events, and almost to an equal extent of the Lieutenant Governments would be a matter of Local Administration entirely, the Central Government never interfering except when any misconduct is reported to them, or any demand made for money.

8658. You alluded to the injustice of taxing Burmah to make a road in Bombay; your system would only limit the locality within an eighth of India instead of the whole of India?—Yes.

8659. Is that your idea of the administration of Local Taxation?—When I used the term "Local Administration," I took the existing divisions of the administration of India.

8660. In what respects, for instance, would Scinde be fairly taxed for a tank in Poonah?—Scinde is a sort of Sub-province of Bombay; and, without giving any positive opinion as to the particular limits of financial administration throughout India other than the limits prescribed already by the Government, I should say that it would be proper for the Chief Commissioner of Scinde to be entrusted with the power of Local Administration just as the Governor of Bombay is.

8661. My idea of Local Taxation and Local Administration is one of localities as in this Country; that Poonah might be taxed for Poonah works; that there should be the power of spending money contributed by the Local Revenues, but no power of Local Taxation; it is not in that sense that you used the term "Local Taxation"?—No, the system of Local Taxation which I propose, is commensurate with the Territorial Divisions of the existing Administrations.

8662. In other words, it is making eight Centres of Government instead of one?—There are eight Centres of Government now.

8663. Eight Centres of Administration, I will say?—Well, you may call them Centres of Administration.

8664. You are proposing to give the power of taxation to the Localities, as I understand you; at present we have only three Centres of Legislative Power; there is no power of taxation except in those, is there?—Bombay, Madras, Bengal, and the Central Government are the present Centres of Legislative Power.

8665. Mr Dickinson.—Would your suggestion, with reference to local finance, involve a separation of the Revenue into Imperial and Local?—Yes, it would. Certain branches of reve-

CHAPTER XI.

THE RIGHT HON'BLE  
W. N. MASELEY  
9th July 1872.In what respect  
would Scinde be fairly  
taxed for a tank  
in Poonah?

*Decentralisation of Finance :—Its Expediency.*

## CHAPTER XI.

THE RIGHT HON<sup>BLE</sup>  
W N MASSIE  
16th July 1872

What heads of re-  
venue should be re-  
tained as imperial,  
and what others be  
made local

nue would be retained in the hands of the Imperial Government, and all branches of revenue which properly could be classed under the denomination of Local would be relinquished, according to my view, exclusively to the Local Administration

8666. Taking the present Heads of Revenue, which would you look upon as Imperial in contradistinction from Local; take Land Revenue, which would that be?—That would be Imperial

8667. Assessed taxes would be Imperial, that is Assessed Taxes with the exception of those that were levied by the Local Administration.

8668. Take the Abkari?—That I should retain, for the present, as a portion of the Imperial revenue with a view, when the system of Local Financial Administration was matured, of relinquishing it, wholly or in part, to the Local Governments.

8669. Is there any other item of the Assessed Taxes which you think ought to be Imperial?—If you have any Assessed Taxes at all; but I should be disposed to avoid any assessed taxes on the part of the Imperial Government.

8670. Customs?—Customs I would retain as part of the Imperial Revenue.

8671. Salt?—Salt I would retain as part of the Imperial Revenue.

8672. Opium?—Opium, certainly, I would retain as Imperial Revenue.

8673. Stamps?—Stamps I would perhaps relinquish to the Local Governments. The development of the Scheme would involve the separation of certain Branches of Revenue now collected for Imperial purposes for the Government of India.

8674. The Mint?—The Mint is Imperial of necessity.

8675. The Post Office?—The Post Office would be Imperial, I think.

8676. The Telegraph the same?—That also would be Imperial; that is more a Charge at present.

8677. Law and Justice?—Law and Justice would be Imperial; it must remain so, I think.

8678. Police?—That is essentially Local.

8679. Marine?—Marine is Imperial.

8680. Education?—Education is Local.

8681. Public Works?—Public Works are Local.

8682. Now, will you take the items of Expenditure, without going through the cost of collection, of course?—The items of Expenditure would follow the items of Receipts.

8683. "Administration;" I think it is chiefly the Administration of all the Government departments, and so on?—Administration of Public Departments would be partly Imperial and partly Local. "Salaries of the Governor General and Members of Council" is of course Imperial. "The Governor General's Household," the Secretariat, the Public Offices, the Paper Currency Department, the allowances to the Presidency Banks, and the Tour Charges of the Governor General, are charges connected with the Government of India as a Government.

8684. When you come to Local Governments, Oude is the first given at page 86 of the Accounts before us?—The Chief Commissioner, the Financial Commissioner, and the Commissioners are Imperial Charges. The term "Administration" comprises only the more important offices of the Administration.

8685. It involves a very important question in your Scheme, whether the administration of the Local Governments should be an Imperial or Local Charge?—The salaries of the Chief Commissioner, of the Financial Commissioner, and of the Commissioners of Districts would be an Imperial charge, I would suppose.

8686. You would make the form of the Local Government dependent entirely upon the Imperial, therefore the Administration would be, according to your view, all Imperial?—The staff of the Local Governments would be an Imperial Charge.

8687. Law and Justice would again be Imperial? Yes.

8688. Police would be Local?—Yes.

8689. Marine would be Imperial?—Yes.

8690. Education would be Local?—Yes.

8691. Ecclesiastical?—That would be Imperial.

8692. Medical?—That would be Local.

8693. Stationery and Printing would be Local?—Yes.

8694. Political Agencies?—Those would be Imperial.

8695. Superannuation and Retired Allowances would be Imperial?—Yes; and the Army exclusively Imperial

8696. Public Works would be Local?—Yes.

8697. Interest would be Imperial?—Yes

8698. Now, taking the class of Public Works which you say you would make Local, would you have no distinction in works whether they were of a Local or of an Imperial character?—Public Works might comprise a Great Trunk line of Railway through the District; that would be a homogeneous work, which would originate with the Imperial Government, and the interest on the money borrowed for its construction would be an Imperial Charge.

8699. Then your Public Works involve the further division of Imperial and local works?—Yes, necessarily. Barracks, for instance, would be a Military Charge; that would be comprised in the Military Vote, and would be a public work connected with the great Service, and therefore would be exclusively an Imperial Charge.

*Decentralisation of Finance :—Its Expediency.*

8700 Now with regard to Roads or Railways, the Feeding Lines, the smaller lines of communication, would be Local?—They would be Local.

8701. Would not that system, carried out in that form, involve a double superintendence, an Imperial officer looking after the *Main Lines*, and a Local officer after the Local lines?—There must necessarily be a considerable staff employed in proportion to the length of the line which is under construction, and whether one portion of that staff is employed under the orders of the Local Government, or under the orders of the Imperial Government, does not appear to me to be very material as regards charge.

8702 Take another class of charge, Port Improvements, take, for instance, the Improvement of the Port of Bombay; do you look upon that as a Local or an Imperial charge?—Well, that is a question of some difficulty. The great Ports, whether commercial or whether military, or whether partaking of both, undoubtedly are, to a great extent, a matter of Imperial concern. But, take, for example, the proposal that was made while I was a Member of the Government of India for extensive works at Kurrachee involving a very large expenditure indeed; those works were, partly, a matter of Imperial concern, and I consider that an exceptional treatment should be applied to those classes of works, and that they should be undertaken, partly at Imperial charge and partly at local charge, that is to say, that, if a portion of the advantage to be derived from those works clearly redounded to the benefit of the Locality, in so much should the locality be charged to contribute to the expense, but I should be exceedingly loth to impose upon the Local Government any charge in respect of works which originated with the Imperial Government. I can conceive that any such imposition placed by the Imperial Government upon the Local Governments might derange the whole system of Local Finance. At the same time, I foresee a very great difficulty in laying down a positive rule upon the subject, to be adhered to under all circumstances, and I think that if a Port partly Imperial and partly commercial, was opened in any part of India, it would be a subject for consideration whether a portion of that charge should not be borne by the Local Government, but I would not permit the Government of India absolutely to impose such a charge upon the Local Government, without its consent.

8703 Take the case of docks in Bombay?—Docks in Bombay would be for the benefit of commercial shipping.

8704. But you have taken the Customs into the Imperial Revenue, would not then the charge for docks be fairly a charge upon the Customs?—I do not know that it would. If Docks were required for commercial purposes, they might be so constructed as to be self-supporting. If so great a work as a dock in so great a Port as Bombay was to be constructed, it would always be a subject for consideration whether a contribution should not be made from Imperial Funds to such a work, because the plan of Local Finance which I have wished to see established does not at all exclude the occasional assistance of the Imperial Government to particular works and to particular charges.

8705 I can quite understand why the fixing of Customs should be an Imperial right; but I do not quite see why the Revenue derived from Customs being essentially Local in its receipt should belong to the Imperial Revenue?—It is very possible that the appropriation of the Customs Duties by the Imperial Government may be open to the observation of, the Hon'ble Member, but what was in my mind when I recommended that the Customs Duty should be maintained, was that care should be taken that the Imperial Government was placed in ample funds.

8706 Would it not lead, probably, to discontent if any one of the eight Centres of Government could say, "The Revenue which belongs to us was taken from us to benefit others who are poorer"?—Well, they may say that, now, with a great deal of reason.

8707 I would rather not discuss the present state of things. I would rather confine our attention to the Scheme that you are suggesting?—Assuming that a well-established System of Local Finance was established, I understand that I am asked whether the appropriation of any funds derived in any degree from other Administrations, and applied to the benefit of a separate Administration, would not be a cause of grievance. Well, I think that would be refining to a degree that would be impracticable, for instance, if a dock was opened, the object of which was to facilitate the commerce of the whole Continent of India, many Administrations might be enabled to send their produce to a Port of discharge, if there were facilities provided by docks, although they might be at a very great distance from those Administrations.

8708 Would there not be legitimate cause of complaint as between Bombay and Scinde, we will say, in this respect, that the Revenues of Bombay would be ample for its wants, and leave a Surplus for Local Improvements, whereas the Revenues of Scinde would not be sufficient for its local wants, and the surplus of Bombay would be applied to make up the Deficit of Scinde, the Bombay people might fairly complain; might they not say, "Instead of having our improvements out of the money which fairly belongs to us, you have put us in partnership with a losing partner, and taken away from us the benefits of our own Funds"?—That is assuming that Scinde forms a portion of the Government of Bombay as it does at present. I think I was asked when I was here the last time, whether I would continue that connection between Bombay and Scinde; I was not prepared to give a definite answer to that question, but it seems that Scinde occupies rather an anomalous position, it is a sort of Sub-Lieutenancy under the Government of Bombay, and might, in any Scheme of Financial Administration, perhaps, be separated from it, so as to get rid of that question altogether.

CHAPTER XI

RIGHT HON'BLE  
W N MASSEY  
16th July 1872

*Decentralisation of Finance :—Its Expediency.*

## CHAPTER XI.

RIGHT HON<sup>BLE</sup>  
W. N. MASSIE,  
16th July 1872.

8709. I would put the question in another form, whether Bombay and such of the eight Provinces as had a Surplus Local Revenue which would be applicable to their own improvement, might be required to make up for the deficiencies of those Governments which had not Local Revenues to meet their Local Wants?—I said that I would take the existing Administrations as a convenient basis for the application of this system of Local Finance, but, as regards the separation of Scinde for the purposes of finances, or for the purposes of administration generally, I do not know that there would be any serious objection to that; it is a question on which I do not desire to express a confident opinion, but the relations of Scinde and Bombay are peculiar; they rather differ from the relations of any other two Administrations, and the Province of Scinde is under a separate Commissionership, and is virtually, I believe, ruled under a Separate Administration, although it is a Sub-administration to Bombay.

8710. Your Scheme in no sense tends to develop a system of Local Government, as we understand it, that is to say, of Government in the Locality?—No, I do not aim at that at all, I simply add the administration of finances, the management of all accounts, and the dispensation of funds to the local government, in addition to the other duties with which it is charged.

8711. I should like to ask you whether it would not be better to carry the principle of Local Government further, and leave to the Locality, as we understand it in this Country, or I may call it the Municipality, to raise Local Taxes for local purposes?—The great Municipalities of India, of course within their boundaries, do at present exercise large powers of taxation. For instance, take the Municipalities of Bombay, Calcutta, and Madras; for municipal purposes they raise money and have taxes, Octrois, License Taxes, and so on.

8712. Would it not be desirable to extend that much further into the Mofussil?—There is no organisation in the Mofussil, independent of the Governments, that would be capable of assuming those duties with safety.

8713. Would not the class of Village Officers be available for such purposes?—I doubt whether they could be trusted with such responsibility. It is a very serious responsibility, that of spending money, and I should like to know in whose hands it was placed, before I gave the power.

8714. Then all the details with regard to Law and Justice would you leave to the Imperial, or to the Local Government, such things, for instance, as the number and character of the Courts?—Of the small Courts, Yes.

8715. All the Courts?—Not of the High Courts. The High Court, for instance, of the Punjab would be exclusively a matter of Imperial Concern.

8716. You know that, at present, the system of the High Courts in the three Presidencies is different from what it is in the other Provinces?—Yes, I am aware of that.

8717. You would leave that arrangement still to Imperial decision?—Yes, anything connected with the Supreme administration of justice; the highest Courts in India should always be under the control of Imperial Government.

8718. Financially, do you consider that the system that you have suggested would be economical in the Administration, in so far as the salaries, and the number of persons to be employed, are concerned?—Yes, I think that the tendency of that System would be to encourage economy in the public service, that there would be a motive and inducement to the Local Government to save its funds, and not to employ more people than were absolutely necessary. There is no such inducement now.

8719. But would there not, then, be a system of Imperial officers working over the same line traversed by Local Officers?—I do not think that collision would be unavoidable. The duties of each, under a properly regulated System, would be clearly defined, and there would be no collision between the two.

8720. Take the great Services connected with the collection of the Land Revenue as being part of the Imperial Revenue, would that be managed directly from Calcutta, or still locally through the Local Administration?—The Imperial Government at Calcutta must have control over all officers engaged in the collection of the Land Revenue, but that could be organised under the superintendence of officers of different gradations.

8721. Would the correspondence, for instance, or the control as between the Imperial Government and the Collectors of the Land Revenue, be immediate, or through the Local Governments?—I do not think that it would be at all necessary, for the purposes of this system to exclude the Local Governments from all concern in the collection of the Land Revenue. The Local Governments have common interest with the Imperial Government in maintaining the Revenues of India, and, therefore, I should see no objection to entrusting the Local Governments with the collection, wholly or partially, of the Land Revenue, as at present, but, without giving a positive opinion upon the subject, I should rather prefer that every officer who is connected with the collection of any branch of the Imperial Revenue should be immediately responsible to the Imperial Government.

8722. The same as regards Customs?—Yes, the Customs House at the different Ports should consist of officers appointed by the Imperial Government.

8723. Would not that involve a possible collision between the officers of conflicting Governments acting within local limits?—I think not; I do not see why it should.

8724. Do you see any advantage financially, or do you see no objection to it, in placing the various items of revenue under one authority, supposing that they are Imperial?—No, I see no objection to that. The Customs Duties, for instance, being exclusively the property,



*Decentralisation of Finances:—Its Expediency.*

of the Imperial Government, would be collected at the different Ports by officers who are servants of the Imperial Government, and have nothing to do with the Local Government.

8725. Not at present?—No, not at present; but, under this System, the inclination of my opinion is favourable to retaining the service for the collection of the Imperial Revenue under Imperial control; but I do not say that it is absolutely necessary.

8726. And, carrying out the same principle, I think I have rightly understood you to say, that you would recommend that the Army should be under one Control?—Yes.

8727. And the Navy, so far as the Service exists?—Yes, so far as there is a Navy?

8728. And the same principle applies, I presume, to the whole judicial system?—Yes, to the higher judicial offices. I have limited my answer to the question as regards the administration of justice, to the higher judicial offices. The lower offices of justice analogous to the County Courts in this Country, would be under the control of the Local Government.

8729. Then that would involve the patronage, the right of appointment to all the offices connected with the Imperial Revenue?—Yes, all the offices which are paid out of the Imperial Funds.

8730. That is to say, that the Customs Officers for Bombay would be appointed at Calcutta?—Yes, if it was decided that the Customs should be collected as Imperial Customs.

8731. Such a system would seem to involve the assimilating of the Provincial Governments, or seem to suggest their assimilation to a simpler form, would it not?—Yes, I see no harm in that.

8732. What I allude to especially, is the abolition of the Councils of Bombay, Madras, and Bengal?—The Executive Councils of Bombay, Madras, and Bengal, you mean. I do not know that it would involve the necessity for abolishing them. The Executive Councils, although called executive, have no executive powers whatever that I am aware of; the whole of the executive powers are in the hands of the Governor General and the Governors of the two Provinces.

8733. I ask whether the system does not suggest the necessity of their abolition?—No, I do not see that it would suggest any such necessity.

8734. Or expediency?—Nor expediency.

8735. The Police you would propose to make a branch of Local Administration?—Yes.

8736. Does not that involve a conflict of jurisdiction?—No, I think not. It seems to me that, where anything like a Local Government is constituted, one of its first duties is to organise a system of police, and that the organisation and management of the police is exclusively a matter of local concern.

8737. But that involves this, does it not, that the policemen of one Province have no authority in the adjoining Province?—As much authority as the policemen of Bedfordshire have in Cambridgeshire.

8738. Exactly, but that is none?—That is none; but we have a system, in this Country, of backing warrants. I am not sufficiently conversant with the mode in which justice is administered in India to give any opinion as to whether that would constitute a difficulty or not, it does not strike me as such.

8739. You are aware that India is in advance of England in regard to the code of penal justice?—I think it is.

8740. In your opinion, would the powers and the responsibilities of the Local Governments be increased or diminished by this proposed change?—They would be increased upon the whole, most materially, I think.

8741. They would be relieved from the most important items, from all connected with the Land Revenue, all connected with the Customs, and all connected with the courts of law?—They might or might not. I do not give a final opinion as to whether it is desirable that the collection of these great sources of Revenue should be exclusively transacted by Imperial Officers, or whether they should be left, as at present, to the Local Administration, but the inclination of my opinion is to take them away from the Local Governments.

8742. You would largely add to the powers and to the work of the Central Government, then, would you not?—I think that the extent to which the Central Government would be relieved by the establishment of a well-defined system of Local Finance would be an ample compensation for any additional trouble that might be thrown upon it.

8743. But the merit of your plan seems to me to be that you relieve the Local Governments of a large amount of work that they do now, and can fairly put it upon the Central Government, by relieving the Central Government of an amount of supervision which is not of much use; and therefore it seems to me that your system involves a simpler form of Local Government than the present system?—Yes, it does, because, in the first place, it saves an enormous amount of fruitless correspondence, and not only fruitless, but most unsatisfactory, from the unfriendly relations which it engenders between the Imperial Government and the Local Administrations.

8744. That is a saving to both?—Yes, a most important saving.

8745. Then the balance remains of saving to the Local Governments, but which is added to the Imperial Government?—Yes.

8746. Then it comes back to what I say, that the Local Governments are relieved by this plan, although they have more power?—They are relieved of a great amount of troublesome reference to the Imperial Government; having funds at their own disposal, they need not ask the Government whether they approve of this or that being done, they can do it

CHAPTER XI.

BY HON'BLE W. N. MASSEY.  
16th July 1872.

*Decentralisation of Finances :—Its Expediency.*

CHAPTER XI.  
By Hon<sup>ble</sup> W. N.  
MASSIEY  
16th July 1872

themselves; but I do not see why any additional trouble is thrown upon the Imperial Government by that state of things.

8747. But the Imperial Government would have the trouble connected with those branches of revenue which are now transacted by the Local Governments?—Yes, if it was determined, as I am rather disposed to think is desirable, that the Imperial Government should take these matters into their own hands.

8748. Then it comes back to this, that, under that state of things, the Imperial Government would have more work than it has now, but would be relieved of that work which comes to it through the Local Governments, and the Local Governments would have less work, because they have all the work now of initiation, and the work of initiation would become a work of decision on the part of the Central Government?—I think that that arrangement would result in great advantages to both Governments.

8749. Would not the result of it be a simplification in the Local Governments, you would not require, then, the paraphernalia of power which they now have?—No doubt it would immensely simplify the administration of the Local Governments. Almost every branch of the Government involves expenditure, and they cannot move now without reference to the Imperial Government; the whole wheels of the Local Governments are clogged by the financial control which is maintained by the Imperial Government over the expenditure.

8801. Sir T. Bazley ] Supposing that two principal sources of revenue were established for India, one for Imperial, and the other for Local purposes, what would be the relative amount of each, do you suppose?—The whole of our Revenues now in round numbers are about £50,000,000, and I think, for Imperial purposes, I should not like to say that the Imperial Government would retain less than £30,000,000.

8802. Leaving 20,000,000 *l.* for appropriation by the Local Governments?—Yes, that would be when the whole principle of Local Financial Government was fully developed.

8803. Would not Municipal Government be required for the administration of so large a sum?—No, the Municipal Governments would have nothing to do with it; it would be entirely administered by the Governments who are responsible to the Government of India and to the Secretary of State. The Municipal Governments have their own separate systems of taxation entirely independent of the Imperial system.

8804. Do I rightly understand that you are favorable to one system of collection of the revenue, one portion of which would be handed to the Imperial Government, and the other to the Local Governments?—Yes; I am extremely anxious to guard against the possibility, in the operation of this system, of the Imperial Government losing any portion of its revenue, and therefore it is, that I am disposed, under a system of this sort, at least in the first instance, to retain the collection of the Imperial Revenue in the hands of the Imperial Government.

8805. Are you aware that, in this Country, it is contemplated to have one system of collection for Imperial and Local purposes?—I have heard so.

8806. And that, possibly, the economy to the public, will be very considerable indeed?—Yes, but it is very unsafe to argue from English precedents to Indian usage.

8807. Of course, the same principle of economy will apply to India as here?—Not necessarily.

\*8808. But it is desirable at all events?—It is desirable, perhaps.

8809. Mr. Bourke ] Have you seen the Resolution of the Government of India of the 14th of December 1870, with reference to Local Taxation?—Assigning £350,000, you mean.

8810. Yes, it was the Resolution of the Government of India introducing to the Local Governments the system of Local Finance which they propose to carry out?—No, I have not read the detailed Resolution; I was only aware of the result.

8811. £5,000,000, I think it is altogether they propose to allocate to the different Local Governments. You will see that there are there eight Heads mentioned?—Yes, I think it is very prudent to go by steps, in this matter. My impression is that the Government of India, in inaugurating this system with care, have shown very great caution and wisdom.

8812. You think that it will be prudent to go by steps?—I think so; I am a very strong advocate for it, but at the same time I would go by very cautious steps. This resolution seems to me, on glancing at it now, to be a very able expansion of all the best reasons that can be urged in favor of the System.

8813. The second paragraph says, "Under the present system, these Governments (that is, the Local Governments) have little liberty, and but few motives for economy in their expenditure." Do you agree with that?—Yes, clearly.

8814. "It lies with the Government of India to control the growth of charges to meet which it has to raise the revenue. The Local Governments are deeply interested in the welfare of the people confided to their care, and, not knowing the requirements of other parts of the Country or of the Empire as a whole, they are liable, in their anxiety for administrative progress, to allow too little weight to fiscal considerations." Do you think that that is the case?—I have said the same thing myself, many times, not so well as it is said there.

8815. "Thus it happens that the Supreme and Local Governments regard from different points of view, measures involving expenditure, and, the division of responsibility being ill-

*Decentralisation of Finances :—its Expediency.*

defined, there occur conflicts of opinion injurious to the public service" ?—That is an exact statement of the fact.

8816 "In order to avoid these conflicts, it is expedient that, as far as possible, the obligation to find the funds necessary for administrative improvements should rest upon the authority whose immediate duty it is to devise such Measures;" you agree with all that ?—Quite.

8817 There have been one or two questions asked with regard to this System of Local Finance by different Members of the Committee, which go to show rather that when the Local Governments have received these different allocations of money they may go and spend these sums of money upon the different purposes to which they are applicable, and that, then, they may also go and tax the people further for Local Purposes without the Government of India having power to control them in that respect, now, do you think that there is any danger from this new system of Local Taxation of the Local Governments exercising those powers to a greater extent than they have done hitherto ?—I think not; I think that when the Local Government is armed with the power of Local Taxation, it will be very cautiously exercised, because the Local Government feels, in common with the Imperial Government, how dangerous and difficult a task it is to impose new charges upon the people of India.

8818 Is not this the case, that the same powers of control will remain to the Imperial Government to prevent the Local Governments from taxing the people to a greater extent for local purposes than they do now as at present exists ?—Certainly; no act of the Local Government for the purpose of imposing taxation could be valid until it was submitted for the approval of the Imperial Government.

8819. The system at present is, is it not, for the Local Governments to send up their different budgets to the Supreme Government before the Acts are passed by the Local Legislatures, to give those Budgets effect ?—That is so.

8820 So that it will always be in the power of the Supreme Government to check any undue expenditure of money on the part of the Local Governments if the Supreme Government think that they are exceeding their due bounds ?—Yes, that safeguard would unquestionably exist.

8821. Have you heard at all, since this new system of Local Finance has been introduced, whether the Local Governments have had any practical experience of economy being practised by the different officers who have had the expenditure of money in their Departments ?—No, I have not heard any particulars of that kind, but I notice, in the last Budget, a statement of the Financial Member of Council, that, already, some of the Local Governments have administered their new powers with so much frugality, that they have begun to accumulate a Reserve Fund.

8822 And you think that is a practical test of the results of the policy of the new system of Local Finance ?—I noticed that with very great satisfaction. I think it a most promising circumstance; and it struck me more especially, because it seemed to me that the Financial Member of Council did not speak with very great warmth as to this policy.

8823 Do you think, then, if this attempt at Local Finance is successful, it would be advisable to proceed further in the same direction, and to give to the Local Governments the power of control over the taxation as well as over the expenditure ?—Yes; I think that the system is capable of very considerable expansion, and that it should be developed, gradually, by the light of experience.

8824. Now, generally, do you look forward to a reform in Indian Finance by means more of a reduction of expenditure than by a new system of taxation ?—Yes; I am not at all hopeful of new systems of taxation, nor am I disposed to encourage them. The resources of India have now attained a very great amount; they were not one-third of their present amount 30 years ago, and, at that time, the expenditure of India was £2,000,000 in excess of its revenue; so that, if the same proportions were maintained as now, we should have an annual Deficit of £8,000,000; I am exceedingly opposed to any attempt to increase the resources of India by taxation; I am most favorable to every attempt to retrench expenditure.

8825. Do you think that, in order to produce economy in every Department it requires the most vigilant care on behalf of the people connected with the Supreme Government ?—I am perfectly satisfied that it is a hopeless task for the Supreme Government to attempt to introduce economy into the details of Indian expenditure.

8826 To whom, then, would you look for accomplishing economy in details of expenditure ?—I would look to the Local Governments.

8827. *Mr. Lytton*] Would you make the Permanently-settled Districts liable to be locally taxed to the same extent as those under a Temporary Settlement ?—Yes; the fact of the Permanent Settlement being in operation would not make any difference in my mind to the application of the system.

8828. For instance, supposing, in the case of Bengal, the Authorities thought fit to raise money for all their local requirements by means of a land tax, that would be equivalent, would it not, very nearly to a doubling of the existing land revenue ?—If the Government of Bengal wished to supplement their resources by an undue taxation upon the landholders, they would be subject to the control of the Government of India, which, I think, would be very properly exercised, but I see no objection in principle to the taxation of the zemindars under the Permanent Settlement for local purposes; but I see every possible objection to their taxation for Imperial Purposes.

CHAPTER XI.

BY HON'BLE W. N. MASSEY.

16th July 1872.

The Local Governments feel, in common with the Imperial Government, how dangerous and difficult a task it is to impose new charges upon the people of India

If the new system succeed, the Local Governments might be allowed control over taxation, as well as over expenditure.

Not at all hopeful of new systems of taxation. Every effort should be made to reduce expenditure.

It is a hopeless task for the Supreme Government to attempt this retrenchment—the Local Governments must do it.

*Decentralisation of Finances :— Its Expediency.*

CHAPTER XI.  
 BY HON'BLE W N  
 MASSEY V  
 16th July 1872.

8329 Do you think that they would be able to appreciate the difference between Imperial purposes and Local purposes?—I think that they are sufficiently acute to appreciate the distinction. The injustice and the breach of compact in exacting from the Zemindars, as Zemindars, an additional contribution to the State is manifest; but if you localise the administration of the Government, and, for local purposes, an additional Local Cess is put upon the landholders in respect of their occupation of land, I see no objection to that, nor do I think that there is much reason to doubt that the distinction would be understood by themselves.

8330. Is it not the case, is it not, in fact, their argument, that taxes will be imposed upon them from which they were distinctly exempted by Lord Cornwallis's Settlement?—I know they say so.

8331. But it is the case, is it not; a road, in Lord Cornwallis's time, would be made out of the revenues of India, in future, if this scheme comes into operation, it will be made by means of a Road Cess?—Yes.

8332. That is an additional burden upon the Zemindars?—It is a burden imposed upon the locality. If they want a road in Bengal there is a Road Cess, if they want to maintain a School in Bengal, there is a School Cess, and that is done under the authority of the Local Government. No portion of the funds so raised, find their way into the Imperial Treasury, but are collected in the locality, and are applied to the purposes of the locality. You cannot carry the distinction any further; it appears to me that it is a valid distinction, and that a tax raised in a locality for local purposes, is entirely distinguishable from a tax raised from the same class of people, and put into the Imperial Treasury, and which may be applied to something or other in which the locality has no interest.

8333 You think, as a fact, that they will draw that distinction, and that there will be no political danger in developing, to the extent you have sketched out, a system of Local Finance?—They are very ingenious and acute, and no class of people in the world understand distinctions better than the Bengalees do.

## EXPEDIENCY OF DECENTRALISATION.

SIR C E TRIVELZAN  
 26th February 1873

855 *Mr. Ayrton.*] Now do you think that economy might be further enforced in India by the Decentralisation of the Finances?—Yes, I think that is the main point of all; that is really the key to the solution of the whole problem. And I may mention that this Decentralisation is not at all a new idea, it was an early aspiration of our Indian Administrators, and it has had a gradual growth and development. It soon began to be perceived that it was simply impossible that the whole of that great Country, with its immense population, 67,000,000 for the province of Lower Bengal alone, for instance, could be administered on the principle of centralisation; and, as early as Lord Amherst's time, an Act was passed by which Local Funds were established, and Local Agents were appointed; that was merely a small germ of Local Administration. And, as I have already mentioned, the old town duties were put into that Fund until it became necessary to reabsorb them into the fisc in consequence of the financial difficulties arising out of the first Burmese war. It will be found, on looking over my three Budget Statements, while I was Minister of Finance in India, that, every year, the Government of India transferred to Local Receipts, to be administered by the Local Governments, various sources of income more or less of a local character, and that, developing, more fully, a germ which had been planted under Lord Canning's Government, I arranged for an annual Local Fund Budget, that is Annual Estimates, an Annual Account, and a regular audit of Local Funds. Mr Laing had the same aspirations; he actually assigned £500,000 to be raised by the Local Governments; but that was a premature effort. Mr. Massey had the same aspirations. The first occasion, however, on which any general substantial application was given to the principle, was the resolution of the 31st of August, 1864, towards the end of my administration of the finances, by which it was arranged that the expense of the police of the towns of every part of British India should be charged upon Local Funds, and should be so provided for, and the effect of this principle in promoting Local Self-government was pointed out. The final application of it, which now has to be acted upon and practically considered, was Lord Mayo's Resolution of the 14th of December 1870, by which certain Branches of Administration, Police and Education, and so forth were placed under the Local Governments; and a sum of something less than £5,000,000. was appropriated out of the Revenue for carrying on that Service.

856 Do you approve of that arrangement?—I entirely approve of it; I think it an excellent first step; but it is of a provisional and imperfect character. It is open to this obvious objection, that no self-adjusting principle is provided between the Services which have been transferred to the Local Governments, and those which have been retained by the Central Government, or rather between the funds applicable to each; so that, from year to year, while there may be a deficiency in the local budgets requiring to be met by Local Taxation, there may be a decided Surplus in the General Budget. That want of harmony, and want of mutual arrangement, is a decisive objection, and the more so as the particular branches of administration transferred are those which develop most rapidly, under an improving state of society. One main reason given for this arrangement is, that the particular branches of administration transferred to the Local Governments are such as are likely to be a subject of interest to the Local Governments and Communities; but the fact is that there are other Branches which are

*Decentralisation of Finances :—Its Expediency.*

quite as much a subject of interest to them. The assessment and management of the Land Revenue, the Customs, the Salt, the Judicial Administration, are quite as much a subject of Local interest; in fact, the Judicial and Revenue Administration are more a subject of local interest to these Local Communities than some of those branches which have been actually transferred. That, I also think a great defect

857 Do you think then that they ought to have proceeded upon the other basis of leaving the Local Administration to be borne out of a specific Fund, excepting only those that were merely Imperial?—Yes, I think that we should come to that. Do not understand me as objecting to what Lord Mayo did; for I think that was a great step in advance, and was, perhaps all he could, in safety, do. The whole of India is going through a process of education on this subject, and that, perhaps, was the best that could be done as a first step, but the main reason why this measure of Lord Mayo's, although so good as a first step, cannot be maintained as a final arrangement, is the influence of the balance of the revenue. In the management of public Revenue and Expenditure, it is quite as influential and decisive a consideration who is to have the balance, as it is in the management of a private estate. Even if a private estate has as many charges upon it as the coats of an onion, yet if the Surplus, whatever it may be, clearly belongs to a particular individual, that individual has the strongest motive to improve that estate; and so it is here. The real virtue of the principle of Local Administration consists in the circumstance that whatever can be saved by economy, by avoiding unnecessary expenditure, by doing things as cheaply as possible, should go to the Local Community. Now Lord Mayo's arrangement altogether fails in that, the balance or net surplus remains in fact with the Central Government. For these reasons, and many others, I think that the practical application of the principle should be reversed, by taking out the Services administered by the Supreme Government and leaving the entire surplus to the Local Governments. The real administration of India is vested in the Local Governments, for all practical administrative purposes they are the major, and the Supreme Government is the minor, quantity. Instead of attempting to define what the Local Governments should do, the process ought to be reversed. The functions of the Supreme Government should be defined, and everything not included in that definition should be left to the Local Governments.

858. You would put our Local Presidency Governments very much on the footing of a Native State which pays a specific sum to the British Government of India and gets the benefit of its general protection?—Yes, with the addition of a more active supervision on the part of the Supreme Government

859 Leaving all the details to the Local Administration?—Yes. In fact we are nearer that result than we imagine. The real Government of India, as it affects the daily wants and habits of the people, is actually vested in the eight Local Administrations, the entire Civil Administration, the assessment and collection of the land revenue (this assessment being much the most important function of Indian administration as affecting the welfare of the people), the Police, the entire Judicial administration, Public Works, except so far as they have been concentrated under Calcutta, and Education, are all under the Local Governments. Obviously, therefore, instead of setting apart particular branches of Local Administration, and making special assignments for carrying them on, the Services under the immediate charge of the Supreme Government ought to be eliminated, and, for carrying them on, a sufficient sum should be annually taken out of the General Revenue

860. Out of the General Revenue of each District, do you mean?—Out of the General Revenue of India, and all the rest should be left to the Local Governments. The real key to this great reform would then be reached, the disposal of the balance or net surplus, that is the key to the whole. So far as it has been tried, judging from Bengal, where it has been carefully administered, this plan has worked extremely well, but symptoms are already appearing of the imperfection which I pointed out. The Governor of Bengal complains that the branch of his administration which most stands in need of reform is the subordinate District establishments; but, inasmuch as they have been reserved by the Central Government, together with the Funds applicable to them, he is not able to enter upon the subject as he would wish.

861. Have you directed your attention to the peculiarity of the arrangement by which the Local Governments are to look to local sources of revenue to make good any deficiency that may arise in the assignment that has been made to the special services of their District?—Yes, my belief is that, if the plan was carried out in the way which I have suggested, the necessity for Local Provincial Taxes would disappear

862 *Chairman.*] I believe you wish to add to your answer to the last question put to you on Tuesday?—Yes, with the leave of the Committee, I will complete that answer. The necessity for additional taxation arises from the fact that one portion of the finances has been dismembered from the rest. If all the assets and liabilities were kept together, and proper economy were observed, there would be ample for every purpose. It is the old story of the belly and the members, certain members have been cut off from the Financial Reserve, the special assignments with which they have been endowed being quite insufficient to meet their prospective development, consequently they wither and require to be supplied with nourishment from some other source. The General Exchequer has been broken into two, one of the fragments being made dependent upon Local Taxation.

863 What is your view, or have you any view, as to the mode by which the system of indefinite taxation could be restrained by means of representation, or of the finances being supervised?—I am of opinion that, as in other Countries where the same principle has been

CHAPTER XI.  
SIR C. E. TRAVELMAN.  
26th February 1873.

The local governments are the major quantity, the Supreme Government is the minor quantity, the functions of the Supreme Government should be defined or limited, and everything else should be left to the local governments, who paying their quota of imperial charge would retain all surplus revenue. The whole of India is going through a process of education which should lead up to this.

If the foregoing plan be carried out, the necessity for local taxation would disappear  
28th February 1873.

Representation must be commensurate with taxation.

*Decentralisation of Finances:—Its Expediency.*

CHAPTER XI.  
SIR C. E. TREVELYAN  
28th February 1873.

carried out, representation must be commensurate with taxation. I think that there ought to be first, Provincial Councils, that is, eight quasi representative Councils (I do not say that they should be appointed by popular election at first) at the chief seats of the eight Local Administrations. Then there should be Zillah, or County Councils, each District being represented by its notables and confidential men. And, lastly, there should be town and village Municipalities, and the principle of direct election should be introduced within such limits as may be safe and expedient?

864. Do you mean for the Provincial Councils?—Not at first in the Provincial Councils, but certainly in the town and village municipalities, and possibly in the Zillah or County; but that is what we should work up to, actual election, and we have had experience enough to show that it is quite practicable. The earliest instance of it that I remember, was when Government separated its connection from the religious endowments of the Madras Presidency; the moment they were set free from the Government control, different classes of religious opinion came to the surface; the old-fashioned Hindoos claimed to have their entire management, but the new school, who had been educated under our *regime*, said that they were Hindoos also, belonged to the Hindoo nation, and participated, more or less, in the faith of their fathers, and they should have a share of the management too; and I remember that the Collector of Madura, where there is one of the richest of those foundations, proposed that it should be put to the vote, and he actually distributed voting papers and had an election; the two Wardens, as they are called, who were to have charge of this large Endowment, were elected in that way by popular election with great general satisfaction; and, when I was recalled from Madras, considerable progress had been made in the formation of a Municipality for Madras on the same principle. I am confident that it would have succeeded.

867. With reference to the Provincial Councils, do you consider that, for the present, the constitution of those Councils should be on the footing established by law for Madras and Bombay?—No, I think it should be enlarged. I think that there should be a Representative of every District in the Presidency, selected, at first, by the Government; but, in selecting him the Government should take appropriate means of ascertaining that they got the man who, on the whole, possessed the confidence of the District in the greatest degree. That should be the primary qualification; mere executive ability or even extensive knowledge, should be considered quite secondary compared with the fact of the Representative having the confidence of the District.

No new taxation, or borrowing, should be permitted without the express previous sanction of the Supreme Government

873. Would you preserve the present power of the Supreme Government over the Provincial Councils to prevent any new tax being levied without the sanction of the Governor General?—Yes, entirely so. I think that no new taxation, or borrowing, should be permitted without the express previous sanction of the Supreme Government, with a full statement of reasons; and, moreover, that it should be shown that each particular proposal had undergone full local scrutiny, and that it was approved by the prevailing good sense and influence of the Province. In other words, I think that the check from above, should be firmly maintained until that from below has been fully matured.

874. Then you would require that check and judgment to be interposed before the Local Government submitted any scheme of taxation to the Provincial Council?—I think it should, first, undergo the ordeal of a full local discussion by the Representatives of the people of the Province.

875. Is it your view that, after the Local Council has discussed the subject, and formed its opinion, the Governor General should then interpose his authority, or do you mean that the finance should be carried on as it is in this Country, and that the proposal for taxation should be on the authority of the Government, that is to say, the Local Government and the Supreme Government?—I think that the point of interposition and contact of the Supreme Government should be after the matter has been fully discussed locally. I conceive that, until that has taken place, until it has been seen what the people have made their minds on the subject, and what the local interests and influences are, the Supreme Government would not be in a position to judge of the merits of the different cases.

876. Have you considered what the effect would be of the British Government playing off two Governments upon the people; one at Bombay proposing a tax, and the other at Calcutta rejecting it?—I think that one of the chief merits of the framework or scheme, into which our Indian Empire has settled down, is, to follow Mountstuart Elphinstone's view, that it furnishes the opportunity of trying all sorts of experiments in politics and administration on a small scale, without compromising the rest of the Country, so that the plans which are successful in any particular Province become a model to the whole Country, while those that fail act as a warning to the whole Country.

877. Was not his remark applicable rather to what may be called administrative officers dealing with large Districts?—No doubt it was; but it equally applies to Administration however conducted, whether entirely on the old official system, or with a greater or less infusion of the popular element.

878. But do you not see a distinction between an Administrative Officer administering a District and the Representative of the Crown administering the actual Government in place of the Crown?—In this point of view I see no distinction, I do not apprehend your meaning.

879. Is there not a distinction between an Administrative Officer administering one or two Zillahs, and the Representative of the British Crown in India administering the whole Government of the Presidency?—I do not understand that the Governors, Lieutenant-Governors,

*Decentralisation of Finances :—Its Expediency.*

and Chief Commissioners administering the eight Provinces of the British Indian Empire stand now on a different footing in respect to the public interests or their own public responsibilities, from what they did under the East India Company

880. Was not Mr. Elphinstone's view applicable to the administration of the District when he was administering a District in the Deccan, or was it applied by him to his functions as a Governor?—On the occasion when I remember it, it had reference to differences between the Governments. He said that, so far from objecting to the absence of uniformity, he considered it a positive advantage, because it enabled the same experiment to be tried in a variety of different ways, and the absence of any such power of trying experiments in different ways was one main objection to the system which is now coming to an end, of governing entirely from the single Centre of Calcutta, by one set of people, according to one model, namely, the Bengal model.

881. In these Councils you would propose that all the responsibility of finance or of originating finance should rest with the Executive Government, I presume?—Yes, entirely so; an individual member of Council should have no power of originating any expense.

882. Or any tax?—Or any tax; the initiative would remain with the responsible Executive Government.

883. And would you propose that the eight Provincial Governments should be reorganised to carry on their administration in the same way as you propose that the Supreme Government should be reorganised in the relation of the Executive Government, finance, and expenditure?—It does not require any reorganisation; the reorganisation is all there, it is merely that the springs should be placed in the hands of the Local Governments instead of the Supreme Government. It is a more easy transition even than that, because it is only quite of late years that the Supreme Government has taken possession of these springs; and it is merely to return matters to their former state.

884. I meant, whether you proposed that there should be a budget prepared by the Local Government, and submitted to the Local Council?—Yes; the Deputy Accountant General at Madras, for instance, or Bombay, instead of being the servant of the Supreme Government, would become, as he was in former days, the servant of the Local Government, and the Auditor the same, and would conduct, under the directions of the Local Government, this improved system of finance under improved circumstances. The Accountant General at Calcutta might, or might not, gather up the whole in an Annual General Statement to be submitted to the Home Government. I suppose each of the eight Administrations would send at least one copy of their Budgets home, direct, to save time. I should like to touch briefly upon the application of this great change under three Heads: first of all, Public Works. Of course, as the Accountant Officers would again come under the control of the Local Governments, so would the Public Works officers, and we should then, at last, have disinterred the practical engineer and man of business employer, to whom I alluded in my former evidence, from under the mountain of useless, mischievous, expensive officialism. We should have got at an authority entrusted with spending the money who has some very considerable direct interest in economy. We should have arrived at real direct personal action and responsibility, and should have got rid of the scramble and the uncertainty, and have vindicated the principle of individuality against that of a vast unmanageable aggregate. And the same, in reference to Irrigation. The change would be especially blessed in reference to Irrigation. I have not a doubt that, as soon as it is known, in the south of India, that a change of this sort is in contemplation, the agricultural population will immediately begin to look up those hundreds of ruined tanks I was speaking of, and think of restoring the bunds between hills, and so forth, and, as for the canals, it will never enter into their imagination to undertake them, at least in the manner in which we have been doing. And then it will have another remarkable effect in sweeping up alienations from the Revenue. Our Government, ever since Lord Cornwallis's time, has been in a chronic state of antagonism with the landowners and other people of influence, in regard to Alienations of the revenue, Jaghires, Inams, and everything of that sort; and we have been all through in a false position, because our object was to sweep all these alienations into the fisc. Now, inasmuch as the people of the Country had no direct personal influence over the fisc, they regarded these resumptious as a dead loss; they were swept into a General Reservoir, where they were entirely beyond their own control, and consequently they were continually fighting the question with us, but when the finance of India is localised and broken up into manageable Sections, then a strong natural interest in these Alienations will arise in the minds of the local populations. In the Punjab, for instance, the proportion of the revenue which has been alienated for a longer or shorter period, is extraordinary. Viewed in a popular sense, in the taxpayer's sense, it is a great grievance; it imposes an inordinate, unfair burden upon those who still remain charged. I will answer for it that the minds of the first Council at Lahore constituted more or less on the popular principle, will run upon this, and they will think how much they might do by recovering such and such Alienations for which there is no real ground, and they will be able to do what we cannot do. And the same with the large payments out of the Revenue, of which we have been speaking, to the Tippoo family, and the Carnatic family, and so forth; those would become grievances and scandals of the highest order; in fact they could not take place; it would be impossible to take the money directly from under the control of a Local Popular Council, and give it to people who spend it in idleness at the best, and generally much worse, in gross dissipation. The junior collateral branches of those families are the most depraved people on the whole face of the earth; for the simple reason that, generation after generation,

CHAPTER XI.

SIR C. F. TREVELYAN.

28th February 1873.

As soon as the Madras Presidency obtains financial independence, the agricultural population will immediately begin to look up their hundreds of ruined tanks, whilst the provincial and the zillah representative councils would sweep up alienations of land revenue.

*Decentralisation of Finances :—Its Expediency.*

CHAPTER XI.  
SIR C. E. TRUVE-  
LYAN  
28th February 1878.

they have been entirely relieved from the condition of our race of working for their bread ; they live in perfect idleness, and spend their time in dissipation Gulam Mahomed, as I said, was an exception ; and he has spent a great part of the additional funds that were so unexpectedly placed at his disposal in large donations to charities, by the lac of rupees.

885. *Mr J. B. Smith* ] It is your opinion that, if these grants had been submitted to Native Councils, they never would have been allowed?—Certainly, they would not, in fact, the people would no longer be indifferent to these things ; they would be brought face to face with them. And, then, the last incidental, but great, advantage of this plan would be that the Supreme Government would become detached from its exclusive connection with Bengal, and would be reconstituted by selecting the ablest and best men from every part of India for the Secretariat as well as for the seats in Council. There would be an end to the mischievous plan of employing one Presidency to govern the others, and, of course, to impose its own limited experience, and its own model, upon all the rest. The injurious effect of that, although it comes less to the surface, has been very great indeed ; it had almost paralysed the Administration of India, before the change took place.

4th March 1878.

1176 *Mr J. B. Smith*.] You have expressed a strong opinion that it is expedient to decentralise the Government of India, and to adopt Local Governments?—Yes.

1177. How many Local Governments would you adopt?—The existing number of eight.

1178 What are they?—They are Bengal, Madras, Bombay, the Central Provinces, the North-Western Provinces, the Punjab, British Burmah, and Oude, but Oude, no doubt, will be absorbed into the North-Western Provinces.

1179. Will you be so kind as to define the functions of your proposed Governments of these several Provinces?—I can do it better by defining the functions of the Supreme Government, and then saying that everything else will belong to the Local Governments. The functions of the Supreme Government I conceive to be, first, the management of the public debt of India, next, to be the organ and manager, so far as the matter depends upon Indian management, of the Home expenditure, that is to say, that all communications in regard to the Home expenditure should be carried on by the Supreme Government, between the Governor General and the Secretary of State ; then the diplomacy of India, the foreign relations. But I will mention the subjects in the order in which I find them in Sir Richard Temple's last Financial Statement : Interest on Funded and Unfunded Debt ; Interest, on Service Funds, and other Accounts, which is debt under another form (I am speaking of expenditure now), Customs, Salt, Opium, Mint, Post Office, Telegraph, Political Agencies, Allowances and Assignments under Treaties and Engagements, Army, and Railways, so far as it may be desirable that the Central Government should influence the Railways.

1180. *Chairman* ] To produce harmony in relation to one another?—Yes, for the same reason for which it takes entire charge of the Post Office arrangements, I would have the Supreme Government take a limited qualified charge of the Railways, merely for the purpose of producing harmony throughout India, especially in reference to those Railways which pass through more than one Administration. As regards those that belong entirely to the same Administration, the Supreme Government might leave them to be managed by the Local Administration. Then the next Head is Guaranteed Interest on Railway Capital less Traffic Receipts ; there are three Heads of debt, and that is the third. Then it will be seen that there are several Heads of Expenditure which are connected with Revenue, and so, perhaps, I had better proceed at once to the mode in which the expenditure of the Government of India, in the performance of these services, should be provided for.

1181 Do you include in " Army " all Military Works?—Yes, all Military Works whatever. It would be Public Works as far as the Army is concerned.

1182. *Sir G. Balfour*.] You are aware that there are no Military Public Works charged in the Army Expenditure at present?—No ; but I think that the Administration which manages the personnel of the Army ought also to manage the Works of the Army. I do not mean that they should have officers of their own to do it ; probably it would be done through the Public Works Establishments of the Local Governments ; but still it should be done on the responsibility of the Supreme Government, which would be charged with the Administration of the Army ; it should be for them to say what barracks should be built, and how they should be built, and fortifications and everything else. Then I was going on to speak in reference to the manner in which these Services should be provided for. Now, no doubt, if we went strictly according to principle, the Supreme Government would confine itself to the administration of these Services, and would draw upon the different Local Administrations *pro rata* for the whole of the expense, and the more so, because the whole of the revenue is actually managed by the Local Administrations, and must continue to be so managed ; there cannot be any such thing as the Supreme Government having itself the direct detailed administration of any branch of Revenue properly so called. There are incidental receipts connected with some of these Services, rather large Receipts, for instance, connected with the Army, and the Post Office, and Telegraph, which, of course, would be brought to account by the Department which managed those administrations ; but with that exception (which is not properly Revenue, but merely an incidental Receipt of a public service), the whole of the Revenue Proper always has been, and always must be, managed by the Local Governments, and, therefore, the right thing would be, if we proceeded in a perfectly symmetrical manner, that the Supreme Government should charge the cost of those Services, minus the incidental Receipts, to the different Governments *pro rata*. But there are objections to that principle being fully carried out, because there are some Branches of Revenue which



*Decentralisation of Finances :—Its Expediency.*

cannot be entirely attributed to any one Administration, but are more or less common to all. I will go through them. The first of these is the Customs. Although the Customs, both import and export, are collected by the Maritime Local Governments, Bengal, Madras and Bombay, and a small portion on the North-Western Frontier, by the Government of Allahabad, yet the receipts really belong to the whole of India; and it would be impossible to say what portion of the Customs Duties received at Calcutta belonged to Bengal Proper, or what portion came from the North-Western Provinces, or other Countries beyond, and the same with the Madras and Bombay Receipts; and so there is that difficulty. The same in respect to Salt, Madras levies Salt Duty, to a great extent, from the Central Provinces, Hyderabad and Mysore, and Bombay also from the Central Provinces and various Native States. Then, since, of late years, the Liverpool salt has had such free course in the Gangetic Valley, it has been continually encroaching on the Sambhur and other indigenous salts, and has been pushing its way up the Ganges and Jumna, so that a great deal of the Salt Revenue, although collected at Calcutta, really belongs to the North-Western Provinces. Then, Opium is an anomaly altogether. Opium is managed entirely by the Government of Bengal, but the field of the monopoly, the District in which the opium is grown, is partly in Behar under the Government of Bengal, and partly in the North-Western Provinces and Oude, and there is a talk now of extending it to the Punjab, which I hope will not be done. Then Mints, I think, everybody will agree, are an Imperial Central affair. The Mint at Calcutta is actually under the Government of India, and it would be well if the Mint at Bombay were so also.

1183 *Mr Dickinson*] Is the Mint at Bombay necessary at all?—Yes, I think so; I could give reasons for that. The Madras Mint, however, was abolished with great advantage. The Paper Currency, as being part of the monetary system, would be under the Supreme Government. Then the Post Office, of course, is general; the Telegraph, of course, is general. As regards the Army, I have already given my reasons for proposing that it should be under the Supreme Government.

1184 What about Marine?—That ought to be local entirely; in fact we ought to have no Marine establishment at all. It is difficult to invent excuses for having any Marine at all, because now, besides the abundance of freight ships, there are capital lines of passage and freight steamers round all the coasts of India and the adjoining Countries. The way in which I would provide for the expenditure of the Government of India is, first, by appropriating to the Government of India the entire produce of the Customs. Of course the analogy of the United States will be remembered, it is through the Customs, that the expenditure of the Central Government of the United States is provided for. Then I would appropriate to the Supreme Government the entire produce of the Salt Duties, and the entire net Produce of the Opium Monopoly, and the entire produce of the Bombay export duty upon Opium, and the Receipts from the Mints, Post Office and Telegraphs; the incidental receipts of the Army, and, of course, the Railways.

1185 *Mr. J. B. Smith*] Stamps?—No; Stamps would be essentially Local. I calculate roughly that the expenditure, according to the present scale of the Government of India, according to this scheme, would be something less than 30 millions a year, and that the ordinary available Income would be something more than 20 millions, so that the balance, whatever it might be, would have to be declared from year to year by the Supreme Government when it made up its Budget, and would have to be apportioned among the Local Governments, and I should hope that it might be done simply by a *pro rata* charge upon their respective Revenues. There has been a great deal of loose, partial discussion on this subject in former years, without our having had any clear idea of what we were aiming at, and it was always the Army expenditure which put everything out of joint. There was always a question going on between the Military and the Civil Expenditure in the Provinces, and Local Governments which, excluding the Army Expenditure, would have a considerable Surplus, the moment you include the Army expenditure are thrown into Deficit. That thorn would be extracted, according to my proposals, by eliminating the Army expenditure in the first instance; for instance, take the Punjab, which has a disproportionate amount of military force; the military force in the Punjab would all be attributed to the Supreme Government, and, except so far as the Supreme Government would, from year to year, apportion upon the Punjab its allotment of the balance of the expenditure of the Supreme Government after taking into account the branches of revenue specially attached to it, that Province would be left with a clear Surplus over its ordinary current Expenses. Then we come to the influential result of this. In the first place, the Supreme Government would be put upon its good behaviour in regard to expenditure. It would not really have much to do with the income, because, as I said, that would continue to be managed by the Local Governments; but, still, it would have to look after Customs, Salt, and Opium, and see that they were made the most of. But, as regards expenditure, the Supreme Government would come under a powerful motive to economise. My belief is that, when the Supreme Government, instead of making up the Budget for the whole of India, which is an unmanageable confused thing, shall be limited to the expenditure for which it will be itself responsible, it will look to it in a way it never has before. The thing will be manageable, the Supreme Government will be able to do it, it will have it well in hand, and will have the strongest motive to do it well. My belief is that the Army expenditure will go rapidly down when the whole 16 millions (including the Home Expenditure, the estimated cost of the Indian Army for 1872-73 is £15,862,000, besides a large charge, in the Public Works Department, for Military Buildings), which it has now grown to, a most preposterous sum, is charged

CHAPTER XI.

SIR C E TRAVIS-  
LYAN  
4th March 1873.

*Decentralisation of Finances:—Its Expediency.*

## CHAPTER XI.

SIR C. E. TRAYNOR.

4th March 1878.

to the Supreme Government, for then whatever savings the Supreme Government may be able to make from year to year, will go to diminish the Deficit on its Annual Budget, and so far to diminish its claims upon the Local Governments. Then there would be an incidental advantage in Opium being put into the Budget of the Supreme Government. We are never tired of remarking the confusion which the Opium Revenue introduces into the Indian Accounts from its variability; but if it were safely deposited under the Supreme Government, with the power of drawing upon the Local Governments for the difference, I think we should hear much less of the variability of the Opium Revenue. Then, to turn to the Local Governments, the motive to economy on their part would be more powerful still, because they would have the entire balance. After deducting their own necessary expenditure for establishments, and so forth, and the annual allotment in aid of the expenses of the Supreme Government, the entire balance would belong to them; and that brings us to the real motive for economy.

1186. How would you appropriate the Land Revenue?—Under the Local Governments entirely, that is essentially Local, and, more than that, the management of the land revenue is a great deal more than collecting so many rupees. The assessment of the land revenue is a point of the most vital concern. How the land revenue is assessed, determines whether the great agricultural population of India lives in a state of comfort, or even affluence, or in a state of misery; I have seen both states of things, both extremes. I have seen, by mismanagement of the assessment, by over-assessment, whole Districts depopulated, to our disgrace, and taking refuge in the adjoining Native States; and I have, also, seen large, wide Districts living in a state of the greatest possible comfort and well-being, all owing to the good management of the land revenue.

1187. You would propose that the Councils should be composed of Natives as well as of Europeans?—Yes, from the first, I would have a scheme of representation. Take the Madras Presidency as an example, I would have a Representative from every one of the 19 or 20 Districts of the Madras Presidency, and others from the principal towns, to be selected by the Government in the first instance.

1188. Do you mean Natives?—Yes; I would also have a senatorial element, composed of official people selected for the purpose.

1189. Do you propose that these Representatives should be selected by the Government?—In the first instance, by the Government; but, although selected by the Government, if they were properly selected, and if real representative men were taken, they would be as really representative of the respective Districts as if they had been elected by popular ballot.

1190. Now would you propose that there should be, in each locality, a separate Board of Works?—I propose that the administration of the public works should be entirely decentralized and placed under the respective Local Governments.

1191. But those would comprise only local works; works belonging to that Province?—Only belonging to that Province certainly.

1192. But how would you do in the case of these great irrigation works which have been paid for by the General Government?—I would localise them. If irrigation works are worth paying for, and likely to be profitable, the Local Governments would provide for them, and I consider that to relegate those great irrigation works to the respective Local Governments in whose Provinces they are situated, will furnish the best security for their being dealt with in the best possible manner, either by discontinuing them altogether, or by limiting them, or by completing them. You will find sufficient evidence of that in the Report of the Governor of Bengal, which has just come.

1193.—The whole of the Railways throughout India you would propose to place under the General Government?—As the Railways are, like the Post Office and Telegraph, a means of general communication, I think that the General Government must have the power of determining, subject to certain general conditions, how far it will administer the Railways. As far as possible, I would have the detailed arrangement of the Railways left to the Railway Companies in communication with the Local Governments.

1194. You gave some evidence about export duties, and you appeared to think that, in many cases, they were justifiable?—Yes.

1195. Now I think that you instanced the case of jute, which is an article which is not grown by other Countries?—So far as I can obtain information, it is grown in no other Country than India, and in India only in a particular District, Eastern Bengal.

1196. But, now, the Bengal settlement is such that it prohibits us from deriving any benefit from the increased value of the land in Bengal?—Yes.

1197. But millions of money have been expended by the General Government in that Province which have probably doubled or trebled the value of the land?—Far more than that.

1198. Would it be unjust, therefore, in your opinion, in consideration of the advantages which these people have derived from this expenditure, to place an export duty on their produce?—No; on the contrary, it would be highly just. As regards Opium, we do that with a vengeance; we take three-fourths of the net produce of the Opium. As regards jute, I would only propose to take 8, or at the most 5 per cent.

Recommends export  
duties on the produce  
of Bengal

1199. Is not India, at large, entitled to some compensation for the vast sums spent on the Province of Bengal by the Government?—Yes, certainly, the Government has made an enormous sacrifice in limiting its claim to land revenue in Bengal, and thereby has increased the burthen of taxation upon all the rest of India; therefore, so far as we can do so, consistently with good faith, we ought to replace a portion of the burthen upon the Province of Bengal.

*Decentralisation of Finances :—Its Expediency.*

1200. Can you suggest any means of doing so, except that of a duty on exports?—No. As the municipal taxation is common to the whole of India, that cannot be regarded as a means of making this readjustment of taxation of which you speak. Therefore the only mode, of which I am aware of doing this justice to the rest of India is by placing such a moderate export duty upon the products of Bengal as it can bear without injuring the trade.

CHAPTER XI.

SIR C E TREVELYAN,  
4th March 1878.

1201. It would be no injustice to Bengal if we tax their produce without taxing the other Provinces, would it, inasmuch as the land settlement in all the other Provinces of India is a limited one, and the Government derives the advantage at the expiration of the settlement of obtaining a larger revenue from the land?—The circumstance of the limitation of the land revenue in Bengal, and the wonderful pecuniary advantages which have been obtained by the landowners of Bengal thereby, is a reason for imposing any just, and proper, and moderate tax which can be levied on the Province of Bengal. But whatever tax is levied, I would make it common to the whole Country. If jute is grown anywhere else than in East Bengal, I would take the same tax from it. There are other articles produced in other parts of India, upon which I consider that a moderate export duty should also be levied; for instance, Hides and one or two other things which I could name.

1218. You stated that you would have each Province govern itself, and that the revenue should be applied to the expenditure of the Province. Would you give any control to the General Government over the expenditure of the Province?—In the first place, I would have the General Government deduct, according to a well-considered plan, the proportion which each Province should contribute towards the deficiency of the branches of Revenue immediately assigned to the Supreme Government; and, then, I would give the Supreme Government an absolute control over the finances of the Local Governments as regards new taxation, and as regards the incurring of debt, and, beyond that, as the Central Government is the Supreme Government of India, and there must be a Supreme Government, the functions of which in case of emergency cannot be limited by any strict rules, they would have the power of commenting upon, and issuing orders on, any subject whatever; but the ordinary distribution of functions and responsibilities would be what I have recommended.

7th March 1878.

1219. You have complained of the extravagant expenditure in Bombay, and you said that the General Government disapproved of this expenditure, but that they could not control it. In what way would they be able to control it under your plan of separate Provincial Governments?—In the first place, I think that the people of Bombay would look after it, because, at present the people of Bombay, that is the influential people, the European and Native merchants and bankers, and the classes of people who directly influence the Local Government, know that it is not really their own money which they are spending, but the money of the other Provinces of India; and, therefore, under present circumstances, excessive and profuse expenditure is highly popular in Bombay, but, if the finances were localised, and these classes of people in Bombay knew that they were spending their own money, and that, if there was a deficiency, they would have to make it good themselves, they would be careful how they exceeded; and then there would be the control exercised by the Supreme Government over new taxation and borrowing. As deficiencies can only be made good from one of those two sources, it seems to me that the control of the Supreme Government would be complete.

1220. Did the merchants of Bombay make any complaints of the extravagant expenditure by the Governor of that Province?—No; the course of profusion followed by the Bombay Government was highly popular with the merchants of Bombay.

1221. And might it not be so again under your plan?—No, for the reason which I mentioned, because they would be spending their own money.

1222. Then do I rightly understand you to propose that the General Government should have a veto on any expenditure which they think improper by the separate Governments?—No, I think not; they should have a veto upon taxation, and a veto upon borrowing; but the ordinary expenditure should be left to the Local Governments, with a power on the part of the Supreme Government to interfere when any changes proposed in the Local Expenditure have a bearing upon the General Administration of India. For instance, if the Government of Bombay were to propose to give much higher salaries to its civil or military officers than are given in other parts of India, that would be a case for the Supreme Government to interfere. In fact, that is the function of the Supreme Government, to look to the general interest, and to maintain a harmony throughout the Empire.

1223. Now take the case of Madras, where there are ancient water-courses and irrigation works, would you allow the Government of Madras to repair these works, and to erect such other works as they may think necessary for the benefit of the public?—Certainly, I would not interfere with their doing so.

1224. Supposing that additional means were required to effect these objects, would you allow the Provincial Government to borrow the money for that purpose?—It would be a fair subject for consideration; but my belief is, that, if the finances of India were localised in the way proposed, there would be ample for everything, including public works, and the supposed necessity for new Provincial Taxation would cease, I wish Provincial Taxation to be distinguished from the purely municipal taxation of towns and villages; that must always go on, and also of Districts, for roads and so on, but the necessity for new Provincial Taxation, such as has lately been imposed by the Government of Bombay, would cease to exist altogether.

1225. Then you would not authorise the separate Governments to raise loans for any objects that might be required?—Not without the sanction of the Supreme Government, and the

*Decentralisation of Finances :—Its Expediency.*

CHAPTER XI.  
SIR C. E. TURNER,  
7th March 1878.

general objections to the Loan System are so strong, that a very decided case ought to be made out in order to justify a loan.

1368 *Sir C. Wingfield*—But the practical result of lowering the Income Tax in India, and exempting incomes from it, has hitherto been to shift the burden of taxation from one class to another, in proportion as you have left off Income Tax you have laid on Local Taxation; the Governments of the North West Provinces, the Punjab and Oude, immediately upon the lowering of the Income Tax, raised the Road Cess and general improvement Cess from one or two per cent, as it stood before, to a maximum of five or six; and, therefore, while numbers of the general people escaped the Income Tax, a heavy additional burden was thrown upon one class, and avowedly for that reason?—I quite admit that that sudden extension of Provincial Taxation by the Local Governments was very objectionable; and, I conceive, that it was totally unnecessary. My belief is that, if the expenses of the services which really belong to the Supreme Government were taken out, and the rest of the revenue were left to the local governments, there would be no necessity whatever for any new provincial taxation. Although this new provincial taxation has been attributed to the reduction of the income tax, it has been wrongly attributed to it; it was not necessary at all; even if there had been no income tax, still it was not in the least necessary. All that was wanted was that a proper Decentralisation of the Finances should take place.

1369 But, if you recollect, it was in consequence of the lowering of the Income Tax, because the Government of India were enabled to dispense with a portion of the Income Tax by throwing 350,000*l.* which they had previously contributed to the local expenses of the different Governments on those Governments themselves; under that Decentralisation Order they threw that 350,000*l.* on the local governments, and said, "You must raise that for yourselves as you can. Either you must altogether do away with the establishments which necessitate the expenditure, or, if you cannot make a retrenchment, you must raise the money;" and they said "We cannot make any retrenchment; we must raise it," and that is how they have raised it?—No doubt a few Provincial Taxes were the consequence of that arrangement, by which certain services were transferred to the Local Governments endowed with an insufficient provision; but I maintain that that arrangement was an unsound one; that is, as a permanent arrangement I have already said that I thought it was a great step in advance, and that Lord Mayo performed a great service by making that arrangement; but, still, as a permanent arrangement, it is untenable; it is only an imperfect commencement of Decentralisation; but, if we go on and pursue that road, and make the Decentralisation complete, then the necessity for these new Provincial Taxes will disappear altogether.

1370 But, practically, as far as the people are concerned, the result of exempting a few from Income Tax has been, has it not, to impose additional burdens on a great number more?—No; referring to the explanation which I have given, I deny that the new Provincial Taxation was owing to the reduction of the Income Tax; it was really owing to an unsound financial arrangement.

1371 I would say "following"; it followed as an effect does the cause; the cause was that the Local Governments had to find 350,000*l.* somehow or other, and they could only find it by Local Taxation?—Yes, but that arrangement, by which the Local Governments were required to find the odd 350,000*l.* was not merely a provisional, but an unsound arrangement, one that cannot be maintained, and when that arrangement is superseded by a more complete Decentralisation, then this temporary result of increased Local Taxation will disappear, because the necessity for it will disappear altogether.

1372 I understand that; but that does not contradict what I said; that, as far as the people of India are concerned practically, that is what the result has been, you say that it need not be the result, and I hope that it will be corrected; but, up to this time, instead of receiving any relief from a reduction of Income Tax, it has been a signal for imposing additional burdens on the agricultural class?—I think that the argument has been sufficiently worked out.

1501 *Mr. Dickenson*.—In your Decentralising System, do you follow somewhat the existing system in England; is that your idea; if England, for instance, is raising, after deducting the Interest on the Debt, say £50,000,000 by Imperial taxation, and about half of that by Local Taxation, the one under the Imperial Government and the other under Local Administration; is that the model by which you would regulate your Decentralising System?—No, our English system is too consolidated to furnish a model for the re-arrangement of India. As regards the main principles of self-government and self-taxation, and the coincidence of representation with taxation, those are all true English principles, which we would borrow; but their application to India would be not exactly according to the English model. Switzerland and the United States come nearer the mark as regards the detailed application.

1502—You would give each Province almost Autonomy?—Almost Autonomy; Autonomy in every respect which was not inconsistent with the General Interest. The Local Governments would represent Local self-government, while the Supreme Government would represent the general interests.

1503. But surely, by that plan, you might have different laws of succession, for instance, in different parts of the Empire?—It would be for the Governor General to see that there was a general harmony between the laws of the Empire. In fact, he does so at this moment. The Madras and Bombay Councils have the power of passing laws quite inconsistent with each other, and the Government of Bengal also; but the Governor General sees that they are not unduly inconsistent; a liberal scope, however, is allowed.

*Decentralisation of Finances :—Its Expediency.*

1504. That is not the model of the United States, at all events; I rather want to get from you whether the model which you go upon is rather one of administration than one of actual government?—The truth is that I have not taken any one model as my rule, but I have worked this out on Indian and English principles. I have taken the principles of self-government and self-taxation and representation which prevail in England, and have applied them *mutatis mutandis* to India.

1505. Now take the Civil Service, for instance; would you have one Service throughout India?—That I would have as at present, separate Services for Bengal, Madras and Bombay; and, as the European Civil Service gradually contracts with the development of the Native administrative element, it would become more and more manageable.

2100. *Sir D. Wedderburn* ] I understand you to disapprove of the present Decentralisation system, which hands over to the Local Governments the control of certain special Services, and assigns to them Permanent Fixed Grants from the Imperial Revenue, leaving the balance, if any, to be met by Local Taxation?—I do not disapprove of their making over those Services to the Local Governments, but to their reducing the Grant for those Services and then telling the Local Governments, "You must raise the balance, somehow or other, as you can." And it is worth noticing that those special Services (I think seven in number) which the Government made over are precisely the very Services in which increase of expenditure would be called for; so that the Government of India not only rid themselves immediately of a burden of 850,000*l.*, but, prospectively, of a very much larger burden, because they are Services that grow with the growth of the population.

2101. But you would approve of handing over the control of those Services if the Local Governments had an interest in economising, and were able, themselves to reap the full benefit of that economy, by having the control over certain branches of Local Revenue?—I think that, practically, a great deal more fuss has been made of this Decentralisation Order than it was worth, because *what was it practically?* Those Services were not nominally under the control of the Local Government, that is to say, you had to put them into a budget and send them up to the Government of India for sanction. Henceforth, the Local Governments will submit their estimates for these Services as before; but they will be able, within the limits of the Fixed Assignment from the Imperial Revenues for these Services, to transfer funds from one head of service to another, whereas formerly to do this, they had to obtain the sanction of the Government of India. But, practically, to obtain this sanction was little more than a form; there is not much in it that I can see.

2102. *Chairman* ] There seems to be a great deal in it according to your view, but not of good?—I mean not much increase of independent control given by it. The amount of independent control given to the Local Governments by this Scheme is not so great as it appears, because getting the sanction of the Government of India was a mere form before.

2103. *Sir D. Wedderburn* ] Nor have the Local Governments any direct interest in economy; they do not reap the benefit?—In these Services they do, if, indeed, any retrenchments in them are possible, but any other retrenchments that can be effected in the general administration they do not get.

2104. *Mr. Beach*.] As there is no limit to the amount that may be raised in future by Local Taxation, that creates a feeling of uncertainty in your opinion?—I cannot imagine anything more calculated to disturb the public mind, and make people uncertain what the future may produce, than the principle of novel and incessant taxation at the mere discretionary will of the Government, because the Legislature after all is composed of Government nominees, and, mainly, of Government servants.

2105. What would be the interpretation in the minds of the natives which would be attributed to the term used in the Act "exigencies of the State"?—Any pretext that the State likes to put forward, I should think.

2106. Would it be ordinary purposes, or in time of war?—I should think they would attach the widest signification to it to make it cover anything.

2107. *Mr. Dickinson* ] This Local Cess is only intended to meet Local expenditure?—Yes, Local expenditure, not Imperial.

2108. As I understand, in Districts where there is a Local Expenditure, the Local Authority raises the Local Revenue to meet that expenditure, Education, Roads, and so on?—That they raise at present, and all these different new taxes are for local purposes.

2109. Then the Local Expenditure limits the Local Taxation?—I suppose that they will not raise more money than they want to spend, if you mean that; except that they might try and set by money for some specific object at a future time.

2110. Local Expenditure, then, limits Local Taxation?—Yes.

2111. Local Expenditure is dependent on the local will, is it not?—That is to say, if you have representative bodies of Rate-payers; but I am not aware that representative bodies of Rate-payers have been formed yet.

2112. But, in all Municipalities and Districts where there is this Local Taxation and Local expenditure there is a Local Body to control the expenditure, is there not?—I am not prepared to say how far the formation of Local Bodies has gone yet; but, to the best of my belief, none are representative yet. These Local Boards are composed of Government nominees, and I fancy the European officer, the Collector of the District, is the paramount man in them, the man whose will really directs and rules everything. That was so in the rural Districts. In some of the larger towns there are Municipalities; but, in the Districts, the District Funds were in the hands

CHAPTER XI.

SIR C. E. TRUVELIAN,  
K. C. B.  
7th March 1873.SIR C. WINGFIELD,  
K. C. B.  
25th March 1873

Cannot imagine anything more calculated to disturb the public mind than novel and incessant taxation, at the mere discretionary will of the Government.

*Decentralisation of Finances :—Its Expediency.*

CHAPTER XI.  
SIR C. WINGFIELD,  
K C B  
25th March 1878.

of what was called the Local Committee, which local committee was nominated by the Government, and the Collector was at the head of it, and, for all practical purposes, he had his own way.

2113. If that Local Committee fairly represented the Local opinion, you would then have a fair limit on Local Expenditure and Taxation, would you not?—If that Local Committee fairly represented public opinion, they might possibly not levy any taxes at all.

2114. That would then be the limit of expenditure and of taxation?—At present it is entirely in the hands of the Government.

2115. The main objection you entertain, as I understand, is rather to the constitution of the spending body than to the system of allowing extra taxes to go upon land for local purposes?—It is the difference between the owners of land or other property voluntarily taxing themselves, having a tax imposed upon them by Executive Authority, or Legislature, which, constituted as the Legislature is, is in their view much the same as Executive Authority.

2116. Taking, for instance, a Municipality like that of Bombay, there I suppose you would consider that there ought to be a sufficient check on expenditure to justify the power of local taxation?—I do not know; I have heard that there were complaints against the Municipal Commissioner two or three years ago, of the way in which he had committed the Municipality to debt. There was a great stir in the papers about it. I do not think that the Municipality of Bombay is representative. The Justices of the Peace are the Municipality, I think.

2117. *Mr Eastwick* ] And you have said, I think, more than once, that this Decentralisation Scheme was a Scheme to relieve the Imperial Government of certain charges, and to throw the odium, if I may use that word, of raising certain Taxation on the Local Governments, and to relieve the Imperial Government of it?—Yes, it seems to me so.

2119. Was it not also put forward as a part of the Scheme, that, in that way, the Local Governments would have a wholesome responsibility, as they would have the means of spending their money upon local objects, and, therefore, they could exercise greater economy probably, and distribute the money more carefully than the Imperial Government, who had no local knowledge?—But I think there was a great deal of fallacy about that, because, as I was saying just now, the details of expenditure on Provincial Services, within the limits of the assignment for those services, were, before that, really left to the Local Governments, the only thing was that you had to get the formal sanction of the Government of India to your budget; but the Government of India, within my experience, at least, rarely interfered with the arrangements that you sent up. It was a mere form of getting their sanction.

2120. There were complaints as to the Bombay Government, were there not?—I will not say that it was a mere form in case of the Bombay Government, because we know that they did assume an extraordinary discretion in commencing expenditure on works before the sanction of the Government of India had been obtained, and, thereby, forcing its hands.

Local taxation  
should be regulated  
by representative  
bodies.

2121. I want to ask you now whether you do not think that some plan might be adopted similar to what Sir Charles Trevelyan proposed of having the *punchis* of the different Collectors in the different Districts, by which the Local Governments might be able, without any inconvenience or danger to the public, to raise larger sums, and at the same time to spend them more beneficially?—If you look at some questions which I put to Sir Charles Trevelyan, you will see that I quite agree in his view of Representative Bodies in each Province (I have advocated it before), to whom there should be given, not merely a voice in the expenditure, but also in the raising of Local Taxes. And, in fact, I would go so far, that I would leave them full discretion whether to impose a Local Tax or not. I would not let it be forced upon them by the Government.

The effect of the de-  
centralisation scheme  
has been that the  
local Governments  
have had recourse to  
the land-holders to  
make up the sums  
that are wanted.

2122. Then I would ask whether there is any necessity for imposing the Cesses at all upon the land; whether it might not be advantageous to allow the Local Governments to raise the money that they require for these seven different objects and any other objects of a local nature, in any way they choose; of course, I cannot say what ways might be adopted, but I suppose taxation might be imposed in other ways without touching the land at all; and in that case the cultivator of the land would feel perfectly secure?—Yes, the effect of the Decentralisation Scheme has been, that the Local Governments have had recourse to the landowners to make up the sums that are wanted. They find it so very much easier to get money out of the landholders than they do out of anybody else, because the landholder is so very dependent on the forbearance of the local revenue officials. If he does not pay up his land revenue on the very day, a messenger may be sent to apprehend him and bring him to the office, and he can be annoyed in a thousand ways; and, therefore, these landholders cannot make any resistance. If you impose a tax on them, they may detest it; they may think it unjust; but their position in regard to their land, places them in such a state of dependence on the Revenue Officials that they submit without a murmur; and the Local Governments know very well that it is easier to get money out of them than out of any body else.

2123. For that very reason, would it not be better to keep them perfectly secure and tranquil in their minds. We have this immense revenue coming in from the land; why should we not leave that safe, and the people who pay it satisfied, and if we are to raise additional taxation, raise it from other classes and in other ways?—I would not object to making the landowner contribute like any other person to pay General Tax. I object to his being singled out for Local Taxation, for instance, to an Income Tax, he, like every other holder of property, is justly liable.

*Decentralisation of Finances :—Its Expediency.*

2187. *Mr. Candlish* ] Do you think that those landowners who have been subjected to this additional Cess have in any manner or degree received any equivalent?—Of course you cannot spend £30,000 more a year, or whatever the sum may be, on roads, without doing good by it.

2188. *Chairman* ] Would you recognise any distinction between a Local Rate levied as a Local Rate is levied in this Country, and an Imperial addition to the land revenue levied under the Acts of the different Governments, which have been brought under our consideration?—Do you mean as far as its effect upon the people goes, as to whether one is more popular than the other?

2189. Or as regards the justice of levying it?—Do you mean between a Local Rate levied by the Local Government, and one imposed by the Imperial Government?

2190. No, I mean a Local Rate, levied as Local Rates are levied in this Country; that is to say, by the people, in some form or other, agreeing to assess themselves for purposes in which they themselves have an interest; would you recognise a Rate so levied, and under such conditions, as something different from the Imperial Rates that have been levied under the Acts of the different Governments?—Certainly. If the time comes (and possibly it may) when Representative Bodies in each District will levy Rates of their own spontaneous will, I consider that it will be a very healthy state of things.

2191. You would not consider that a breach of faith, as regards what you call the contract for the land revenue?—Certainly not; because all classes, landholders and others, will be represented in those Local Bodies.

2192. I do not mean a Rate levied by individual consent, but a rate levied by a majority?—If it is done by a Representative Body, that makes all the difference.

2193. *Mr. Beach* ] With reference to Local Taxation in England, are you not aware that there is a very large amount of it over which Local Governments or Local Representative Bodies have no control at all?—Yes; but is not that looked upon as an abuse, and is it not proposed to amend it?

2194. Is it not the case that it is at present as I say?—It may be so; but is not it the object of Local Financial Boards to meet that?

2195. *Chairman* ] Is there in this Country any Local Rate that is not levied by the Locality, though it may be for the performance of a duty which has been imposed upon the locality by Parliament all the Local Rates in this Country are levied, are they not, by the Locality, though they may be for expenses arising from the performance of a duty imposed by Parliament?—Here is a passage which just answers that question, a passage in a despatch from the Duke of Argyll, of the 11th of January 1869. It was with reference to a Bill which he vetoed to compel the people of a District in which a Canal had been made to pay a water rate, although they did not use the water; in fact, to pay for the water, although they did not use it, and he said, "Here, the guarantee is to be extorted compulsorily; the inhabitants of a District are not to be asked beforehand whether they desire irrigation or not. The Government alone is to judge whether irrigation is desirable. There is little analogy between a plan like this and that under which County Cesses are levied in England and Ireland, for those by whom the Cess is imposed, besides being themselves Cess-payers, represent theoretically, if not really, the great body of Cess-payers, who are assumed consequently to have given their assent by proxy."

2196. That is what you may call representation by selection and not by election?—Yes.

2416. *Chairman* ] Have you resided in India?—I have been connected with India for Mr. J. M. MACLEOD. 4th April 1873  
over 13 years.

2417. What has been your occupation, and where have you been?—Journalist in Bombay.

2418. Have you, in that position, directed your attention to the administration of affairs in India?—I have.

2419. And have you formed any views upon the policy that has recently been introduced with reference to what is called Decentralisation?—I have had occasion, during the last two years, to pay a great deal of attention to that policy and to its results in Bombay.

2420. If you desire to express your views on that subject, perhaps you will state them now?—I think that the cardinal defect of this policy is that it takes away what you may call the only available check in India on the ambition of subordinate officials. It is as true now, perhaps truer, than when Mr. Shore wrote it forty years ago, that the greatest curse of India is often a Zealous Official. In that Country it is the interest of every Governor of a Province or a Town, and of every Ruler of a District, to magnify himself and the Government to which he belongs by spending as much money as possible; and the only check that you can apply, in a Country where there is no real representation of the people possible, is a check from above, the check of somebody devoid of all local predilections and able to reduce the demands of different Provinces to a proper proportion and to keep them in due relation to one another.

2421. Do you think that spirit which you have described finds its way into the Council of the Local Governor, or into the mind of the Local Administration of the Province?—In Bombay, decidedly, it has done so.

2422. Do you think that there has been too great a disposition to embark in novel enterprises?—Yes; there has been great zeal for expenditure and very little desire for reduction in any way.

2423. Do you find that in the Presidency Town, where I presume you have resided, there is a great disposition to stimulate the Governor and Council to embark in all kinds of undertakings?—On the part of individuals, perhaps; not on the part of the Community

*Decentralisation of Finances :—Its Expediency.*

CHAPTER XI.  
 ———  
 Mr J M MACLEBAN.  
 4th April 1878.

2424. Then your observation applies more to those in the public service throughout the Presidency, each wishing to bring himself forward with new enterprises?—Yes

2425. Do you think that that has been the main cause which has stimulated such large expenditure in the Presidency of Bombay?—Perhaps you will allow me to state what have been the actual results of the Decentralisation Policy in Bombay. The Decentralisation Minute was published about the end of 1870, and Sir Seymour Fitzgerald, the Governor of Bombay, in his budget speech of 5th April 1871, said the Government of India had left him with a deficit of £100,000, which he must make good somehow. He did not attempt to do so by reducing expenditure, but he proposed to levy taxes to increase his revenue. He brought forward a tax on Feasts, which was withdrawn afterwards, it was strongly objected to by the natives

2426 *Mr. B. Cochrane* ] On what description of feasts?—Every kind, it would have included marriage ceremonies, and even religious ceremonies of some kinds, according to the native belief. But he succeeded in passing a Measure for levying a tax, known as the Non-agricultural Cess, on the rural, non-agricultural population, and also in fixing a contribution on the large and wealthy cities of the Presidency towards the general expenditure of the police. Now, with regard to this Non-agricultural Cess, the excuse given for levying it was, that there were a large class of people in the Mofussil who were not occupiers of land and did not contribute to the land revenue, and whom, therefore, it was fair to tax; but the tax went down as low as incomes of 50 rupees a year; any one who had 50 rupees a year of income was to pay a tax of eight annas, and the fee increased according as the income increased. This tax was introduced at a time when the Government of India was relieving all incomes of less than 750 rupees a year from the payment of Imperial Income Tax; so that, so far as regards this measure, the result of Decentralisation in Bombay was to substitute an Income Tax on incomes of £5 a year for an Income Tax on incomes of £75 a year.

2427. *Sir C. Wingfield* ] Will you mention what number of people it was estimated would be brought under taxation by this tax?—The tax was to produce four lacs of rupees. I do not know how many people were expected to pay it; but, practically, it was to hit everybody in the Mofussil who did not pay land tax; because, I suppose, there is no household in the Country where there is not as much as 50 rupees earned in the course of the year.

2428. If you had the report of the debate in the Governor's Council with you, I think you will see the number stated there?—I have not got it with me to refer to.

2429. *Chairman* ] Do you know whether there was any feeling of satisfaction or dissatisfaction at these proceedings of the Government of Bombay amongst the Community?—I cannot say that there was any feeling amongst the Community, because the tax touched a class whom one seldom hears from directly; but I know that the District Officers generally were strongly indignant at the tax being passed, and very many of them personally made representations to me of the extreme injustice which it inflicted on poor people, and of the discontent which it was creating all through the Presidency.

2430. Without wishing to penetrate the secrets of Indian journalism, I may, perhaps, ask whether you get any communications from Natives in the interior, or do they come from persons in the public service, the few Europeans who are resident in the interior?—Almost always from Europeans, more come now-a-days from Natives than used to come from them.

2431. But are they the English-educated Natives of the public service, or independent Natives? Independent Natives. I have had some communications about the assessment of the land tax from Natives, who could not speak English at all, in North Canara

2432. Do you mean that they write to you in the vernacular?—No, they came up and employed an interpreter.

2433. But, I mean, did you receive any written communications?—Very seldom anything of that kind.

2434. You do not keep any establishment to translate letters written to you?—No; we get translations from the native press regularly, but nothing else.

2435. And in the Presidency Town are the communications that are made to you from Europeans exclusively, or do the Natives communicate to you in the form of letters, and otherwise?—Natives communicate in Bombay, very freely indeed, upon all subjects. There is a very large class of educated Natives there who take a great interest in public affairs.

2436. Are the educated class of Natives English-educated, that is people who read and write English?—Mostly.

2437. I presume that your journal circulates, almost entirely, amongst Europeans, and, to some extent, also among the Natives who read and write English?—Yes.

2438. The chief circulation is among the Europeans?—Yes.

2439. And among the public Servants?—I do not know that.

2440. I mean except in Bombay town, and there it goes amongst all classes?—Yes.

2441. *Mr. Fowler* ] It is entirely published in English?—Yes.

2442. *Chairman* ] When you speak of a control being needed beyond the Local Government, do you mean the control of the Secretary of State here, or the control of the Government of India?—The control of the Government of India. I think the Government of India used to exercise a very careful supervision over the different Provincial Budgets, and the tendency was, as a rule, in favour of economy. By this Decentralisation Policy, they shifted responsibility on to the Provincial Governors, and became less anxious to control expenditure.



*Decentralisation of Finances :—Its Expediency.*

2443. Can you give the Committee any idea as to what is thought by the Community of the Governor transacting his business in the Legislative Council, do they consider that he is as much responsible as if he had no Council, or do they consider the Legislative Council responsible for what is done?—I think the Governor is generally held responsible. CHAPTER XI.  
—  
MR. J. M. MACHHAN  
4th April 1873.

2444. What part does the Legislative Council, which actually passes the laws, play in the opinion of the public?—They consider that it is simply to give advice, and express opinions on any measure, but there is always a majority of officials to carry any measure.

2445. As officials, they are not bound to obey the Governor's orders, are they?—No.

2446. Then, in point of fact, he cannot do anything affirmatively unless they choose to consent?—No.

2447. Therefore you could not hold a man responsible for a policy, could you, which he could not carry out?—Well, if the Governor of Bombay comes to the Legislative Council and says, "Here is a deficit; I am bound to make it good; you must pass these Measures," I think that the responsibility rests mainly upon him. They must supply money in some way of another to carry on the public Service.

2448. But, with regard to Measures which very often lead to expenditure and which create a deficit, can the Legislative Council deal with them, do the public consider the Legislative Council in any way responsible for what they do, or do they put it all on the Governor?—I do not know what Measures the Legislative Council passes that create expenditure, they have no power over expenditure, as I understand by the Councils Act.

2449. But measures of administration lead, do they not, to expenditure; supposing, for instance, they passed a measure to inspect cotton all over the Presidency, would not that involve the Government in expenditure?—Yes, that would do so.

2450. *Mr. B. Cochrane* ] Do you know how much money was raised by this tax on feasts?—It was never passed into law; it was withdrawn.

2559. *Mr. Eastwick*. ] Do you object very strongly to this Decentralisation Scheme altogether?—I object to it altogether, except in those very few cases in India, where it may be possible to apply a check from below instead of from above. If you can get hold, as I believe you can in Bombay, of a real living community with public spirit and energy in it, I think you might safely trust the Representatives of the people there with the control of the finances of that City. I think it would be a great experiment, and a very wise one for the Government of India, to try, in those great Cities, to give such Communities the control of their own affairs, but, as regards India generally, I do not think that there is any possibility of getting a check on the financial expenditure of ambitious officials, except from above, by means of the Government of India.

2560. Supposing, for instance, that Bombay was the only possession that we had in India, is there any reason why its finances should not be as well administered as they are now, with the control of the Supreme Government?—I think that you cannot give absolute power in finance to Governors ruling a Province or a City in that way. You must have some independent check, such a check as that of the Government of India, which has no local ambition, and no desire to make a name by spending money on fine buildings.

2561. But that, of course, cannot exist in any Country, except one like India, which is made up of vast Provinces subject to a Supreme Government?—It is a very wise check to apply there, it is unwise to remove it, unless you apply the check from below; and if you give the taxpayers the power of the purse, you may trust to their not spending too much. It might be necessary for the Government to interfere to compel them to spend money in sanitary matters, for instance, they would never be too lavish in expenditure.

2562. Supposing these Cesses were levied through Committees of the Natives themselves, do you think that would take off the cause for dissatisfaction; supposing these extra Cesses were submitted to bodies of the Natives, and they were consulted?—I do not know enough of the interior of India to give an opinion upon that; I think it would be advisable in a community where a great deal of progress has been made, and where the natives have been to some extent Anglicised.

4524. *Lord Lawrence*. ] We will now ask you to give us your opinion, if you please, upon the question of the system of Decentralisation of Taxation and the substitution of the scheme of Local Taxation, which was proposed by the Government of India two or three years ago, have you directed your attention to that subject?—Yes, this matter was considered in India when I was Governor General. LORD LAWRENCE.

4525. Do you consider that the mode in which the arrangement was made for shifting the taxation, or the duties of taxation, from the Government of India to the local Governments was a desirable one as it was carried out?—It was suggested towards the end of my time as Governor General; I was averse to it. The system which was subsequently introduced was put before me, and I carefully considered it, and I did not think it advisable to introduce it. I thought that what was wanted really in India, was to keep the Local Governments in order, to make them be careful in preparing Estimates, and in not exceeding their Estimates; in fact, that what was wanted was a restriction over them in matters of large works; and, with regard to that partial system of decentralisation, though I did not think it important in itself not to introduce the proposed change, I thought it was important not to do it, as it would be in the nature of an undue encouragement to those who had, hitherto, required to be kept, more or less in order.

*Decentralisation of Finances :—Its Expediency.*

## CHAPTER XI.

4526. You objected to the idea that the Local Government was to be at liberty to increase its expenditure, provided only that it got the means of paying it from Local Taxation? —Just so.

LORD LAWRENCE.

4527. That Local Taxation coming in contact with Imperial Taxation?—Yes, I did not think it was expedient. People say that the effect of it is good in this way, that it saves constant collision with the Local Governments, and that it induces economy. Well, as regards collision with these Governments, of course if they are economical and careful, the Government of India would not come into collision with them; on the contrary, the Government of India would encourage such a policy; were these Governments not economical, but, on the contrary, more or less wasteful, then it is the duty of the Government to risk unpopularity and collision, and to restrain them. Therefore, I did not think much of that argument. And, then, as regards making men more economical, it does not seem to me that men are economical because of a little power more or less. Practically, the Local Governments have very great power in every respect; and, even in their expenditure, and it more depends on the idiosyncrasy, the character of the individual ruler, than upon any relaxation of Rules, whether he is careful and frugal, or the reverse. Some men, no matter what the Rule was, would be careful, and make public money go as far as they could; and as regards other men, no matter what power they had, it would not induce them to be careful.

4528. Has your attention been directed to the consequences of this policy in the nature of the taxes that the Local Governments have been levying to make good the Deficits that there have been in their local finances?—My attention has been directed to that. My own impression was that when the Government allotted so many sources of Revenue for local purposes, they made a reduction in the sum which those sources of revenue produced, or which had been hitherto given for those objects.

4529. Perhaps it would be more correct, would it not, to say that the Government assigned to each of the Local Governments an amount of Expenditure without assigning the full income that was necessary to meet it?—Yes. I suppose the idea was that, partly by increased taxation, and partly by economy, they would make up the difference. I will not say that some of them did not do it; but the general effect seems to me to have been that there was, in point of fact, additional taxation.

4530. Unless the Government secured for itself a budget of economy, the result was that it was an order to each of the Local Governments to levy Local Taxes?—It came very much to that. Some of the taxes which have been raised, I understand, would have been raised, or had been arranged to be raised, it is said, irrespective of that budget; but others again, there is no doubt, were raised in consequence of that arrangement. I do not wish now to argue that what was done should be undone, I think that it would be ungracious and, perhaps, impolitic to do so; but I do not see that there was any real advantage in that arrangement.

4531. But have you looked at the precise character of the taxes that have been levied on the people under this system?—Yes. In Bombay, they had a tax upon the Non-agricultural Community; I understand that has been given up.

4532. Was not that almost of the nature of a Capitation Tax?—Yes; I think it was an excessively bad tax. Then they had two taxes which they introduced into Madras; I forget exactly what they were; one, I believe, was an House Tax; I do not know whether those had not been determined on before, but my impression is that they were not good taxes. Then in the Punjab, instead of raising a Local Cess, they added a certain percentage to the land revenue, as I understood. I think that was not a good plan; it was loading the land, and that, just after the settlement had been made.

4533. Do you think it was desirable, for a very small increase, to raise the question of what was the nature of the 30 years' Settlement?—I think the effect of it was to make the people doubt the validity of that Settlement. In all these settlements there is a formal agreement given to the people on the part of the Government, and a similar acknowledgment taken from them, and these documents are very carefully worded, and carefully limit the demands of the Government. There is so much put down in each case for the Land Revenue, so much for Roads, so much for Education, so much for Police, and so forth. I think the plain understanding of such a document is that so much will be taken, and no more.

4534. Then do you think it could have been better for the Government of India to have continued the Income Tax, and raised the money in that form of taxation, instead of throwing this petty taxation broadcast all over India?—I think it would have been far better, myself. I think it would have been a more consistent and judicious arrangement, and that it would have been better, for this reason, that the Income Tax was bearing upon those who could well pay it, whereas these Cesses come upon those who cannot afford to pay them, by comparison.

4535. Do you think it desirable that there should be two taxing powers in India, the Supreme Government and the Local Governments going in different grooves of taxation?—I should say, as a rule, it was not. The people do not distinguish between the Local Government and the Imperial Government in that way. Every official who is connected with the Government, particularly the higher officials, are all looked upon as part and parcel of the same system; and whether I, as Collector, or Commissioner, or Lieutenant-Governor, or, we will say, as Governor General, initiate and carry out a paracular policy, it is all considered as belonging to the one Government, and the one system.

*Decentralisation of Finances :—Its Expediency.*

4536 Now have you considered the proposition or suggestion of Sir Charles Trevelyan, that, instead of this arrangement, the Local Government should manage the finances under the taxation prescribed by the Supreme Government, and that it should undertake the whole of the expenditure in its locality, paying only such a sum in gross to the Central Government as it might prescribe as necessary for the General Charges of India?—I am sorry to say that I am very much against that System; I think it would be reversing the order of things. You must have some control over the Local Governments; there must be some Central Authority which is to look after the Local Governments, and constrain them, and control them, and direct them. You can only either have a Central Government in India, or practically do away with that Central Government, and have the Central Government in England. As it is now, you have the Government of India controlling the Local Governments and being controlled itself by the Secretary of State in Council. That seems to me an infinitely better system than anything of the kind which Sir Charles Trevelyan suggests, I think that that system would be found, I should say, nearly unworkable, and that, if workable, it would create complications and difficulties very much greater than the present condition of things.

CHAPTER XI.  
—  
LORD LAWRENCE.

4537. Supposing the whole power were given to the Local Governor to carry on his Administration with the utmost economy and efficiency, accounting for so much of the revenue to the Supreme Government, do you think that that would induce him to exert himself more than he now does, and to rely less upon what may be called the action of the Supreme Government?—I do not think that it would make the slightest difference really and truly, in that respect. I think that the economical Governor would be economical, and the extravagant Governor would be extravagant, under the one system as under the other. The wasteful man does not admit that he is wasteful; he thinks that he is doing what is right and proper. Therefore, I do not see why he should, naturally, become more economical because everything was put into his own power.

4538 Would it not, then, be a necessary economy on his part to keep within his income if he had no other resources?—If he could not resort to taxation, or borrow money, or insist that he had not all that he ought to have, and that some other Province had something that he ought to have, of course then, having no means of laying his hand upon money to spend, he would not spend it, but I think that, practically, it would not be so good a system as the present system. I think that one of the first things which would involve a difficulty would be this, to ascertain what was the Revenue of each Province, and what should belong to it.

4539 But, then, Sir Charles Trevelyan's proposal assumes that that would be clearly defined; that they would draw the whole Revenue from certain sources of Revenue which were within the administration of the Provinces, and the Assignment which would be made in favour of the Supreme Government would, of course, be regulated by the amount of that Revenue as compared with the General Resources of India; that is to say, supposing that the Government of Bombay managed the Indore Opium business and collected the money, that, of course, would involve the Government of Bombay's accounting for so many millions more, or contributing so many millions more to the Supreme Government in aid of the General Expenditure?—I do not mean to say that it could not be made out; but I think there would be complications and difficulties. Then, again, I think there is another point which would arise. Supposing a sudden war arose, which was carried on under the instructions of the Governor General in Council; when it came to be paid for, where is this money to come from, or how is an arrangement to be made by which this money would be gradually liquidated?—Each Governor would say, "I have anticipated my Revenue, and arranged to spend it all; I cannot give you any more." Then another question would arise, in point of fact, the Surplus of some Provinces makes up for a Deficit in other Provinces, it is very convenient, it does not lead to any extravagance or waste that that system should be maintained; but if you come to divide them off by a straight and fast line, then, I think, that very considerable difficulties would arise. At one time, it is important to stimulate the improvements in one Province, at other times, it is desirable to encourage them in another. For instance, if it has been decided to make a great work like the Ganges Canal, it is true economy to push on that work, as quickly as is consistent with having the work properly done; you have a large establishment to supervise and control; you have to make advances of various kinds to contractors, and so forth, and to collect material, if you do not furnish money as fully as the work can be properly carried on, there is a certain waste; it would be far better, therefore, that, for one series of years, until you had finished your Ganges Canal, you should divert some of the Revenue from one Province and give it to another Province until that work was completed, than that you should allow each Province to expend its surplus revenue systematically. Supposing it were of great consequence to make a Railway for political reasons along the Frontier, or to build forts along the Frontier, if your Frontier was threatened, it would be a most absurd thing to say that the Government of India should not be able to get a portion of the Surplus Revenue of the other Provinces, and to devote it to this work, which was of vital importance, not only to that Province, but to all India. It seems, to me that, in practice, many difficulties would arise, and I do not see, myself really, any advantage on the other side.

*Decentralisation of Finances:—Its Expediency.*

CHAPTER XI.  
 LORD LAWRENCE.

4540 Do you think that there would be a difficulty in regulating, from year to year, the requisition on the Local Government as to its contribution when circumstances might arise in the middle of the year rendering it necessary to change it?—Very considerable difficulty. In my time, we had a miserable little war with Bhootan, which was brought on by local circumstances; but the object was to bring that war to an end with the greatest promptitude and vigour possible. How embarrassed would the Government of India have been if they had been obliged to throw all the cost on Bengal, because it happened that the frontier was in Bengal. Again, you had the other day the expedition against the Looshais, in Assam. Would it not have been absurd to say that the necessary funds must be borrowed or taken out of the Assam Revenue, when we could take it out of the Cash Balances, if they were large enough, or out of the General Revenues of India? It seems to me that, in all these things you would be only building up difficulties for yourself, and have, really, no counterbalancing advantages.

## CHAPTER XII.

### EARL OF MAYO'S MEASURE:

#### REPORTS BY LOCAL GOVERNMENTS UPON ITS OPERATION.

##### MADRAS PRESIDENCY.

In replying to your circular No 2019 of 17th August, I am directed to submit an abstract statement of Provincial and Local Receipts and Expenditure for 1871-72, and to state that the opinion of this Government is decidedly favourable as to the general results of the system of Fixed Assignments of funds for Provincial Services in promoting harmony, economy, and efficiency of administration.

2. In two directions His Excellency the Governor in Council would wish to see the system modified, *viz*, by an increase in the number of Departments transferred to the Local Governments' independent control, and by an adjustment of the amounts of the Grants to the several Provinces on a more equitable basis than the average of what each had previously received, which was adopted and which had the effect of merely perpetuating pre-existing causes for reasonable complaint, and making more hopeless the prospect of supplying urgent needs.

3. I am especially to mention the Forest Department as one of which the administration of the Receipts and Expenditure ought to be in the hands of the Local Government.

4. On the second point, I am to remark that the grants made to the different Provinces for the discharge of the same State Services bear no proportion whatever to their relative population or area, or to the amount of Imperial Revenue contributed by them; and that, where insufficient provision to meet pressing demands had, for years, been subject of just complaint, not only has that insufficiency been maintained, but the cause of complaint has been aggravated by the partial allotment made of the funds distributed among the several Provinces of the Empire.

##### BOMBAY.

*MINUTE* by His Excellency Sir P. Wodehouse, dated 26th August 1872, on the system of Fixed Allotments of Imperial Revenue for Provincial Services, introduced by Resolution of the Government of India, No 8334 of 14th December 1870.

In connection with the letter from the Government of India in the Financial Department No. 2019 of the 17th instant, I wish to bring under the notice of my Hon'ble Colleagues observations which I addressed privately to the Governor General on the 22nd July last, as follows:

"As you tell me that you have now under consideration questions connected with what are termed Provincial Services, and may possibly be discussing with the Members of Council the propriety of modifying the Scheme, I will venture to trouble you without further delay on a point about which I have, for some days, contemplated writing. It is not my wish to raise objections to the arrangements in respect to the expenditure classed as Provincial, although there seems reason to believe that the Local Governments, in accepting the Scheme, were not fully alive to the obligations to be imposed upon them; and although it is clear that the Heads of expenditure for which they are expected to provide are, in their nature, the least under control, and those for which the greatest pressure is sure to exist. My objections apply to the other side of the agreement—to the mode of supplying the Local Governments with funds. The principle is, that the Government of India shall provide a fixed sum for certain purposes, calculated rather below than above, the present expenditure for them, and that the Local Government must meet increasing demands from their own resources. It is not stated in so many words that the Imperial Assignment will never be increased, but it is sufficiently clear that there will be the greatest reluctance to do so. The 5th and 6th paragraphs of the Proceedings show clearly from what quarter additional funds are to be obtained. It is stated that each Province has special wants of its own, and may have means of supplying them which could not be appropriated for Imperial Purposes, and it is further stated that the Government of Bombay has, for some years, raised a considerable Revenue for Local Purposes. This is true, and it is for the

CHAPTER XII.

GOVERNMENT OF  
MADRAS,  
9th January 1873

The general results of the measure are favourable, but more Departments, and especially the Forest Department, should be transferred, and the great inequality in the assignments to the several Provinces should be corrected.

GOVERNMENT OF  
BOMBAY,  
31st December 1872.

CHAPTER XII.  
GOVERNMENT OF  
BOMBAY,  
31st December 1872.

Local rates cannot be expediently devoted to provincial expenditure. If a cess paid in Surat be not spent in Surat, it makes no difference to the tax-payer whether it is spent in Kanara in the Bombay Presidency or in the Punjab. Hence a certain percentage of the revenue of their several territories should be made over to Local Governments, who thus will be enabled to avoid Local Taxation, which, like the non-agricultural tax, now put in abeyance, must engender discontent.

Accepts the proposal of the Governor General that the transfer of revenue should be on the understanding that any surplus at the end of the year should revert absolutely to the Government of India.

very reason, that Provincial Revenue and Provincial Expenditure cannot properly be called Local Revenue and Local Expenditure, that I seek for a revision of the mode of appropriation. What distinction can be drawn by the tax-payer of Surat between an expenditure of his money in Kanara and the Punjab? How can he possibly regard it, in either case, as other than a payment for the general purposes of the British Government, and, in fact, what else is it, and being so, how will it work in the matter of taxation?

"You have in existence certain great Taxes and sources of Income, to the payment of which the people have become thoroughly accustomed, which are the results of years of experience, and which it is, therefore, desirable to increase and improve by all the means in our power.

"The supply to be drawn from these great Sources of Revenue for what are termed Provincial Services is to be marked by a hard-and-fast line. No matter to what extent these Revenues increase, the provision for the increasing necessities of the Provinces is not to be drawn from them. Recourse is to be had to Provincial Taxes, necessarily very unpopular, because new, probably objectionable as the offspring of necessity and emergencies, and introduced with less caution than the old ones. Both systems, the old and the new, will run side by side. The British Government, as a whole, will come under the odium of an unpopular tax, levied on one of the Presidencies or Minor Governments.

"The Local Government will have the less inducement to promote the increase of the old Imperial Revenues, from the fear that, by so doing, they may damage the prospects of some other tax, to which they may have been obliged to resort to provide for their own wants.

"Take the case of this Government. We have three great sources of Revenue, which are either already fast increasing, or of which we hope, by judicious measures, to effect great improvements, *viz.*, Land Revenue, Salt and Spirits. But, from these, the Presidency, as a Province, will derive no additional benefit whatever, though, it may be added, that the land contributions of Bombay form a very large proportion of the whole Land Revenues of India. In spite of these advantages, this Government has been driven by necessity to impose what is termed the "Non-agricultural Cess," which is universally represented to be most mischievous, and to have caused a very inconvenient amount of disaffection. It is true we have just been enabled to hold in abeyance the operation of this tax; but the principle remains the same. We may again be placed in difficulties, and, notwithstanding the increase of our contributions to the Imperial Revenues, we may be obliged to revive the agitation about new Taxes, and perhaps impose one that is objectionable.

"I would therefore, respectfully but strongly, urge upon Your Lordship that the Local Governments should not be required to supplement the Imperial Assignment by Provincial Taxes.

"Instead of that arrangement, let a certain percentage of the General Revenues be assigned to them to meet the expenditure they have been, or may be, permitted to control, and let them feel that the character and success of their Administration will depend on the economical application of the assignment and the judicious development of the sources of the supply.

"In making this recommendation, however, I should be sorry to be regarded as the enemy of local efforts. I think they are in every way to be encouraged. But, in this Country, for some years at any rate, they ought to be strictly Local. Each area acted upon should be so limited, that it must be clear to the dullest contributor, that his money was expended for the immediate benefit of himself and his neighbours. Hereafter, the areas may be extended. But, certainly, at present, there is no proper connection between Provincial and Local, but a very clear connection between Provincial and Imperial. It seems to me, also, that my proposal, if it should fortunately be accepted, would dispose of the two questions suggested in your letter:

"1st.—If the proposed percentage were granted, we should exercise all proper economy in its expenditure, and any Surplus, at the end of the year, should revert absolutely to the Government of India.

"2nd.—We should endeavour to meet any emergency from the percentage by curtailing other sources of expenditure as far as practicable, and furnish you with full proof of the necessity for an addition.

"To bring the question to an issue, I suggest 10 per cent. on the following:—

Land Revenue.	Salt.	Marine.
Tributes.	Opium.	Education.
Forest.	Stamps.	Interest.
Excise.	Mint.	Miscellaneous."
Assessed Taxes.	Law and Justice.	
Customs.	Police.	

If my Hon'ble Colleagues should concur in these views, the letter from the Government of India might be answered accordingly, with such additions as they might suggest.

THE HONOURABLE,  
MR. ROBERTS,  
28th August 1872.

I quite concur in His Excellency the President's view, that, as certain sources of Imperial Revenue are developed by the measures of the Local Governments, it would conduce to

greater care in fostering those sources and to the exercise of a prudent economy in the expenditure contingent on them on the part of the latter, if a percentage of the revenue were to be handed over to the Local Authorities in place of a fixed lump sum calculated on the average of past expenditure of the Departments, the control of and responsibility for which have been entrusted to the Provincial Governments. The latter, seeing their own interest involved, would, probably, take more trouble in the matter, than if they knew only the Imperial, and not the Provincial, Exchequer would be benefited. The result of the present system we know to have been, at all events of late years, that the framing of the Imperial Budget has been left to the Accountant General, cursorily supervised by the Secretary in the Financial Department—a lax custom that has, only now, been ordered to be discontinued.

An alternative plan has been suggested, viz., that the Provincial Governments should contribute out of the Total Revenues raised within their several limits, lump sums sufficient to make up, on the whole, what is wanted for Imperial Expenditure, thus leaving to the Provinces the full benefit of any increase of Revenue or decrease of Expenditure effected by their measures. This does not appear to me, in any degree, fairer than the present plan, which is its converse. The expenses of the Imperial Government are no more a fixed sum than those of the Local Governments. The National Debt of India is secured on the Revenues of the whole Country, and it is the duty of the central Financial Authority responsible for the management of that debt, so to manipulate the resources of the whole Indian Empire as to give the greatest possible security to the Public Creditor and the greatest possible relief to the Public Debtor, the tax-payers of India. The debt has been incurred for the safety of the whole Empire, and could not, legally, be split up into several debts secured on the Revenues of Distinct Provinces even if it were practicable fairly to assign to the latter their several portions of the general burden, which would be the only basis on which such a complete Decentralization of the Indian Financial system as that involved in the alternative Scheme mentioned could be founded. The various Provinces of India can never become a Federation of States, controlled in certain matters by a Central Government, without the clashing of interests which would be fatal to the harmonious working of the whole, and would tend to increase rather than decrease of expenditure from various Ruling Centres having to be provided for in place of one.

I entirely concur, therefore, in the general principle of His Excellency the President's proposal. What should be the exact percentage of the different sources of revenue to be handed over to the Local Governments for expenditure provincially, must of course depend on what its value would be. I presume the percentage proposed is one on the Gross Revenue from the several sources mentioned, the expenditure being met out of the balance of 90 per cent. My reason for assuming this is that 10 per cent. on the Net Revenue would not equal the sum already assigned us as a Provincial Allotment. The Budget Estimate of this Allotment for 1872-73

Land Revenue	...	8,63,00,000
Tributes	...	8,96,000
Forest	...	14,00,000
Excise	...	41,25,000
Assessed Taxes	...	10,80,000
Customs	...	69,00,000
Salt	...	69,00,000
Opium	...	51,30,000
Stamps	...	8,00,000
Mint	...	8,55,000
Law and Justice	...	1,96,888
Police	...	5,65,000
Marine	...	72,891
Education	...	9,74,000
Interest	...	16,05,000
Miscellaneous	...	
		8,96,51,819
		2,69,819
		8,93,82,000

in keeping down the expenditure on collection, as this would fall entirely on the Imperial share. The estimated expenditure under the

Land Revenue	...	66,76,000
Forest	...	9,00,000
Excise	...	6,00,000
Assessed Taxes	...	68,000
Customs	...	8,95,000
Salt	...	8,60,000
Opium	...	80,000
Stamps	...	1,58,000
Mint	...	8,60,000
Law and Justice	...	46,05,000
Marine	...	18,47,000
Political Agencies	...	12,00,000
Miscellaneous	...	16,66,000
		1,92,35,000

II of 1871, until the figures of 1871-72 are made up, and we can enter into all the details of the Budget for 1873-74.

CHAPTER XII.

THE HONORABLE  
MR. ROBERTS,  
28th August 1872.

It would be highly beneficial if a percentage of the revenue were transferred to the Local Governments.

This would be preferable to the alternative plan of leaving their whole revenues to each Local Government, less a deduction for imperial charges, because the various provinces of India can never become a federation of States, controlled in some matters by the Central Government, without a clashing of interests which would wreck the system.

is Rs. 91,81,805, and 10 per cent. on the estimated gross receipts of the sources mentioned would come to Rs. 89,65,181, a difference of Rs. 2,16,624. The inclusion of receipts from Police and Education (\*) among the sources from which we are only to get 10 per cent. must have been an oversight, for we now receive the whole of them, Rs 2,69,819, in addition to the Provincial Allotment. Removing these from the list, our 10 per cent. would come to Rs 89,38,200, or Rs 2,43,605 less than the Allotment. Whether we could do without, in round numbers, 2½ lakhs of our present Allotment we cannot tell until the full Accounts of last year have been made up; but I should think it was very doubtful. These figures are based on the assumption that the 10 per cent meant in His Excellency's Minute was on the Gross Revenue. I am of opinion, however, that it would be better to fix a percentage on the Net Revenue; otherwise the Local Government would have no great interest in several Heads is shown in the margin as Rs. 1,92,35,000, which, deducted from the Receipts, Rs. 8,93,82,000, would leave Rs. 7,01,47,000, of which 13 per cent. would come to Rs. 91,19,110, or about Rs. 62,000 short of our present Allotment. With this, however, we might, with economy, possibly manage. There is one way of reducing expenditure with which the Local Government, alone, would be fit to deal, and which it would be wise to induce it to deal with by the policy now recommended, viz., the substitution of Native for European Agency in various branches of the administration—a step the advisability of which on other grounds also, besides that of economy, I need not enlarge on.

We are not in a position to commit ourselves to the abolition of the Provincial Taxes under Acts I and

## CHAPTER XII.

THE HONOURABLE  
MR TUCKER,  
29th August 1872.

The scheme has worked well; except that an insufficient assignment having been made for heads of service under which the expenditure must increase, the Local Governments have been forced to resort to local taxation, some of which in the Bombay Presidency, namely, the tax on the non-agricultural classes, has caused considerable dissatisfaction.

The necessity for such taxation would be obviated by making over to Local Governments a percentage of the general revenues.

It has been generally admitted that the principle of Decentralization was a good one, and that the concession to Local Governments of a larger power of control over a portion of the Revenues derived from the Territories subject to their administration was likely to be beneficial in producing greater economy and better management. The result of the experience of the last eighteen months has, I think, fully justified this view.

The sources of income placed at the disposal of the Local Governments have been most carefully husbanded, and a much more strict supervision has been exercised over expenditure with very good effect.

The real objection to the Scheme was the method of distribution adopted, and the unelastic character of the Grant for Provincial Services. Not only were the particular Services assigned to the Local Governments, for the most part, unproductive and incapable of being made productive to any great extent, but they were, precisely, the Departments of the Administration which had hitherto been most inadequately provided for, while the allotment made for them was based on the past inadequate provision and without any reference to future wants. The effect of such a method of distribution was to compel the Local Governments to have recourse to increased Local Taxation, and it is difficult to avoid the conclusion that this was the deliberate intention of the framers of the Scheme. The Bombay Government was fully aware of the extent of the obligations imposed on them, and distinctly pointed out the consequences which must follow so unequal an apportionment of the sources of State Income between the Imperial and Local Governments, and they only accepted the proposals of the Government of India under the conviction that the change was in the right direction, and that the errors in the manner in which it was carried out would be, eventually, recognized and rectified. The measures adopted to supplement the Provincial Revenues were Acts I and II of 1871 (Bombay). By the first, a certain portion of the expenditure which had hitherto been borne by the State was transferred to certain Mofussil Municipalities. The Act did not extend to the city of Bombay, but, in that Municipality, the same effect was produced by an Act of the Executive Government in withdrawing the contribution which it had hitherto made to the Bombay Municipality for the support of its Police.

By Act II of 1871 a Cess was imposed on the Non-agricultural Classes throughout the Presidency, except in the Municipalities taxed under Act I of 1871 and the city of Bombay. The imposition of this new tax has caused considerable dissatisfaction, but it may be remarked that the real objection to the tax is that it extends direct taxation to a class of persons whose means are so limited that they should be exempt from direct taxation. If it had been confined to the Non-agricultural Classes assessed to the Income Tax, no valid objection could have been taken to it, except that it amounted to an increase of that tax, for there can be no doubt that the Trading and other Non-agricultural Classes of this Presidency do not contribute their proper quota to the State Exchequer. I shall be glad to see this tax, in its present shape, done away with, and I am informed that the result of a comparison between the actual revenue and expenditure for the past official year 1871-72 with the Budget Estimates for that year will enable us to get rid of this impost.

I concur in the opinion of His Excellency the President that we should ask for a certain percentage on each of the great Heads of Imperial Revenue, and I think with Mr Rogers that this percentage should be on the Net and not on the Gross Revenue. Our allotment for the year 1872-73 amounts to 94 lakhs and 40,000 rupees, and we should require a percentage that would cover this sum. If Mr. Rogers' figures be correct, and I have not had the time to test them, a larger percentage than he has named will be necessary, and I am disposed to think that we should require from 15 to 20 per cent of the Net Revenues derived under the heads mentioned by His Excellency the President after deducting the items already included in the Provincial allotment. It will be requisite before we commit ourselves to any rate of percentage to have very exact calculations made, and to examine, very carefully, the financial aspect of the items to which the calculation is to be extended.

I agree with the Hon'ble Mr Rogers in what he has said regarding the extension of Native agency and the substitution of it, wherever practicable, for more expensive European agency, but I do not think it necessary to go into the question of reduction of expenditure in these papers.

Re-submitted to the Hon'ble Mr. Tucker. These papers were yesterday returned to the undersigned by His Excellency the Governor, who said that, in his opinion, the percentage should be made on the Gross and not on the Net Revenue, and that, in order to prevent any chance of the allotment being too small, he would say 12 instead of 10 per cent. His Excellency further pointed out that, as one part of his Scheme was "that any Surplus at the end of the year should revert absolutely to the Government of India" that Government would be inclined to accede to our proposal without exacting a too strict Debit and Credit Account in considering whether 10, 11, or 12 per cent. of the Gross Revenue should be allotted. His Excellency further pointed out that in many of the Headings there would be no net Receipts at all, the expenditure being greater than the revenue. Under these circumstances His Excellency trusted that the Hon'ble Board would concur in suggesting that 12 per cent of the Gross Revenues might be named, in order that a letter might be despatched at once, and considered by Lord Northbrook before His Lordship left his Council; and the matter might then be definitely settled when the Viceroy visits Bombay in November.

E. W. RAVENSCROFT,  
Secretary.

4th September 1872.



I did not notice that it was a part of His Excellency's Scheme that any Surplus at the end of the year was to revert absolutely to the Government of India, and I am unable to assent to this particular proposal which, in my opinion, would be a very unwise measure, and would destroy the chief advantage of the Decentralization Policy, *viz*, the establishment of a more strict economy. Under such an arrangement, the Local Governments would have no sufficient inducement to check extravagance in every shape.

I am unable to agree also that we should submit any representation to the Government of India without exact calculations, or we may, really, find ourselves in a worse position than we now are.

I consider, for the reasons stated by Mr. Rogers, that the percentage should be calculated on the Net and not on the Gross Revenues, and, of course, all items which are not productive or likely to be productive, should be excepted. It was to ascertain the financial value of the different items enumerated by His Excellency that I suggested that a strict examination should be made of them.

It will be no use submitting a Scheme of this character to the Government of India unless we can support it by clear and accurate calculations, and in my opinion it is not at all probable that the Viceroy will decide on a subject involving such important consequences till the Reports of all the other Governments and Administrations to the questions recently put to them, with reference to financial arrangements, shall have been received and considered by himself and his Council.

We should gain nothing, therefore, by sending off hurried and imperfect suggestions.

As the idea of asking for a percentage of the Revenue from certain defined sources in place of a fixed sum emanates from this Government, we should, I consider, lay ourselves open to the taunt of financial incapability if we sent it up in a crude form, unsupported by figures. Those that I have given in my previous Minute are taken from the Provincial Budget of the current year, and are scrupulously accurate, as far as that goes. It would be better perhaps to check the estimates by the actuals for five months, up to the 1st instant, and send the proposal up in a well-considered form. We should have ample time to do this before the date specified by the Government of India, and to show distinctly the difference that would be made by the adoption of the principle of a percentage on the Net and on the Gross Revenues on which opinions are not agreed.

I think we should point out to the Government of India the advantage in the way of holding out an inducement to the exercise of economy by the Local Governments that would be offered by allowing them to retain for Provincial Expenditure the balance of the percentage unexpended at the end of the year. His Excellency the President was, probably, unaware of the fact that the balance of the Allotment made to Provincial Revenues under the present system does not lapse to the Imperial Exchequer. If it had not been for this, we should not now be able to forego the levy of the Non-Agricultural Cess, and if we agreed to the principle we might now be called on to surrender to the Imperial Exchequer the balance of Rs 2,38,138 we had in hand at the commencement of the present financial year, of which it is estimated that we shall use up about 2 lakhs of rupees in the course of the year. Having now, virtually, abolished the Non-agricultural Cess, we have only the balance of last year and whatever may be saved out of the current year's allotment to fall back upon, wherewith to meet current expenditure, and we should, therefore, be very careful not to agree to any modification of the present system, the amount available under which we know, in favour of a new one, the result of which has not been worked out in figures.

I think that the Financial Secretary and the Accountant General should be instructed to lose no time in laying the necessary calculations before the Council. The Government of India, themselves, ask for a matured opinion accompanied by a complete abstract of the Provincial and Local Receipts and Expenditure in 1872-73, which we have not yet seen.

I quite agree with Mr Rogers that the Local Government would have a direct interest in the economical administration of the principal branches of the Revenue, if it were made dependent for its Ways and Means on a certain proportion of the Net Returns. But I hope my honourable colleagues may yet be willing to propose with me the abandonment of Provincial Taxation, without insisting on the substitution of an Assignment of Net Revenue.

We are quite in the dark as to the views of the Government of India with regard to increasing the powers of the Local Governments. The proposal to give the latter control over the management of the chief sources of Revenue with the expectation of consequent economy, implies that the Government of India will place such confidence in us as to leave in our hands, the management of matters on which the existence of the Government depends. I see no reason whatever for expecting the adoption of such a policy. I know full well that both in the Government of India and at Home there is, whether deservedly or not, a great distrust of the financial arrangements of Bombay. And if, from that distrust, the management of the Revenue should still be withheld from us, I see no good reason for asking for an Appropriation from the Net and not from the Gross Revenue.

CHAPTER XII.

THE HONOURABLE  
MR. TUCKER,  
4th September 1872.

A condition that the surplus from transferred revenue should, at the end of the year, revert absolutely to the Government of India would vitiate the whole scheme.

THE HONOURABLE  
MR. ROGERS,  
6th September 1872.

Surplus, at the end of the year, from transferred revenue, should not revert to the Government of India.

HIS EXCELLENCY  
THE GOVERNOR,  
16th September 1872.

Sees no reason whatever for supposing that the Government of India would give to the local Governments a control over the chief sources of revenue, and so leave to the latter the management of matters on which the existence of the Government depends.

CHAPTER XII. The Heads from which Net Revenue would be derived would be Land, Tributes, Forest, Excise, Taxes, Customs, Salt, Opium, and, taking for the purposes of my argument the Budget Estimate for the current year, those Heads would give respectively—

HIS EXCELLENCY  
THE GOVERNOR,  
16th September 1872

				Rs.
Land	...	...	..	2,96,24,000
Tributes	...	...	...	8,96,000
Forest	...	...	..	5,00,000
Excise	...	...	...	35,35,000
Taxes	...	...	...	9,27,000
Customs	...	...	...	60,05,000
Salt	...	...	...	64,40,000
Opium	...	...	...	2,24,32,000
TOTAL				7,03,39,000

An assignment of 15 per cent. on that sum would give Rs. 1,05,50,850, of which Rs. 33,63,300 would depend on Opium. An assignment of 14 per cent. would give Rs. 91,47,460, of which Rs. 31,39,080 would depend on Opium.

On the other hand, the Gross Revenue is put down at Rs. 8,93,82,000, and an assignment of 11 per cent. on that would give Rs. 98,32,020.

To my mind there are the strongest objections to our placing ourselves in this state of dependence on Opium without, according to my anticipations, any corresponding advantages. And I hope the Secretary will be permitted to make a careful calculation of the percentage we should need on the Gross Revenue for the submission to the Government of India.

The balance at the end of the year should revert to the Supreme Government.

The disposal of any balance that might exist at the close of the year, is a subordinate question; but I think there can be no doubt that, if the two Governments act in a spirit of mutual confidence, the balances should revert to the General Treasury at the close of each financial year. The whole of the Accounts of India, not local or special, would thus be closed at once.

THE HONOURABLE  
MR. TUCKER,  
4th October 1872.

The decentralisation measure has succeeded, and to revert to the former system would be a retrograde step.

After giving very careful attention to all His Excellency the President has said and written upon this subject, I regret that I am unable to concur in the views he has expressed. His Excellency appears to be opposed to the Decentralization of the Finances which was partially carried out by Lord Mayo's Government. In this I altogether differ from him. I consider that the experiment, so far as it has been made, has shown the correctness of the principle on which the Scheme was based, and that the errors have been confined to details and more especially to the limited and unelastic character of the Provincial Assignment. I shall oppose, in the strongest manner possible, any attempt to revert to the old order of things, which, in my opinion, would be a most retrograde step. Undoubtedly, the change of system, imperfect and incomplete as it has been, has contributed to economy and to the better husbanding of our resources; and all that is wanted, now, is that some of the more productive branches of Revenue and the corresponding Services should be assigned to us, or that the annual Provincial Grant should be allowed to grow with the growth of the Imperial Revenues. For this object I am willing that it should be based on a certain percentage of the Net Revenues under the heads which have been specified, and I think that the arguments for fixing this contribution on the Net instead of on the Gross Revenues are unanswerable. On this point I am wholly in accord with my honourable colleague Mr. Rogers. His Excellency the President seems to be under a misapprehension on the subject of the administration of the Imperial Revenues collected in this Presidency. The management is, now, vested in us subject to a certain control with respect to the creation of new offices or charges, and the management must always remain in our hands. If our annual Assignment depended on the Gross Revenues we should not have the ordinary incentives to good management, and the tendency would undoubtedly be to be more improvident in dealing with sources of income from the increase of which we should derive no advantage. It appears to me that the Government of India will clearly see the inducement that will be held out to us to look after their interests in this matter, by the arrangement which seems good to Mr. Rogers and myself. Further, it is not at all probable that they will fail to insist that each Presidency or Administration should take its share in the risk of the failure of the Opium Revenue, and, to me, it seems unreasonable to ask for an arrangement which would relieve us from this risk. I could not concur in sending forward such a proposal. Nor can I, in any way, assent to our giving up, voluntarily, the benefit of the savings in the administration of Provincial Revenues which we may make in each year. It appears to me that any alteration of this kind in the system now in force would add to its defects, and in no way improve it. I adhere, therefore, to the views expressed in my former Minutes, and concur in what Mr. Rogers has written on this very important question.

THE HONOURABLE  
MR. ROGERS,  
7th October 1872.

The dispute into which the financial administration of Bombay has fallen appears to me to have arisen from causes, the removal of which, for the future, is the particular object of the measures now proposed. Under the old system, the local Government had no motive whatever for the exercise of economy or forethought. The Indian Imperial Exchequer was looked upon

in the light of an inexhaustible treasure-house, on which it was the duty of the Local Government to draw to the utmost, in the interest of its own subjects. If it had a certain sum allotted to it, it did not much matter whether the Account was overdrawn, as it was well known that, in the end, the Government of India must pay for all. Time was wasted in mutual recriminations between the two Governments in matters of detail, which it has come to be acknowledged are better left to the discretion of Local Authorities, and the non-lapse, at the end of the year, to the Imperial Exchequer of balances from the Provincial Allotment now affords the direct incentive to economy which was wanting before. If balances thus brought about, are to be handed back, it will, on the contrary, be for the interest of the Local Government to take care that every rupee of the Allotment is spent within the year; and the only difference between the old Centralized and the new Decentralized Financial System will be that, under the latter, we shall not require to obtain the sanction of the Government of India for the entertainment of petty subordinate establishments which we had to obtain under the former.

The same argument is, as already stated, applicable with regard to our receiving a percentage on the Gross or on the Net Revenue from the proposed branches of the Public Income. If we get our percentage on the former, it does not matter to us how uneconomically the finances are administered; if on the latter, the more economically we manage the larger will be the Provincial Income. I concur with the Honourable Mr Tucker in thinking the Supreme Government can hardly fail to see the matter in this light. The argument that we should depend for our income, to a great extent, on the uncertain source of Opium is, of course, the same whether our percentage is to be on the Gross or the Net Revenue.

I hardly understand what is meant by His Excellency the President when he says he hopes his Colleagues will be willing to propose the abandonment of Provincial Taxation without insisting on the substitution of an Assignment of Net Revenue. I was not aware that the abandonment of Provincial Taxation had been proposed; and it would certainly not be in accordance with the ideas of the Supreme Government, who have only a few days ago proposed that Municipalities shall pay for their own police on being vested with the property of all lands situated within their limits. Moreover, the administrative wants of the Presidency are already so crying, and the cost of Administration is, daily, increasing so rapidly, that I am quite convinced we shall not be able to manage without Provincial Taxation. If His Excellency means that all taxation, even for Provincial Purposes, should be Imperial, I must dissent, as it would bring us back to the old centralization policy, by which the Government of India attempted to manage matters which they could not, by any possibility, understand.

I note that the calculations of income made by His Excellency are based on the Net and not on the Gross Revenue. There can be no harm in the Secretary's getting out the figures under both methods of calculation, and His Excellency's views, as well as those of Mr. Tucker and myself, being placed before the Government of India.

I am sorry to see with what a great divergence of opinion we are likely to submit to the Government of India our views on this important question, on which I was, at the outset, inclined to hope that we were, in all essentials, agreed.

Mr Tucker has, evidently, by some means, misapprehended my meaning; for he regards me as opposed to what is known as the Decentralization System. So far from that, I consider it to be sound policy for the Government of India to develop it more and more, and to trust to our endeavours to enforce economy and promote efficiency in other Departments of the public Service, besides those already selected. For I have no faith in the possibility of the government of our Indian Possessions being satisfactorily administered, except upon principles of mutual confidence between the Supreme and Local Governments. I deprecate the introduction of this question at the present juncture for fear of its impeding the attainment of my main objects, the abolition of Provincial Taxation, and the Assignment by the Government of India of a portion of the Imperial Revenues sufficient to meet our expenditure without an addition from Provincial Taxation.

Further powers of control I would prefer to receive as the unsolicited concession of the Government of India.

To my recommendation of the abolition of Provincial Taxation I entirely adhere, and regret much to observe Mr. Rogers expressing the opinion that our increasing wants will compel its retention.

The inference he draws from the late Orders of the Supreme Government in respect to municipal payments for police is, I submit, scarcely sound. Municipal payments are essentially Local; and I have, expressly, advocated the retention of Local Taxation for Local Purposes. But I deny that taxation applied to such an area as the Presidency of Bombay possesses any attributes which can give it the slightest claim to be regarded as Local. It will, ever, be viewed by the tax-payers, as in fact it is, as a Supplement to the existing Imperial Revenue required for the General Government; and, if it be found that the existing Imperial Revenue cannot, by good management, be rendered sufficient to meet the cost of our whole Administration, I believe the deficiency will be supplied with more care and on sounder principles if the Legislation to that end is entrusted to the Supreme Government and the responsibility placed, where it ought to be, on their shoulders, than if the Local Governments be driven to raise by other expedients, that provision for indispensable expenditure which should be assigned to them from Imperial Revenues accruing within their own Territories.

CHAPTER XII.

THE HONOURABLE  
MR. ROGERS,  
7th October 1872.

HIS EXCELLENCY  
THE GOVERNOR,  
10th October 1872

Taxation applied to such an area as that of the Bombay Presidency cannot be regarded as local in the slightest degree. The admission of Local Governments to a share of the Imperial revenue is far preferable to local taxation.

## CHAPTER XII.

HIS EXCELLENCY  
THE GOVERNOR,  
10th October 1872.

I do not wish to provoke further discussion on the questions, whether we shall ask for an assignment of a percentage on the Gross or the Net Revenue, and whether any balance saved at the end of the year, shall remain at our disposal or revert to the Supreme Government. Having stated my views on those points, I am perfectly content to leave them to the decision of higher authorities. But it will be necessary for the Secretary to prepare comparative statements showing the rates of Assignment that will be needed from the Gross and from the Net Revenues respectively.

P. E. WODEHOUSE.

Statement showing the Percentages on the Gross and Net Revenues of the Bombay Presidency at which the amount assigned by the Government of India for Provincial Services for 1872-73 can be obtained.

Hheads of Revenue.	Gross Revenue.	Expenditure.	Net Revenue.	10·67 per cent on Gross Revenue.	18·46 per cent on Net Revenue.
Land Revenue ... ..	3,63,00,000	66,76,000	2,96,24,000	38,36,910	39,87,391
Tributes, &c. ... ..	8,96,000	...	8,96,000	94,707	1,20,602
Forests ... ..	14,00,000	9,00,000	5,00,000	1,47,980	67,300
Excise on Spirits and Drugs	41,25,000	6,00,000	35,25,000	4,86,012	4,74,465
Assessed Taxes ... ..	10,80,000	53,000	10,27,000	1,14,156	1,38,234
Customs ... ..	69,00,000	8,95,000	60,05,000	7,29,330	8,08,273
Salt ... ..	68,00,000	3,60,000	64,40,000	7,18,760	8,66,824
Opium ... ..	2,24,52,000	80,000	2,24,22,000	23,73,176	30,18,001
Stamps ... ..	51,30,000	1,63,000	49,67,000	5,42,241	6,68,568
Mint ... ..	8,00,000	3,50,000	4,50,000	84,560	60,570
Law and Justice ... ..	3,55,000	45,05,000	-41,50,000	37,523	-5,53,500
Marine ... ..	5,65,000	18,47,000	-12,82,000	59,721	-1,72,557
Interest ... ..	9,74,000	...	9,74,000	1,02,952	1,31,100
Miscellaneous ... ..	16,05,000	16,56,000	-51,000	1,69,649	-6,865
.....	.....	Political Agencies 12,00,000	-12,00,000	.....	-1,61,520
	8,93,82,000	1,92,35,000	7,01,47,000	94,47,677	94,41,686

F. S. CHAPMAN,  
Chief Secretary to Government.

## BENGAL.

BENGAL GOVERN-  
MENT.

THE HON'BLE  
SIR G CAMPBELL.  
18th December 1872.

Income tax had bet-  
ter be transferred to  
Local Governments

15. The only remaining item of Revenue, regarding the method of raising which the Lieutenant-Governor would have at present any suggestions to offer, is the Income-Tax. Full reports regarding this impost, the manner of its assessment, its incidence, and its yield, have been submitted to the Government of India during the last two years. One thing certainly seems clear, that it is not desirable that this tax, alone of all the taxes of India, should be levied all over the Peninsula, in one strict unvarying form, or under Laws and Rules which leave no room for the Local Governments to adapt the impost to the many races and circumstances of the different Provinces of India. The Lieutenant-Governor would not, at present, bind himself to any sketch of the form which an Indian Income-Tax ought to take, he would merely submit that, as has been previously urged in a previous paragraph of this letter, the Income-Tax had better be left to Local Governments to deal with in connection with questions of Local Taxation.

16. There remains the fifth and last point, viz., the submission of a General Review of the Local Taxation and Financial arrangements of the four years under consideration. The following extract from the Lieutenant-Governor's Administration Report for the year 1871-72 will furnish the fullest answer which can be given on this point. The extract is as follows:—

"The whole of the subjects of Provincial Finance, Local Taxation, and the Self-government which is to accompany such Taxation, have been, as has been mentioned in several places, reserved to be dealt with together in the latter part of this Report. These are the subjects in regard to which the present Lieutenant-Governor has chiefly felt that it was his duty to carry out a policy laid down by superior power after much discussion and consideration. It will be well, first, briefly to review the situation to which he succeeded.

The decentralization  
measure described.

While the local Governments had very great powers in many respects, and, as regards some of the principal sources of income, especially the Land Revenue, exercised practically almost complete discretion, the power of the purse in respect of expenditure was completely centralized in the Government of India, by whom Grants to the various Local Governments were made on detailed estimates of the needs of each Department. It was impossible that the Central Power could

efficiently scrutinise these demands over so vast an Empire, and the result was sometimes that the Local Governments asked as much as possible and the Central Government gave as little as possible; and so Grants were adjusted by a species of compromise, under which, however, the general result seems to have, to some extent, been that those who asked most, and asked it most boldly and pertinaciously, got most. On this system many of the Civil Departments were constantly progressing in their expenditure, when the Government of the late Earl Mayo determined to apply a remedy which had been long talked of, but never carried into practical effect, viz., the Assign-

CHAPTER XII.

BENGAL GOVERNMENT,

18th December 1872.

The Provincial Services Scheme.

ment of certain Funds and Resources to the Local Governments for certain purposes, to be by them made the most of. The arrangement adopted was as follows. No Sources of Revenue were made over other than the *per contra* Receipts of the executive departments transferred. But the previous Net Assignments to certain Departments, viz, Police, Jails, Education, Registration, Medical, Printing, and Civil Public Works, were taken: a proportion (about 7 per cent) was deducted as a relief to the Imperial Finances, and as representing a share of the burden to be charged upon Local Resources; the remainder was made over as a fixed annual income. It was intended that any deficiency thus caused, and any additional expenditure resulting from progress and improvement, should be met either by economy, or by Provincial or Local Taxation.

Under the former system those who asked most, and asked it most boldly and pertinaciously, got most.

"It is fair, however, to mention here, though the view was not taken in the original Resolution, that there had, in fact, usually, been certain savings and unspent balances in some departments at the end of the year, and that these might fairly be set-off against the deduction from the usual Assignments. At the same time, it must, on the other hand, be remembered that the Assignments on which the fixed allowances were calculated, were those which had been made, after the financial crisis of 1869, when all expenditure had been cut down to the lowest point, and were very far short of those which had been made before the financial crisis. In Bengal, for instance, there had been an enormous reduction in the sums allowed for Civil Public Works, and a very large reduction in the Assignments for the Police.

"It may be said, too, that the previous Assignments having been made with more regard to the much asking of Local Governments than to their relative population and territory, there was inequality in the fixed Assignments. For instance, Bengal with its 65 millions of people has got £1,168,592, while Bombay, with something over 13 millions by the last Census, and probably not many more now, got £880,075, or more than three-fourths the Assignment with less than one-fourth the population. Again, under the various systems prevailing in all other Provinces, large revenues were already raised for Local Purposes of the same character as those for which the Imperial Assignment was made; heavy Cesses in addition to the land revenue being assessed on the land for Local Roads, Local Police, and popular Education, while in Bengal there were scarcely any such Resources. There the petty Cesses partially levied in some few Districts and Estates were wholly insignificant in amount; the funds raised locally for Roads and bridges were confined to the Receipts from Tolls on Roads, Ferries, and Canals. There was no public provision for Local Police, the new Act of 1870 having, as before mentioned, scarcely at all come into operation, and for popular education there was absolutely no provision at all, the sums granted by the Government of India being almost exclusively devoted to the education of the upper and middle classes.

The previous assignments, under the old system, having been made with more regard to the much asking of Local Governments, than to their relative population and territory, there was inequality in the fixed assignments for Provincial Funds. Bombay gets more than three-fourths the assignment of Bengal, with less than one-fourth the population.

Expenditure in Bengal compared to other provinces.

"That Bengal has been, to a considerable degree, under-governed as compared to some other Provinces, if not made sufficiently clear by what has already been said in an earlier part of this Report, may be further illustrated by a few figures in connection with this financial view of the matter.

"The general and revenue establishments being still paid from Imperial Revenues do not here appear; but it has been already stated that the tehsildaree establishments for revenue and executive purposes maintained in the interior of all other Provinces are entirely absent in Bengal, where Government is represented, for executive purposes, by the police alone. Yet when we looked to the police, we find that, to supervise the 13 or possibly 14 millions of people of Bombay, there were entertained in 1870-71 of police paid by the State 16,877 men, for whom, before the recent arrangements, an Imperial Assignment of £374,703 was made, while to supervise the 65 millions of Bengal there were, in the same year, 25,043 men, including a considerable number specially employed on the Frontier, and the Net Imperial Assignment was £485,394. The Bombay Grant was thus considerably more than three-fourths of that to Bengal. For Education Bengal received £192,373, against £107,791 allowed to Bombay; but, then, while the Bengal Grant was not supplemented from any public source, in Bombay there was, from the Educational Cess on land, Rs. 7,20,326 in the year 1870-71. For roads and public improvements there had been assigned £157,800 to Bengal and £121,900 to Bombay, the Bombay proportion being still higher than in the case of police, while for civil buildings there were assigned £111,370 to Bengal and £107,500 to Bombay, the smallest of the Local Governments thus receiving under this Head very nearly the same sum as the largest.

In police.

In education

In public works.

"Figures are not available to show the full difference between the financial position of Bengal and that of other Provinces, by including the Local Cesses in the account. These sums were very much at the disposal of the Local Administrations. They were certainly very large in Bombay, and considerable in the North-Western Provinces and other parts of Northern India. It is observed in a recent Report, that, in Madras, as much as £380,000 per annum is raised by a Road Cess alone.

CHAPTER XII.  
BENGAL GOVERNMENT.  
13th December 1872.

"These were the conditions under which the Lieutenant-Governor undertook the working of the Scheme of Provincial Finance; and the determination of the course to be pursued was to him and his advisers, the subject of long and very anxious deliberation. It seemed to be generally understood that it would not be possible to supply the present deficiency which the arrangement threw upon Local Governments, and to ensure the means of meeting the legitimate demands of the future, without imposing some fresh Provincial Taxation apart from proper Local Taxation; and it is believed that Schemes of Provincial Taxation have been brought forward by every Local Government in India except Bengal.

"At first, the Lieutenant-Governor was inclined to share this view. He could not but feel that, if such measures were justifiable anywhere they were more so in our oldest and richest Province, in which by the Permanent Settlement of the land in 1793, a very great

Revenue, now levied elsewhere on present resources, had been surrendered to the landholders of the Country, and an enormous property in land had been created, which had no counterpart in other Provinces. He felt that if, whether from the limitation of the land revenue, or

Lower Bengal, with  
her permanent settle-  
ment ought to provide  
a large amount of local  
taxation, but, for the  
first year of the  
scheme of provincial  
funds, the Lieutenant-  
Governor thought it  
expedient to dispense  
with such taxation.

simply in consequence of the quieter character of the people and less exacting demands of the Local Government, the Imperial Funds assigned to Bengal were, in fact, small in proportion to the vastness of the Country and the population, on the other hand, the resources upon which new taxation might be imposed were greater. Looking to the great needs of so great a Country and of a people taught by education to demand the expensive appliances of modern self-government, it was, certainly, the Lieutenant-Governor's impression that Provincial Taxation must, sooner or later, be imposed, and, to his mind, the view presented itself that it was his duty to face that necessity, and at least to make a beginning of a progressive local income which might fructify in the hands of his successors, and meet progressive demands. On the other hand, he felt that the system of Local Taxation, which it was his most especial duty to inaugurate, was one requiring the greatest care and attention, and that, however carefully arranged, all such taxation does, in the first instance, create a feeling perhaps out of proportion to the burden actually imposed. It seemed to him therefore very desirable to avoid, if possible, the imposition of too many burdens at once. He trusts that he has sufficiently shown, by the course he has pursued, in various matters that he does not shrink before clamour or personal unpopularity, when he is doing that which he conceives it to be his public duty to do; and he hopes that whether he be right or wrong, the course which he has followed in avoiding Provincial Taxation will not be attributed to political cowardice. He is, still, not without the feeling that it is somewhat of an anomaly that, in so rich a Province, where the cost of administration is, at present, proportionably, much less than in poorer Provinces, the beginning of modern modes of taxation to meet civilized wants should not be made. But on the whole, after very much thought, he came to the conclusion that, for the first year, at any rate, it would be well to invite his Council to devote itself to the subject of Local Taxation properly so called; and that, as regards provincial expenditure, he might, for the present, try the effect of constant economy and thrift, and see if he could manage to pull through with the resources which he had.

"That, then, was the programme with which the Government commenced the financial year 1871-72. This course, determined on with anxiety and hesitation, has succeeded beyond the Lieutenant-Governor's most sanguine hopes. No extensive reductions of establishments have been made in any Department, for in the only Department in which some branches have been reduced additions have been made to other branches; really reasonable demands have not, it is hoped, been rejected; real necessities have been provided for; but a constant watchfulness has been maintained over little things, nothing has been spent, so far as the Government could help, without necessity, merely because it was the custom to spend it, excrescences have been retrenched wherever they came to light. The previous scale of efficiency in regard to public works has been maintained, but there has been no indulgence in the aesthetics of bricks and mortar except so far as completion of the already far advanced High Court rendered this necessary.

The provincial assign-  
ment has fully  
sufficed

"The result has been that, in most of the Civil Departments, there has been a considerable

Results of the system pursued during  
the year

of about £130,000 on a comparison of the Receipts and Expenditure of the year, that sum being a clear addition to ordinary balances in hand at the commencement of the year. Under these circumstances, the Lieutenant-Governor has felt that the grounds on which fresh Provincial Taxation might have been proposed have disappeared from under him; and at the close of the last session of his Council, he was able to announce that as regards Provincial Taxation, so far as his own personal opinion and the present time are concerned, he does not anticipate the necessity of asking the Council to consider any measures for imposing fresh burdens on the people, but will be content that the efforts of all should be devoted to elaborating and putting in execution the system of Local Self-taxation for local benefits which has so much occupied the Council and the Government, and in respect of which also the Lieutenant-Governor hopes that a sort of finality has, for the present, been reached.

"The system of Account is such that it was impossible to be quite sure of the result till the year was closed, and the financial year 1871-72 may be

Disposal of the surplus.

described as having been, for the most part, a year of economy. Now that the result has been to show so considerable a Surplus, the Lieutenant-

Governor has felt more at liberty to look to improvement as well as to economy, and has made a good many Grants in excess of the ordinary budget provision. In particular, he has made provision, in the Budget, for 1872-73, of £20,000 for the new Sub-divisional establishments already alluded to. And he has, since, thought himself at liberty to devote a very considerable sum towards the commencement of a system of popular education. He hopes that the provincial finance is now sufficiently easy to enable him to invite the submission by local and departmental officers of any plans by which great public improvements may be effected at a moderate cost.

CHAPTER XII.  
BENGAL GOVERNMENT,  
18th December 1872.

“ Before leaving this subject, the Lieutenant-Governor would ask to be allowed to submit his humble testimony to the wisdom and the practical efficiency of the System of Provincial Finance inaugurated by the Government of the late Earl Mayo. It seems to him that, for a beginning, it went quite far enough, and not too far; that it has most successfully supplied a motive to economy and method which has taken full effect, that it has immensely diminished the friction between the Supreme and Subordinate Governments to which the finance of the civil departments continually gave rise; and that it has enabled the Local Governments to mould and shape the departmental establishments and expenses with a view to their efficiency and their adaptation to local requirements, in a way which was impossible under the old system. The experiment has been, the Lieutenant-Governor ventures to say, a complete and unalloyed success.

The wisdom and the practical efficiency of the system of provincial finance have been manifest.

“ We next come to local Taxation proper, that is, the taxation of particular localities for the benefit of these localities.

Local taxation in Bengal.

“ It has been explained that, of such taxation, there was very little in Bengal, and that such Local Taxation as there was principally, took the shape of tolls. It seems to be the accepted Indian view, that while tolls on roads, however expensively made, and tolls on bridges are abhorrent to the people, they readily enough acquiesce in a toll amounting to a tax, on any river where there is no bridge, and where nothing has been done to facilitate the passage. Probably the rationale of this feeling is, that as a river cannot be avoided, and something must always be paid to a ferryman, it is difficult to distinguish between a very small charge as the legitimate cost of crossing and a charge somewhat larger, which combines a payment for work done and a tax. At any rate, there are many rivers in Bengal on which public ferries had been established; and there was a profit, from this source, of something near £60,000 per annum. About £9,000 per annum was derived from road tolls, and there was a considerable profit from the tolls charged on the Canals leading from Calcutta to the Eastern Districts of Bengal, and on the river channels kept open by artificial means. In the settlements of estates, which were not included in the Permanent Settlement, or had reverted to Government, effected in recent years, it had been the practice to levy, in addition to the revenue, a further sum of one per cent for roads; but this applies to but a small proportion of Bengal estates, and produces but a small sum, about £3,750 per annum. Altogether, after deducting expenses from a gross collection of about £130,000 per annum, the net proceed of tolls of various kinds, with this small Road Cess added, was, in all, on an average something approaching to £100,000 per annum. The above funds were devoted to the construction and maintenance of Local Roads and Bridges. The Tolls are not, by any means, equally collected all over the Country; public toll-paying ferries are almost universal in some Districts, and are very rare in others. But, since a regular Department of Public Works has ruled over these things in Bengal, the whole of the collections were centralized in one Fund, and, from that Fund, sums were annually assigned according to what were considered to be the needs of each District at the discretion of that Department. To the funds already mentioned were added certain sums—profits of jail manufactures and surplus proceeds of pounds—which the Local Governments had been permitted to appropriate to the purpose; and, altogether, the Government was able to distribute about £120,000 per annum to be spent on local works. This money was, however, very unequally distributed; some favoured Metropolitan and other Districts which collected very little, got a disproportionately large share of the assignments, while other remote and little-visited Districts got much less than they collected.

“ The only other Local Tax levied throughout the Country generally was an extremely light cess imposed on the zemindars in commutation of their liability under the old law to forward the District Posts.

“ This Cess amounts on an average to about £24,000 per annum.

“ When it is said that the above are the only Local Taxes generally levied, it should be explained that the statement refers to Cesses and Taxes levied for public purposes. It is, too, certainly, the case that very much larger Cesses are, habitually, levied by zemindars for their own benefit; and, in nothing, is the distinction between the benefits claimed under the Permanent Settlement and the way in which the obligations of that Settlement are set at naught, more striking than in this respect. The Regulations by which the Permanent Settlement was established, rigorously laid down that all payments due by the ryots to the landholders must be included in the one rent, and that no other Cesses or exactions of any kind were to be taken by the zemindars, on any pretext whatever. It is known that such Cesses are now, nevertheless, very generally levied under various forms, in great number, and, sometimes, to an excessive amount. The Lieutenant-Governor's attention was prominently called to the subject by the Magistrate-Collector of Balasore in Orissa, where the system is peculiarly inexcusable, because, in that province, there is not the ordinary Zemindaree Tenure of Bengal. There, all the old ryots have long

Illegal land cesses levied by zemindars

CHAPTER XII. leases from Government direct, and the zemindars are still, in respect of them, mere rent collectors, who have not the shadow of a right of any enhanced rent. Yet it was shown that they exacted eleven different kinds of annual Cess, besides seventeen descriptions of occasional Tax. Among the former were Cesses to recoup themselves for the postal payments; Cesses on account of the telegraph wire running through their estates (a pure imposition, as this costs them nothing); Cesses to reimburse them for Income Tax, and so on. There were presents exacted for the zemindaree underlings; presents, very compulsory in their nature, on every occasion of a zemindar's moving from home, or of a Magistrate's travelling through the estate, on account of fictitious expenses that were never incurred.

BENGAL GOVERN-  
MENT,  
18th December 1872.

"In Bengal the levy of Cesses may, or may not, be carried to such an excess as in comparatively primitive Orissa, but that the system does prevail there is no doubt. In Bengal Proper, however, the Lieutenant-Governor also feels this, that the Cesses, illegal though they be, do in practice to some extent take the place of the enhancement of rents to which, by litigation, the zemindar might, perhaps, establish a right, and there is little doubt that the people much prefer such Cesses to any alteration of their old-established rents. Where, then, there has not been any recent general enhancement, and the Cess System is not carried to very great excess, the Lieutenant-Governor is inclined to think that, while the people do not complain, it may be better not to embark on a crusade to put down such customary illegalities, and that we may, perhaps, trust to the gradual enlightenment of the lower orders to enable them so far to look after their own interests. In Orissa, where the exactions are so shameless and so little founded on any equity of any kind, it will probably be desirable to make more serious examples, when the inquiry which the Lieutenant-Governor directed is completed.

Illegal transit and  
market dues.

"There is another form of local collections which is much more unjustifiable. In the original Settlement certain items classed under the general name of sayer were included in the assets of the zemindars—dues levied on produce brought to market, tolls taken on boats passing along rivers, or on goods landed and shipped, and so on. But these practices having led to abuse, it was determined to abolish and prohibit them all, and to give compensation to the zemindars who had profited by them. A Regulation for this purpose was passed in 1797, and thenceforward all such collections were strictly prohibited. All dues on transit or purchase and sale were declared to be illegal, and forbidden under penalty of confiscation of the estates of those who contravened the law. It was specially enacted that no dues whatever were to be levied in markets, saving only regular monthly or annual rents for shops; and for the market dues, as well as for all other collections, full compensation was given. Yet it turns out that these enactments have been wholly set at defiance; dues on goods brought for sale are levied in almost every market in the country. One case has come to light near Calcutta, where the proprietor, to this day, draws from Government annual compensation for his abolished market dues, but has only moved the market to a short distance, and there levies the dues just the same. On various pretexts, dues are levied in many places from boats passing along rivers, and, wherever goods are loaded or unloaded, a zemindaree tax-gatherer appears. It has come to this, that, on the very main arterial roads made by Government, Private persons levy tolls on goods shipped or unshipped from or to the road; and an attempt was made to levy tolls on the goods brought to the railway wharf at Patna. A full inquiry into these practices is being made, and the whole subject will engage the attention of the Government. To the market question there are, as a matter of expediency, two sides; but the dues on goods in transit are an unmitigated evil when levied for private gain only. It may further be here mentioned that the ferries in private hands appear to be very little regulated, and probably have become, in many places, the means of levying a private tax."

Decentralization  
measure has proved a  
very great success.

18. The Lieutenant-Governor considers it to have been extremely fortunate that the Government of India, in December 1870, did not attempt to formulate very closely the rules within which the Local Governments might administer the Provincial Departments and the Provincial Assignment. It is partly owing to this absence of narrow restrictions, and partly to the consideration shown by the Supreme Government in all Provincial Finance matters, that the Scheme of December 1870 has, in Bengal at any rate, proved a very great success. There has, of course, been much less friction in the administration of the Provincial Government than before, the Local Government has had very much less occasion to trouble the Supreme Government with long references and reports; while the Supreme Government has been much less often put to the pain of having to negative measures, wise and desirable in themselves, merely on the ground of expense. The hands of the Local Government have been much strengthened, it has been enabled to localize much more than heretofore, the administration of the spending Departments of Public Works and Education. The Lieutenant-Governor fully believes that this localization of responsibility and power has been, and will be, productive of much economy and efficiency. He can say, for his part, that he now looks more narrowly into the necessity and usefulness of any proposed measure or expenditure than might, otherwise, have been the case. When he has sanctioned expenditure, he has been more particular than ever to see that no money was wasted, and that not a rupee was spent that could be saved. One chief means of effecting this last object has been by delegating more power and responsibility in these matters to Local Officers and to Local Bodies. He feels satisfied that small funds which have to be spent in dribbets all over the Country will be better and more economically spent if the responsibility rests with trustworthy Local Officers or Local Bodies. Almost every useful measure or reform must, at some



time or other, become a money question, in some shape or form; and when the Local Government has to obtain the sanction of the Supreme Government to every increase or redistribution of charge, it is, more or less, debarred from any measures which involve expenditure. It may, perhaps, be as well to trace, very briefly, the way in which the Decentralization System has affected the measures of the Local Government under each Head of Service.

CHAPTER XII.  
BENGAL GOVERNMENT,  
13th December 1872.

Taking the order in which the Services appear, we find that under—

*Jails* the Lieutenant-Governor has been able to push forward new jail buildings, to set in train a plan for completing jail accommodation to an extent that was not possible in former years. In so doing he has only carried out the policy which the Supreme Government long ago enjoined, but which financial exigencies had heretofore checked. He has also been able to forego a certain amount of manufacturing profit, so as to ensure really sharp, though often unremunerative, punishment on short-termed prisoners. He has incurred some outlay, and is about to incur much more, in separating prisoners of different classes from each other. All these measures cost money, and could hardly have been so rapidly sanctioned and carried out under the former system. Yet, notwithstanding all these measures, the jail expenditure is kept considerably below the budget estimate of the year 1870-71, or the last year before the Decentralization.

The *Registration Department* received, under the Orders of December 1870, about Rs 60,000 below its Receipts. But notwithstanding this, the Lieutenant-Governor has been able to extend the convenience of registration offices to fresh tracts of country.

17. Under the head of *Police* no considerable saving has been possible, because it turns out that when, under the pressure of the Government of India, a large reduction was shortly before effected, a good many necessary items were left unprovided for to be met from 'General Savings.' The chief police measures of the year have been unconnected with questions of expenditure. The Lieutenant-Governor's concern for the Provincial Finances has, however, led him to abstain from filling a certain number of police assistant superintendships, the abolition of which may perhaps be possible.

In the higher departments of General Education considerable savings have been effected, which will enable the Lieutenant-Governor to provide for the teaching of Science and Art, and perhaps to save something for General Education.

In the *Department of Public Works* economy has been practised so successfully as to lead to a large saving.

18. It was, perhaps, feared at one time that Local Governments would exercise their powers of raising and spending money too freely, and that the check upon expenditure would be less strict than when every proposal involving money was jealously watched by the Financial Department of the Government of India. So far as Bengal is concerned, the experience of the last eighteen months warrants the belief that the Local Government will check provincial expenditure, and examine all applications for Provincial Funds quite as closely as, and perhaps more successfully than, the Supreme Government could do. In Bengal, at any rate, the power of raising further Provincial funds by fresh taxation has not been abused, and has not been at all exercised. No proposal of the kind has been even brought forward. To meet the expenditure on primary education, the Lieutenant-Governor must rely principally on savings in other Departments. The only further funds available to aid the Road Funds of poor Districts, and contribute to other necessities over and above the Imperial Assignment for Provincial Services, are—

about Rs. 4,00,000 net tolls on provincial roads, canals, and rivers:  
" " 2,00,000 net profits on Jail Manufactures:  
" " 1,00,000 surplus receipts of Cattle Trespass Fines:

These sums are in round numbers all that the Provincial Government reserves for general purposes out of the receipts which were formerly distributed; so far as the Lieutenant-Governor can foresee, nearly the whole of this sum will be required, for some years to come, for grants in aid of District Road Committees in parts of the Country where there is no Road Cess, and where roads are much required.

19. If the Supreme Government should be pleased to consider that the Decentralization Arrangements have, so far at least, been successful, the Lieutenant-Governor would recommend that the same principle should be extended gradually to other Departments of the Government. He would begin with the Departments, or parts of Departments, which most nearly concern the Local Administration, and with the precise requirements of which the Supreme Government may be supposed to have least concern. He would suggest that—

- (1) Judicial, Revenue, and General Ministerial establishments,
- (2) Contingent expenditure of all kinds,
- (3) The Subordinate Executive Service,
- (4) The Subordinate Judicial Service,

be made Provincial Services in the same way as the Police and Educational establishments have been made Provincial. The provision against the creation of any new appointment on a salary exceeding Rs. 250 a month, and against increasing any such salary, and the general restriction in the Orders of December 1870, would probably suffice to keep the Local Governments from exercising new powers of this kind unduly. The advantages of making these services over to the Provincial Governments are, that the charge on the General Revenues in respect of such establishments is, to a great degree, stereotyped; that the Local Governments understand that, if they have new needs, they must find the money themselves by savings in other quarters; that, in after years, if the value of money should fall still further, and Local Governments should absolutely require further means, they will have to raise such funds after

Decentralization measure should be extended gradually to other departments of the Government.

## CHAPTER XII.

BENGAL GOVERNMENT,  
18th December 1872.

their own fashion ; and that the Government of India will not be obliged to invent different forms of taxation for each Province, or, what might be worse, to impose new general taxes on the whole of India. No doubt these concessions to the Local Governments would give them increased power and scope ; but they, in their turn, would have to concede increased responsibility and power to the Local Bodies through whom any departments or any branches of public business might be administered.

20 In illustration of the way in which further extension of the Decentralization Principle might diminish friction and improve the administration, I am to adduce what has recently occurred in the Burdwan division. From the year 1865 to 1872 there has been much discussion about the revision of jurisdictions in the Burdwan division ; from time to time various high judicial authorities have said that there were more moonsiffs' courts than were required. In 1868 one experienced High Court Judge specially reported that three moonsiffes might be abolished ; and he added that funds might thus be made available for a Sub-divisional Magistrate's court, which was greatly wanted in that part of the Country. Now, in 1872-73 the moonsiffes in that quarter are being reduced, but this Government has not yet reported on these reductions, because it is not certain how far exactly the reductions can be usefully carried, and it fears that, if reductions were once made and reported, there would be difficulty in ever getting any of the money so saved granted for establishments in other parts of the Country where they are much wanted. At the same time, the Lieutenant-Governor has proposed to create a new Sub-division in that part of the Burdwan Division ; but the Supreme Government, on being asked to sanction the establishment for this Sub-Division, requires information as to reasons for the new Sub-Division. The Government of India must, while it is fully responsible in such affairs, satisfy itself fully on all propositions of this kind ; but His Excellency the Viceroy in Council may perhaps be of opinion that, in such matters, the full responsibility should be laid upon the Local Government. If all these establishments had been provincial, the supernumerary moonsiffes would have been reduced, moonsiffes then would have been established in other places where they are wanted, and the Sub-divisional Magistracy would have been strengthened as soon as the High Court had satisfied this Government that the redistribution of offices was reasonable and desirable. In such a matter, the Supreme Government might well be relieved of responsibility.

No department of the revenues or receipts has been made over to the Local Government.

21. Hitherto the responsibility of Local Governments, under the Orders of December 1870, has been confined to expenditure ; no department of the Revenues or Receipts has been decentralized in the sense of being made over to the Local Governments to administer, to improve, or to reduce. The Local Governments have indeed managed the Registration, Police, Jail, Educational, and Medical Receipts ; and, in Bengal, there has been no raising of the rates of school fees, or of registration fees, and there has been no attempt to make municipalities pay more for their police than before. So far as the experience of eighteen months in Bengal goes, the Local Government has not attempted to increase its provincial receipts in these ways ; indeed, it has striven to reduce school fees. So far as the short experience already gained goes, it might be expected that Local Governments would not enhance the taxation made over to it merely to increase their revenue. On the other hand, the Lieutenant-Governor believes that the Local Governments can and would adapt their taxation more to the circumstances of each Province. In Municipal Taxation this is already done : for instance, in Amritsur and Lahore, a riot would be produced by an attempt to levy direct town taxes after the fashion of Howrah or Dacca ; while the Octroi, in which Sikhs acquiesce so readily, is said to be repugnant to the people of straggling Bengal towns like Hooghly or Moorsshedabad. So with the Stamp Revenue again ; the only hope for fair and peaceful indigo cultivation in Behar and Bengal, such as shall benefit both Ryot and Factory, is that all their agreements and engagements shall be properly engrossed with all due formalities. Yet, as the law at present stands, a ryot under engagement to sow indigo must pay eight rupees Stamp Fee before he can get a formal quitance. The Stamp Fee on quitances was perhaps fixed with a view to other circumstances ; but if the Local Government had possessed power to act in such a case, the fee on indigo contract quitances would have been at once reduced. Or, to take the Income Tax, there is the same law for the whole of India, and so the Bombay ryot, who clears Rs. 500 from his land after paying Government Rs. 7 an acre land revenue, has to pay the same rate of Income Tax on his farming profits as the Gowalparah Zemindars in Bengal, who collect an enormous rental, pay Rs. 10,000 in land revenue, and receive from Government Rs. 10,500 as compensation for the abolition of Sayer Duties.

The Income Tax might with great advantage be made over to Local Governments with a percentage of all revenues, except Opium.

22. The Lieutenant-Governor has already intimated that he thinks the whole or great part of the Income Tax might, with great advantage, be made over to the Local Governments. 23. He is not prepared to recommend the immediate transfer of any other great Head of Revenue ; but he would suggest that a percentage on all Revenue except Opium might be allowed, so as to enable the Local Government to meet the cost of the subordinate establishments which he has proposed to make over. The Local Government, thus receiving a sort of commission, would have a direct interest in the various Branches of the Revenue. The Lieutenant-Governor would, certainly, recommend the transfer of the Stamp Revenue if he were not deterred by the feeling that some of the Stamp Charges are at present too high ; moreover, the Stamp Revenue may include a great many different things, so that the nature of the Stamp Revenue made over would have to be exactly defined.

24. If it be considered desirable to make over to Provincial Governments any Heads of Revenue, the Lieutenant-Governor would not recommend that any particular items of Revenue should be allocated against any corresponding Head of Charge. He would not suggest, for

instance, that Stamp Revenue be set against the cost of Law Courts; such allocations must act unfairly in some Provinces, and they might be too liberal to others. He would have the Government of India say to a Province—Bengal, for instance—"Your Provincial Assignment has, heretofore, been 123 lakhs, and you are now to have further Provincial Services to the amount of 150 lakhs made over to you, so that your Provincial Charges will be 273 lakhs in all. We wish to put you on an easier footing, and we will make over half the Income Tax as a free gift. For the rest you shall have Stamp Revenue yielding 25 lakhs and 12 per cent. on your other Receipts (except Opium) yielding 125 lakhs, you must now make both ends meet as best you can."

25. There is one other matter of detail in the working of the Decentralization Arrangements with which the Lieutenant-Governor is not perfectly satisfied, and that is the conduct and preparation of the Financial Accounts—a matter of very great importance. The Supreme Government was pleased, in the Resolution of December 1870, to rule that the Provincial Accounts should be kept by the Regular Officers of the Account Department without extra expense to the Provincial Governments. In Bengal, however, the Accountant General has asked for, and the Lieutenant-Governor has been obliged to grant, provincial money to help in keeping the Provincial Accounts, and has never been able to get them in the forms he asked for. But it would be much more convenient if a competent officer could be appointed to manage the accounts of the Provincial Services under the Local Government. At present the Account part of the Scheme is the cause of great difficulty and hindrance.

26 I am to sum up what has been submitted in this letter thus—

- (1) The Decentralization Arrangements have been a great success in that they have tended to ensure economy and to localize administration, expenditure, and responsibility, while they have not increased the public burdens in Bengal.
2. The first year of the Provincial Finance in Bengal has ended with a considerable Surplus, which cannot be expected to recur in future years.
- (3) Decentralization might, with advantage, be extended to certain other Heads of Expenditure, namely—
  - (a) Ministerial, Revenue, Judicial, and General Establishments,
  - (b) Contingent expenditure of Ministerial, Revenue, Judicial, and General establishments,
  - (c) Subordinate Executive Service,
  - (d) Subordinate Judicial Service,
 and also to certain Heads of Revenue, such as—
  - (a) Income Tax,
  - (b) Stamps and Court Fees,
  - (c) A percentage on other Revenues.
- (4) There should be a separate Account Office to keep the Provincial Accounts.

NORTH-WESTERN PROVINCES.

In my letters marginally noted, the Lieutenant-Governor's views were conveyed regarding the working of the Resolution of 14th December 1870, No. 3384, in its financial and administrative aspect, as far as it had been in operation up to the time of writing; and some minor changes of detail were suggested. I am now, in continuation of those letters, to submit some further suggestions regarding the probable future working of the Resolution, and the manner in which His Honour would be glad to see the scope of the Measure enlarged.

2 It is the opinion of Sir William Muir that all the Services provincially administered might advantageously be treated upon the same principle: that is, all the Civil Services, excepting those centralized as Imperial Departments (the Postal, Telegraph, Customs, Salt and Opium Departments); and that a corresponding Assignment should be made for carrying them on.

3 His Honour has, already, repeatedly, advocated the transfer of the Excise Department; and he is aware of no possible objection to treating the revenue and judicial establishments, in short, all the other civil establishments, on precisely the same plan. It is admitted that the conferment of provincial control has promoted both efficiency and economy in the branches to which it already extends; and by giving the Local Authorities a domestic interest in retrenchment and economy, has tended to foster thrift and check extravagance. Precisely the same advantages may be looked for in the other Branches of the Service.

4 To meet the expenditure thus devolved on the Local Government, an income commensurate with its new responsibilities must be made over to it. This might either be (1) a sum fixed at the amount of this fresh liability, or (2) a share of the Revenues of some or all of the Departments.

5. The first plan would not, of itself, provide that healthy endeavour to improve the Revenues which a domestic or provincial share and interest in their growth must stimulate. This object might, however, be attained by a condition that when the Provincial Revenue exceeded a certain sum, which might now be named as its present normal Revenue, a share in the excess, say a half, a fourth, an eighth, a tenth, &c, according as the requirements of the Empire might admit, would be added to the Provincial Income.

CHAPTER XII.

BENGAL GOVERNMENT.  
13th December 1872.

In making over revenue a particular revenue should not be told off for meeting expenditure under a particular grant.

A separate Accounting Officer for the accounts of Provincial Funds is desirable.

GOVERNMENT OF THE NORTH WESTERN PROVINCES,  
25th December 1872.

The decentralization measure has worked so well, that all the services provincially administered might advantageously be treated on the same principle; or, rather, on that principle so far modified that, 1st, a share in some or all of the revenues, sufficient to cover the cost of the additional departments transferred, might be made over to the local Governments, or 2nd, a fixed allotment may be transferred with the services, besides a share in the growth of provincial revenues over a normal amount of such revenue. The first of these plans might cause financial failure of the Local Government in a year of famine; the second plan is accordingly preferred.

CHAPTER XII.  
GOVERNMENT OF THE  
NORTH WESTERN  
PROVINCES,  
25th December 1872.

6 It is evident that the *second* plan above-mentioned, namely, the Assignment of a share in some or all of the Revenues, so fixed as to cover the cost of the Services now to be transferred, would meet the same object, that is, would give the Local Government a domestic interest in the improvement of the Revenue, as well as in thrifty administration.

7. In making any arrangement of the kind contemplated, the character and present condition of each branch of the Provincial Revenues would need to be well considered; some of these being more susceptible (as the Excise) of improvement from local effort than others; some (as the Stamp department) resting mainly on Imperial Legislation; some, perhaps, abnormally depressed, others having the prospect of extraordinary enhancement, as in backward Provinces now being opened up by Canal or Railway.

8 As regards the North-Western Provinces, the Lieutenant-Governor sees no reason why the existing income in all Departments (excepting Land Revenue) should not be treated as the Normal Income. A year or two ago, the Excise income, indeed, had (partly from drought, partly from an unsuccessful experiment) fallen considerably, and His Honour is free to admit that, had his proposal to treat it provincially been then adopted, these Provinces would have unduly benefited by its subsequent improvement; it has now, however, regained its ordinary level. But the Land Revenue will considerably improve; it is, as His Excellency in Council is aware, in process of revision; more than a half of the expected increase has already been assessed; but there will still be a considerable enhancement in the Districts remaining. In some Provinces still backward and assessed low (as the Central Provinces), there is, of course, vastly greater room for expansion; while in others, as Bengal and the permanently-assessed portions of these Provinces, there is no prospect at all of increase. This consideration is against the proposal for making the Provincial assignment in the shape of a share of the Revenue.

9. Another proposal has been put forward of transferring the Revenues of the various departments with their respective charges as they stand, the present Surplus going to the Imperial Treasury in all time to come, for the Home and Indian charges of the Central Government.

REVENUES		CHARGES.	
Estimated for 1872-73.		Estimated for 1872-73.	
	Rs.		Rs.
Land Revenue ...	4,15,56,000	Land Revenue ...	44,50,000
Excise ...	20,50,000	Excise ...	1,15,000
Assessed Taxes ...	8,50,000	Assessed Taxes ...	15,000
Stamps ...	80,75,000	Stamps ...	85,000
Law and Justice ...	8,68,000	Administration ...	11,85,000
Miscellaneous ...	8,50,000	Minor Departments ...	1,45,000
		Law and Justice ...	32,82,000
		Ecclesiastical ...	1,90,000
		Medical ...	2,68,000
		Miscellaneous ...	39,000
	4,87,59,000		97,75,000

Under this system, as in the margin, the Receipts transferred would be £4,875,900, the Charges £9,77,500; the Surplus £3,898,400; that is to

say, the subsisting condition would be stereotyped as between the Local and Imperial Governments, and the former would profit by all future improvement in the Revenue.

10. The objection to this is that it would be unfair to the Imperial Government, which would be shut out from its share in the improved Revenue. The expenses of the Central Government must in the course of time, to some degree be enhanced by the increasing prosperity of the Country and activity of the Local Governments; its expenditure may also be affected by fall in the value of money and rise in prices, causes which would affect all Imperial Establishments, including the Army, which must remain an Imperial Charge with all its ancillary departments, as the Commissariat, Army Works, &c. No system could be approved which did not make provision for growth in the cost of these.

11. Another objection is that local failure would make the Local Government bankrupt. A Famine, which should render necessary a suspension of 30 or 40 lakhs, would cut away the provision for the salaries of half the establishments in the North-Western Provinces. The vastness of the Empire forms, as it were, an insurance against these local calamities; and so it can afford to keep up the Local Assignments, in the face of such partial failures as would utterly disorganize a Province left, for the time, to its own resources.

12. On all these grounds, the Lieutenant-Governor is disposed to recommend the first proposal (paragraph 5), namely, that, with the transfer of the remaining Civil Departments, a fixed and permanent provision should be made to defray their charges, with this condition that each Province should benefit from time to time in the growth of its revenues, by receiving a share of the increase such as the condition of the Imperial Balance-sheet might admit. Under this system, the appropriations for the payment of provincial establishments would be secure against failure, and there would also be the highest inducements of provincial interest to economy in expenditure, as well as improvement of the revenue.

The defect of the Decentralization Scheme is that it is inelastic. The foregoing enlargement of it would correct this.

13. The proposed system would remove what has been noticed as a defect of the Decentralization Scheme of December 1870, namely, that it is inelastic, and holds out no prospect of a Province profiting by the improvement in its revenue so as to have correspondingly improving resources to meet the increasing demands created by increasing prosperity. This want

"The Government has reached, or almost reached, the end of its means. Provincial revenues are inelastic. The Decentralization Scheme has no doubt tended to make the funds at the disposal of the Local Government more effective by placing them more immediately under control and making them available for this purpose or that, but it has also restricted those funds to one fixed amount, and has practically declared that whatever may be the increase in imperial revenue, or the prosperity of the Imperial Finances, the Educational Department, that which confers the highest moral and social good on the country, is to hope for no enlargement of its means from that source."

been noticed as a defect of the Decentralization Scheme of December 1870, namely, that it is inelastic, and holds out no prospect of a Province profiting by the improvement in its revenue so as to have correspondingly improving resources to meet the increasing demands created by increasing prosperity. This want

may be illustrated by the marginal quotation from the Educational Review, of 1871; and similar remarks apply to such branches as Public Works, Exhibitions of manufactures and products, Schools of Art, Medical Colleges, &c., for all of which it would be encouraging to have the prospect of an increasing margin.

14. Another grave defect in the existing system would also be eliminated,—the antagonism inherent in it between Imperial and Provincial interests. So long as the Receipts arising from certain Branches administered by the Local Government are credited to the Imperial Account, and others to the Provincial, there must be an insensible bias in favour of the latter; and, so long as the charges appertaining to certain branches are debited against the Imperial Account, and of certain others against the Provincial Account, the same insensible bias will exist to ease the latter at the expense of the former. An antagonism, of which already there have not been wanting symptoms, will, slowly but surely, grow up between the two Classes of Receipts and Charges. The proposed system will sweep all this way; there will no longer be any Provincial Revenues or Charges, as distinct from those of Imperial Departments administered by the Local Government, and the rivalry will cease.

15. The revenue and charges from Canals would, naturally, fall under the same treatment; and it would, presumably, be necessary to make the several Governments responsible for the interest of the borrowed capital out of which any of these have been constructed. Such a Scheme has already been suggested in my letter No. 11 of 2nd February, Revenue Department, addressed to the Legislative Secretary, on the subject of the Canal Bill.

16. The Salt, Customs and Opium Departments, though administered by Local Governments, would, necessarily, be exceptions from the rule. The Salt revenue is essentially Imperial: the receipts have no local character. they sway backwards and forwards from one channel to another, with the changes of trade; and the efficient protection of every mile of the entire Line is essential to the safety of the revenue in any part. Thus, a District, which receives little or none of the Salt Revenue, may yet be as much entitled to credit from it as another which brings in many lakhs.

17. Similar considerations apply to Customs and Opium.

18. The Forest branch hardly comes within the same category, though its establishments have, unfortunately, been cast in one Service for the whole of India. These might again be made Provincial, and the Revenues and Charges placed at the discretion and responsibility of the Local Governments. The receipts, however, at present, fluctuate greatly with the demand of the State Railways for sleepers.

19. The Lieutenant-Governor has frequently urged that the large financial responsibilities devolved by the new system on the Head of a Local Government should be met by the appointment of responsible councillors. It is evident that the need will be much more felt if the system be largely extended; and His Honour would again solicit the attention of His Excellency in Council to the subject.

CHAPTER XII.

GOVERNMENT OF NORTH-WESTERN PROVINCES.

25th December 1872

If the scheme be thus extended, the Local Government must be provided with responsible councillors.

\* I am directed to acknowledge the receipt of your No. 2822, dated 18th December 1871, asking for an expression of the opinion of this Government as to the working of the scheme contained in the Resolution of 14th December 1870

GOVERNMENT, NORTH-WESTERN PROVINCES, 11th May 1872.

2. The effect of the change then introduced may be regarded in a two-fold light: first financial, second, administrative.

3. As regards the financial effects of the change, I am to refer you to the Budget Statement of Provincial Revenue and Charges for 1872-73, and to the Resolution of this Government, No 486A, dated 29th March 1872, which accompanied it, both of which were published in the *North-Western Provinces Gazette* for 30th March 1872. The Statement in paragraph 81 of that Resolution compares the Charges of 1870-71 with the Estimates of 1872-73 for each Department transferred, and it will be seen that the variations are not considerable except in the case of the Public Works Department. There, the expenditure, though kept as low as His Honour deems to be consistent with due regard to the needs of the great and increasing traffic of the Province, exceeds the Permanent Grant, fixed in reference to the Budget of 1870-71, by more than 8 lakhs. The total excess of the Estimate over the figures of 1870-71 (the standard of the Permanent Assignment) is £84,179, which, added to the Deficit in the Allotment made, £48,030, brings out a total of £132,209 as the amount which the Province has had to provide out of Local Taxation, towards carrying on the Departments transferred from the Imperial Exchequer.

4. As is already known to His Excellency's Government, has been done by the imposition of new Taxes except the Acreage Tax in the Benares Province, which is expected, this year, to produce about £40,000. The remainder, or a little above £92,000, has been mainly provided out of the "Local Cess"—a rate which, though made authoritative by Act XVIII, 1871, was already in process of imposition by the Settlement Officers, and is not a tax specially invented to meet the financial difficulty. The proceeds of this tax were intended chiefly for purposes of Village Police, Education, and Roads; a margin was indeed to be reserved for Sanitation and General improvements, but it was originally intended to be of, comparatively, small amount. Instead of this margin the lump saving of 9 lakhs, which has been obtained from it, has been diverted from those purposes, mainly by lowering the pay and establishments of Village Police, and by putting off contemplated measures of Sanitation and Local Improvement.

The acreage tax in the Benares Province is the only new tax. The remaining increase from enhanced cesses, though made authoritative by, Act XVIII of 1871, was already in process of imposition by settlement officers.

5. I am to add that as soon as the Actual Receipts and Expenditure of the year 1871-72 are known, the figures will be published and reviewed.

## CHAPTER XII.

GOVERNMENT OF  
NORTH-WESTERN  
PROVINCES,  
25th December 1872.

6. Turning now to the administrative effect of the Scheme, I am to say that it has, on the whole, fulfilled the expectations which His Honour the Lieutenant-Governor conceived, and with which he hailed the introduction of the Measure. It has strengthened the hands of this Government and enabled it to carry out many minor measures of departmental reform. It has given it a direct and vivid interest in the attempt to combine economy with efficiency. The greater facility of moulding establishments and other expenses to the varying circumstances of the day, by giving, in one direction, and taking in another, has certainly tended to promote the power of the Administration, and diminish the expense of working it. And it has in some cases conduced to a saving, by the power it conveyed to carry out reforms at once, without the generally long protracted delays entailed by a reference to the Supreme Government.

7. During the year 1871-72, almost every one of the transferred Departments has been thoroughly and minutely overhauled and examined. The Jail Establishment, the Registration Department and some branches of the Educational Department, have been entirely revised and re-organized, upon a more effective and vigorous plan of action. In the Vaccination, Dispensaries, and Printing Departments, considerable reforms have been carried out. Lastly, the Public Works Department has been entirely recast, and a new system organized, which is in accordance with the altered administrative arrangements of the day.

8. There remains, indeed, much still to be done; doubtful questions to be decided; and reforms to be carried out; but His Honour cannot regard without real satisfaction the measure of progress which has been made during the past year.

9. I am to mention that the Acts on which the working of some Departments rests were passed before the Decentralization Measure took effect, and are not consonant with the changed order of things. The Jail Act for instance (XXVI of 1870, Section 9) lays down that no change in the salaries of the subordinate establishment can be made without the sanction of the Governor General. The Registration Act (VIII of 1871, Section 14) prescribes a similar rule respecting the remuneration of the Registering Officers. These are restrictions which are inconsistent with the direct authority conferred on the Local Government over these Departments, and I am to suggest that steps may be taken to remove them.

10. I am also to submit that the conditions particularized in paragraph 21 of the Resolution of December 1870, unnecessarily hamper the independent action of the Government. His Honour would refer especially to Rules 1 and 2 as imposing a restriction which is hardly necessary and is often inconvenient. It seems unreasonable that the Lieutenant-Governor should be able to sanction the building of the Allahabad College, and to endow it with scholarships and professorships, but should be unable, without the sanction of the Supreme Government, to appoint any of the officials on the establishment. His Honour would submit that checks of this kind are not needed, since the financial interest of each Government is a sufficient guarantee for economy, and, if not needed, they are certainly injurious.

11. While urging that greater freedom should be given to the Local Government, I am, at the same time, to say that Sir W. Muir remains of the opinion urged in my despatch, dated 27th January 1871, and also in his place in the Legislative Council on 6th April 1872, that the Lieutenant-Governor should be assisted by Financial Council. It is not right that so great a personal responsibility in respect of the allotment of funds should be put solely and individually on the Lieutenant-Governor without the means of securing advice from independent and responsible Councillors.

12. I am also to say that, while the Lieutenant-Governor cheerfully acknowledges the ready aid and advice always readily given by the Accountant General, His Honour is not satisfied that the arrangement is such as to secure invariably the punctual rendering of the provincial accounts. On this point a separate communication is under preparation, in which the difficulties of the case, and the Lieutenant-Governor's views, will be more fully expounded.

## PUNJAB.

\* \* \* \* \*

PUNJAB GOVERNMENT,  
4th November 1872.

12. With reference to the feeling of the Agriculturists as to those Cesses which are realized by a percentage on the land revenue, such as the Road Cess, Educational Cess, and the District Dāk Cess, the Lieutenant-Governor is altogether of opinion that there is no feeling against them, on the part of the people. They have, from custom, come to be considered legitimate adjuncts of the land revenue demand, and are paid without objection. The direct assessment in the Punjab has always been fixed low, leaving such a margin that these Cesses on the land can be paid without hardship.

13. Against the imposition of the new Local Rates Cess, it was to be expected that many complaints would be urged; these, however, have been far fewer than the Lieutenant-Governor anticipated: under the Decentralization Resolution of the Government of India, and considering the necessity of raising additional funds for local improvements, the imposition of the Local Cess was inevitable; but the Lieutenant-Governor himself, during his last cold-weather tour in the Southern Districts of the Province, made inquiries in numerous villages inhabited by peasants who were in no way careful to conceal their real opinions or to hide real or fancied grievances, and the objections to the new Cess which he then heard, every encouragement being given for their free expression, were not numerous; nor does His Honour believe that this tax is considered generally as a breach of faith on the part of the Government, as being an enhancement of the land revenue during the term of the settlement. Too much credit is

given by some officers to the complaints of agriculturists, who are ever ready to persuade any officer who is not careful to consider the real merits of their grievances that they are in bad circumstances, and unable to pay the Government demand.

14. Whatever may be the opinion of the people as to the Cess, the officers whose opinions are recorded, are almost unanimous that there is no other manner in which the same amount of money could have been raised in a less unpopular form, the money being urgently required for District and Provincial works of importance. This appears to His Honour a complete justification of the Cess, and he is not without hope that the expenditure of the proceeds, exclusively within the contributing District, may, in the end, go far towards reconciling the payers to its imposition.

15. The last question to which selected Officers were requested to return answers was of a more general nature, and enquired whether, besides Taxes which had been specially mentioned, there were any others—Imperial, Provincial, Municipal, or Local—which were known from actual experience to create special discontent and dishke; and, in answer to this question, only the water-advantage revenue from canal-irrigated land and the new system of collecting grazing dues of Government waste lands, were mentioned. With reference to the first, the Lieutenant-Governor is decidedly of opinion that great improvement may be introduced into the manner of collecting the water-rates on canal-irrigated lands, and this is now under his consideration; but he is not disposed to admit that the incidence of the water-advantage rate is inequitable. On the contrary, and specially in those lands which, without canal irrigation, would not be capable of cultivation at all, he believes that a very much larger share of the increase due to expenditure on the part of the Government might, equitably, be demanded from the people.

As to the change in the system from the enumeration of cattle in waste lands, to the farming to contractors, plots of such land, there is little doubt but that the pastoral tribes chiefly affected by the change are opposed to it; this, however, was inevitable, and the fact is simply that a large amount of Government revenue was formerly sacrificed, owing to the inefficient and extravagant management of Government waste which has now been placed under systematic control, with the result of a largely enhanced revenue.

I am directed to reply to your letter No 2019, dated 17th August, requesting that a complete Abstract of the Accounts of the Provincial and Local Receipts and Expenditure in the Punjab in 1872-73 may be submitted as soon as possible.

2. A complete Abstract is accordingly herewith submitted for the year 1871-72, it being assumed that 1872-73 in your letter is a misprint, no complete Accounts for that year being available.

3 His Excellency in Council further desired to be favoured with the matured opinion of the Lieutenant-Governor on the general operation of the System of Fixed Allotments of Imperial Revenue for Provincial Services introduced by the Resolution No. 3334, dated 14th December 1870, together with any suggestions which His Honour might wish to offer, as to any modification or extension of the system.

4. On the 20th of March last, in reply to a question from the Government of India, I conveyed by telegraph the opinion of the Lieutenant-Governor that, although too short a time had then elapsed to allow a decided opinion to be given, His Honour believed that there was nothing to show that the System was working other than satisfactorily.

5. The Accounts for 1871-72 having been now closed, there are available more reliable data upon which to pronounce an opinion.

6. The general results of that financial year were summarized in Resolution of the Punjab Government, No. 719, dated 18th June 1872, a copy of which is herewith forwarded for convenience of reference.

7. In this Resolution each Head of Income and Expenditure was separately treated, and the reasons for any considerable increase or diminution on either side of the Account recorded.

8 The figures of that Resolution differ somewhat from the Abstract of Receipts and Expenditure which is herewith forwarded, and which is compiled from the Accountant General's final Accounts received later.

9. The differences from the results anticipated in the Resolution are, however, trifling, with the exception of Public Works Expenditure, in which there is somewhat over a lakh of increase.

10. This increase is satisfactory, for the low estimate of the Resolution was only based on the fear that it would not be practicable to expend the Allotment to the Public Works Department for 1871-72 owing to inadequacy of establishments and non-collection of material.

11. The Lieutenant-Governor is of opinion, after a careful review of the operations of the past financial year, that the System inaugurated by the Government of India Resolution No. 3334 has worked, on the whole, successfully.

The decentralization system has worked successfully

12. The large Surplus of Income over Expenditure during the past year, amounting to 10½ lakhs, does not show that the Government of the Punjab has more funds at its disposal than it has works on which to expend them, but only that, in the first year of working the new arrangements, it was impossible to raise suddenly the working staff to a scale proportionate to the requirements.

13. The one point in the Decentralization Scheme sanctioned by the Government of India which the Lieutenant-Governor considers may be modified with the utmost advantage is that which makes the Allotments from Imperial Revenues for Provincial Services fixed, instead of fluctuating with the increase or decrease of Provincial requirements.

The fixed character of the Provincial allotment is a blot in the scheme which would be removed by

## CHAPTER XII.

PUNJAB GOVERNMENT,  
3rd December 1872.

granting to each Local Government a percentage of the general revenue of the Province.

14. The arguments which have justified the grant of Fixed Allotments have never commended themselves to His Honour's judgment; and, although the Government of India have prevented the Punjab Government from being crippled in its action by Special Legislation authorizing the imposition of a Local Cess which has proved, for the first year, amply sufficient to meet the wants of the Administration, yet he still is compelled to consider the system of Fixed Assignments as unnecessarily rigid.

15. The Lieutenant-Governor is strongly of opinion that the Grant from Imperial Revenues for each Head of Provincial Services which His Excellency the Governor General in Council has been pleased to make over to the control of Local Governments and Administrations should be modified, each year, in proportion to the increase or decrease which the statistics of the year show to be reasonable and necessary.

16. In the great majority of the Departments which have been made over to Local Governments the expenditure is for the most part compulsory. The necessary cost of Jails, Registration, Police, Education, and Medical Services is susceptible of but very small diminution, even under the most economical administration, while the claims to increased expenditure are becoming, each year, more strongly urged and more difficult to resist.

17. It would be easy to show the manner in which the Departments named in the last paragraph must be expected to develop, especially in a Province which has been under British administration for, comparatively, but a short time; but His Honour does not believe that this is necessary. The argument drawn from the increasing wants of the Province has been already placed before the Government of India, and the decentralization of certain departments seems to have been carried out, in part, with the object of imposing a limit to expenditure which, however advantageous, was growing far more rapidly than the Imperial Revenue; and the increase of which could not be met from that source any longer.

18. His Honour the Lieutenant-Governor would point out that the Grant to the Local Government of a percentage on the General Revenue of the Province would seem to limit the demand on the Imperial Treasury for Services now made Provincial in as complete a manner as the Grant of Fixed Assignments. The Government of India would know, as exactly as at present, the demands made upon them; and these would not increase in any greater ratio than the General Revenues of the Country. No greater temptation to extravagance would be created; indeed, His Honour believes that allowing to Local Governments a percentage on the General Revenue would be a strong inducement to economical administration, and would encourage the development of all existing sources of Income.

---

 OUDH.

CHIEF COMMISSIONER,  
10th December 1872.

I am now directed to submit the statements and opinions called for in your letter No. 2017, dated 17th August 1872.

2. The Officiating Chief Commissioner has already recorded his opinion with respect to the Income Tax in his communication to the Department of Agriculture, Revenue and Commerce, No. 3983,\* dated 19th November last.

For the reasons therein assigned, he is of opinion that the land should be relieved from this burden. And, although he sees no objection to the Tax being maintained at its present incidence on the other Classes of the Community, he thinks it is, in principle, unsuited for the purposes of this Empire, because it can neither be imposed nor enhanced without causing a vast amount of public crime in the shape of lying, perjury, and forgery.

The great majority of the land owners regard the enhancement of cesses under Act XVII of 1871 as a direct breach of faith.

3. It is true that fifteen talookdars yielded a reluctant assent to the imposition of the tax raised under the Oudh Local Rates Act,—Act XVII of 1871,—and that they expressed a hope that the remainder of their Body whom there was not time to consult would do so also. But the Officiating Chief Commissioner believes that hope has not been realised, and that the great majority of the land-owners who had been given to understand that the demand of the State had been fixed, once for all, at 5 1/4 per cent. on their gross rental, regard this additional demand, which is levied with, and in all respects in the same manner as, the Land Revenue, as a direct breach of faith.

CHIEF COMMISSIONER,  
January 1873.

In forwarding to you copy of a telegram this day despatched to your address in reply to yours of the 20th instant, I am directed by the Officiating Chief Commissioner to state that of the Abstracts for 1871-72, called for in Financial Department No. 2019 of the 17th August last, that referring to Provincial Accounts has already been submitted with this office No. 5305 of the 17th December.

2. The Accounts connected with the Local Receipts and Expenditure, as already reported in the above letter, have not, as yet, been received from the Accountant General, North-Western Provinces, but that officer has again been addressed by telegram to submit the same direct to you.

The decentralization scheme has generally worked well.

3. I am to add that, under the circumstances, all the Officiating Chief Commissioner can say is that, in his opinion, the Decentralization System has, generally, worked well, and, if the provisions of the Resolution No. 3334, dated 10th December 1870, be strictly observed on all sides, he thinks it would be premature to modify or extend it at present.



CENTRAL PROVINCES.

CHAPTER XII.

CHIEF COMMISSIONER,  
BOMBAY,  
27th November 1872

\* \* \* \* \*  
6 Mr. Jones aptly introduces the subject with a few remarks on the cause of the uneasiness and perturbation that have, of late years, possessed the people, and he traces this to an abandonment of ancient traditions and to an unwise imitation of English financial and other institutions. He quotes Lord Salisbury's condemnation of the Budget Speech with the excitement it annually produces; and there can be no question that the Financial Member's Annual Statement is anxiously looked forward to by numerous classes of Natives as well as Europeans, and is widely commented on in the Vernacular as well as in the English Press. The Chief Commissioner must range himself on the side of those who think that the fictitious importance which has, of late years, been attached to the Exposition of the financial condition of the Country, and to the announcement of the sums which Government proposes to raise, by taxation, during the ensuing year, has been productive of evil. The Natives of the Country are opposed to change, their customs come down from time immemorial, they are content to go on as their fathers did, to pay the taxes always paid by the class to which they belong, but they regard a new tax with apprehension, and of Foreign Rulers they are naturally suspicious. Why, then, should we make them fearful of a yearly change, keep them in a continual state of excitement lest a new year should bring forth a new tax, and mistake their feverish excitement for healthy interest in the affairs of the Country?

Yearly budgets, and the dread of new taxes as their accompaniments, are productive of evil among a people who regard new taxes with apprehension and their foreign rulers with suspicion.

7. It is undoubtedly true that by the prominence we give to the Financial Statement, we force upon the people's attention the one among the many functions of Government that is most unpalatable to them. We give them, and can give them, as yet, no voice in the expenditure of the taxes raised, neither can we leave it to them to determine the amount that shall be raised by taxation. Under the circumstances, then, it would surely be best to raise our taxes in the way that would encounter least opposition and create least discontent, and conceal from the people, as much as possible, the amount that they actually pay. To flourish this as it were in their faces, is gratuitously to court dissatisfaction. But, besides the annual discussions on the Budget, the Decentralization Scheme of 1870 was the cause of much speaking and writing about taxation. Most of the Local Governments were obliged to supplement the smaller Allotments made to them from the Imperial Treasury by new taxes or by increasing the weight of the old ones. It could scarcely be but that this general discussion of new taxes should have had an effect on the popular mind, and a striking instance of this effect was afforded in these Provinces, and that, strange to say, in the very remotest part of the Province. In the end of the year 1870, the attention of the Chief Commissioner was called to a considerable emigration of the Koi population from the Upper Godavari District. The Kois are a tribe of the Gonds who are believed to be the aborigines of that part of India, and are very wild, shy, and uncivilized people. It was established, by inquiry, that a considerable number had emigrated, across the river, into the Nizam's Dominions, and one of the causes of their emigration was distinctly stated to be the fear of the Income tax. Not a single Koi had, however, ever been assessed to Income Tax, and not an individual of the tribe would ever have become liable to it. An unreasoning fear of taxes had taken possession of them; and vague rumours had induced them to place themselves beyond the reach of the tax. What the Chief Commissioner is concerned to establish is, that there may be discontent and dissatisfaction, the indirect, and not merely the direct, effect of taxation. We may have taken but an exceedingly small sum from the people by our new taxes, which may have fallen directly on a very restricted class; but we have spread uneasiness and alarm among numerous classes who have had no new burden imposed upon them, and this apart from the nature of the taxes that we have selected.

Cites, the emigration of a tribe to the Nizam's dominions, under groundless apprehensions of income tax, as showing that there may be discontent and dissatisfaction, as the indirect and not merely the direct effect of taxation.

\* \* \* \* \*  
32. Connected with the land are the various Cesses on the Land Revenue. The only one which has been remarked on particularly is the Road Cess, and that by Captain Ricketts. He does not pretend that this Cess is a source of discontent; but he says that, from inquiries he has made, from time to time, he thinks "most proprietors entertain the belief that they get no adequate return for their Road Cess."

The Road Cess is levied for the purpose of keeping in repair the roads that lead from village to village. The Cess itself is 2 per cent. on the land revenue, and is quite inadequate to the demands that might be made on it. It would never suffice to make good roads. At present, the proprietors pay their Cess, and have no more to do. "But," says Captain Ricketts, "the liability of the village proprietor or the village community (as the case may be) might, I think, be more strictly enforced, or if not that, at any rate their interest should be enlisted in favour of maintaining roads." He ends by saying "it would be cheaper and better in the end, I think, for Government to do away with the Road Cess altogether, and insist, instead, upon all villages keeping Roads and Communications, each within its own limits, in proper order."

No doubt it would be cheaper to do so, for the Road Cess is quite insufficient for the purpose; and the poorer the Country, the sparser the population, the fewer the villages, the more need of money for the purpose; but the Chief Commissioner hardly thinks that Captain Ricketts' plan would commend itself to the landlords themselves, or that they would thankfully take up the greater burden, in order to be rid of the lesser. Captain Ricketts' remarks are rather the complaint of the District Officer whose roads are not so good as he thinks they ought to be, and who would like to see them improved. The Chief Commissioner has only touched on the subject, because Captain Ricketts had alluded to it, but he feels able to assert that the Cesses on the Land Revenue are not the cause of any discontent.

CHAPTER XII. 39. The various points on which opinions were asked have now been separately treated of, and it remains only to state, once more, briefly, the conclusions that have been arrived at. We have, in the Central Provinces, no tax which causes serious or active discontent. The Income Tax is disliked, and is particularly resented by one Class, which political economy would urge us to tax, and policy would recommend us to spare.

CENTRAL PROVINCES,  
27th November 1872.

The income tax  
might be transferred  
to Local Govern-  
ments.

The Provincial Income Tax, or Pandhri, does not touch this class, but presses severely on small incomes, and has all the disadvantages that a direct tax can have. If the Imperial Exchequer can forego the proceeds of the present Imperial Income Tax, the Chief Commissioner proposes to use it with the Provincial Income Tax or Pandhri, to change its character and make it a Tax on Trades and Professions only. The discontent caused by both the taxes would, by this means, be almost entirely, if not wholly, removed.

Chief Commissioner  
concurs with the various  
officers that no  
new taxation or in-  
crease of taxation  
should be thought of.

The Chief Commissioner concurs with the various officers, whose opinions have been obtained, that no new taxation or increase of taxation should be thought of; and he thinks that we must look to the expansion of the sources of our present revenues for any increase we may require. The Land Revenue must, always, remain our greatest standby, and Mr. Morris fully agrees with Mr. Pedder and Mr. Jones, that we must watch it carefully and take for Government a full measure of the enhanced value that land acquires, irrespective of the action of landowner or occupier. Our present settlements are made for 30 in some Districts, and in others for 20 years. Until the settlement expires, it is impossible to take more from the land directly, and when the next settlement has to be made, it may be a question whether it should be made for so long a time as 30 years.

The less a country,  
governed by foreign-  
ers, and not by the  
will of the people,  
feels taxation, the  
better for its govern-  
ors.

We have not yet come to entertain the idea that India is capable of self-government; and it may, then, be allowed us to study more particularly what may be considered the converse of the above proposition that the less a Country, governed by Foreigners, and not by the will of the people, feels taxation, the better for its governors. We cannot admit the people of India to a voice in the expenditure of public money; and, so long as we cannot afford to do so, we may as well conceal from them the amount which they, individually, contribute to the support and maintenance of a Government which may study their welfare, but does not consult them concerning its Measures.

We shall be doing all we can to consult their wishes in matters of Taxation if we steadily adhere to their ancient forms of levying taxes and avoid the introduction of new imposts. Constant change, from year to year, is not desirable in matters of taxation any more than in other matters of administration; and, already, complaint is beginning to be heard in England that finance is becoming too unstable. The rate of a duty is being continually altered and, in every new Budget, something new and strange is looked for. Ingenuity and inventiveness are the great virtues looked for in a Finance Minister or Chancellor of the Exchequer, and want of invention has been the charge generally brought by the English public in India, against recent Budgets and their framers. But India does not want an ingenious financier, and to pursue the old beaten path is preferable to striking out new ways. Least of all, should we go to England for lessons; for we could scarcely go to any Country where circumstances are more dissimilar.

CHIEF COMMIS-  
SIONER,  
13th January, 1873.

I am directed by the Chief Commissioner to give his opinion on the general working of the system of Fixed Allotments of Imperial Revenue for Provincial Services introduced by Government Resolution No. 3334, dated 14th December 1870. The Chief Commissioner desires to be as brief as possible; for the subject has been so generally discussed, and has been incidentally referred to on so many different occasions, that the Government of India can scarcely be in doubt that the measure has been considered a most successful one by all Local Governments and Administrations. The only superior Executive Officer in the Commission, who, from experience of the working of the system was fully competent to give an opinion regarding it, was Mr. Jones, Officiating Commissioner of the Nabada Division, who, as Secretary to the Chief Commissioner, had a share in carrying the Government Resolution into effect, and watching its results. He has favoured the Chief Commissioner with his views on the subject, and they agree almost entirely with those which Mr. Morris himself takes. By annexing, therefore, a copy of Mr. Jones' paper to this letter, the Chief Commissioner can spare himself the trouble of repeating, in slightly different language, very much of what Mr. Jones has said. He will only endeavour to record succinctly the advantages that he thinks have been gained, and the direction in which he would wish to see the system extended.

The system of pro-  
vincial funds has suc-  
ceeded

2. There can be no question that the freedom of action given to Local Governments in their administration of certain Departments has been conducive to economy in the Administration. Not that less public money is spent on those Departments, but the money is used to better advantage. Minor changes and modifications are introduced, and made as soon as their benefit is clearly apparent; and no long delays and explanations are the necessary preliminaries of every trifling change.

3. The Government of India, again, has been relieved of the duty of control over matters of detail on which it cannot form an opinion nearly so well as the Local Government, and, in ceasing to exercise functions which, from its remoteness and necessary want of acquaintance with the local peculiarities and wants of each particular Province, it was unable properly to perform, it has acquired the leisure to consider and direct, more effectually, the interests of the Empire as distinguished from those of any one Province.

Much relief has also been afforded to Local Governments by the lessening of correspondence that followed, as a consequence of the increased powers conferred, and not only have the provincialized Departments benefited by this, but every Department of the public service.

4. In so far then as the system introduced is one of Decentralization only, the Chief Commissioner believes it to be altogether good. CHAPTER XII.

But the way in which the system is worked is not, in the Chief Commissioner's opinion, perfect. The Supreme Government has made over to Local Governments the complete control of certain important Departments, and has assigned, for the maintenance of these Departments, a certain fixed amount which is not to vary. If any additional money is required, it must be raised by Provincial Taxation. No assistance is to be looked for from the Imperial Sources of Revenue. This condition appears seriously to detract from the value of the Scheme. It is almost certain that, from year to year, more money will be required for the Provincialized Departments, and if the Imperial Allotments now suffice, they will not suffice in a few years. As a matter of fact nearly every Local Government has been driven to immediate additional taxation. Why should not Local Governments derive any benefit from the natural increase of revenue from those sources which have been reserved as Imperial? An attempt has been made to draw a distinction between Imperial and Provincial Taxes. Mr. Jones, in his letter, shows the fallacy of this, in so far as the tax-payers are concerned. It is impossible to distinguish the one from the other. The whole of a Province contributes to an Imperial Tax, the whole Province in the same way contributes to a Provincial Tax. The people are not more willing to pay the one because it is Provincial, and the proceeds of it can be applied at the will of the Provincial Government, or less willing to pay the other because it is Imperial and the Revenue it brings in is at the sole disposal of the Government of India. What object, then, is gained by drawing the distinction? No reason can be assigned for declaring all the taxes existing at the time of the Resolution of December 1870 to be Imperial. It is not that there is anything Imperial in their character; it is not that the taxes are all of the same nature, or taken in the same way in every Province; it is not that the administration of the taxes will not remain with the same officers, who will assess and collect the Provincial Taxes. The people of a Country cannot be made to contribute more than a certain amount in the way of taxes, whether the taxes be Imperial or Provincial, or in the shape of Local Rates or Cesses. Anything taken under one name leaves less to be taken under another. Provincial Taxation on a large scale must affect the revenue from Imperial Taxes.

5. Supposing a Local Government to raise any considerable revenue by direct or indirect taxation, the people will have less money to spend on luxuries, and the Imperial Taxes on luxuries, such as the Excise Tax, will prove less remunerative. To the Chief Commissioner it appears dangerous to draw any distinction between taxes which are general in their nature, affecting an entire Province, and he cannot, therefore, consider sound the principle of giving Local Governments Fixed Allotments for the support of provincialized Departments and leaving Local Governments to provide for additional expenditure in those Departments, by additional taxation. Supposing more Departments to be made over, the difficulties of Local Governments would increase, and, yet, the Chief Commissioner believes that great administrative advantage would be found in carrying the Decentralization of Departments still further than it has gone. If, for instance, the Revenue and Judicial Departments were placed under Local Governments in the same way as the Police and Jail Departments, the Chief Commissioner is convinced that great convenience would be the result, and that greater efficiency would be attained. The Supreme Government would, still, retain its control over the higher appointments; and there would be more danger in entrusting these Departments to Local Governments than those which have already been made over. The smaller Departments would naturally follow, and the Supreme Government would retain only the direct control over those Departments which, from their nature, are Imperial and could not be placed under one Local Government, as their sphere extends beyond the confines of any one Province, such as the Customs Department, the Opium Department, the Sea Customs, &c.

6. But if this were done (and it would be no more than an extension of the system already introduced), it would almost seem necessary to adopt nearly the exact converse of the plan on which the Allotments for Provincial Services are made. Instead of each Province receiving a Fixed Allotment from Imperial Revenues for Provincial Purposes, all Revenue derived from departments, other than those under the direct control of the Supreme Government, would be Provincial Revenue, and out of this Revenue, an Allotment would have to be made for Imperial Purposes. The Government of India would take from each Province a certain portion of the Revenue raised in it and would leave the rest to be applied to Provincial Services. The Imperial and Local Governments would, thus, share, equally or proportionately, in any increase of Revenue that might accrue, and additional taxation would be resorted to when either Imperial or Provincial necessities demanded it. It would, no doubt, be a matter of difficulty to determine how much, or what share, each Province should contribute from its Revenues for Imperial uses; but this is a difficulty that could be overcome, as it can be estimated what each Province now contributes to the maintenance of the Departments that will remain Imperial.

7. It may be, however, that the Government of India is not prepared, as yet, to take so great a step, and the Chief Commissioner, feeling how impossible it will be to impose additional taxation without causing serious discontent, and knowing that, in spite of every endeavour to enforce economy, more money will have to be spent on the Police and Education Departments (to mention only two out of several growing Departments), and that this will be impossible without reducing still further the already reduced expenditure on Public Works and Local Improvements (whereby the progress of the Country would be seriously impeded), would ask that instead of a Fixed Allotment from the Imperial Revenues being given for all Provincial Services, either some source of Revenue, such as the Excise or Stamps, be made over to him in

CENTRAL PRO-  
VINCES,  
13th January 1878.

The fixed amount of the assignment is, however, a blot in the system.

The people cannot be made to contribute more than a certain amount in the way of taxes, whether the taxes be imperial provincial, or local rates or cesses. Provincial taxation on a large scale must always affect the revenue from imperial taxes.

All revenue, less a portion for meeting imperial charges, should be made provincial.

Opinion of Chief Commissioner.

As it will be impossible to impose additional taxation without causing serious discontent, and as the expenditure of some departments must grow, the Local Governments should be allowed some heads of revenue, or to share in the growth of revenue.

## CHAPTER XII.

CENTRAL PROVINCES,  
18th January 1878.

heaven of a portion of the Fixed Allotment, or that the Provincial Services be allowed to share with the Government of India in any increase of Revenue from existing taxes. Either plan would serve the purpose; and the Chief Commissioner thinks His Excellency in Council will not fail to recognize the difficulty in which local Governments are placed at present.

8. The Chief Commissioner wishes in conclusion only to touch on the subject treated of by Mr. Jones in paragraph 10 of his letter, *viz.*, how to extend Local Taxation, by which he means taxation raised by Local Boards in Local Circles. The actual matter discussed by Mr. Jones is, how to introduce into the Country Local Self-government; and while Mr. Jones insists on the fact that any measure of the kind must be of very slow growth, Mr. Morris cannot deceive himself so as to think that the Central Provinces are ripe for such an experiment. The mass of the people are not sufficiently educated to be left to themselves, to determine for what purposes taxes or rates shall be raised and how they shall be expended. It is but a few years that we have made a beginning with Municipalities. Even they require looking after; and until Municipal Government has proved itself a success, it will not do to extend the field of the experiment. The Chief Commissioner fully appreciates the value of consulting native opinion, evincing native sympathy, and associating Natives with Government Officers in carrying out improvements and reforms, but he thinks an experiment, even of this limited kind suggested by Mr. Jones, would for the present be hazardous.

W. B. JONES, ESQ.,  
OFFICIATING COM-  
MISSIONER, NARRAD,  
DIVISION,  
22nd December 1878.

I have the honour, in reply to your letter No. 3145-162, dated 3rd September last, to offer my opinion on the working of the Scheme of Provincial Fixed Allotments introduced by the Resolution of 14th December 1870.

2. The objects of the Resolution may be briefly stated as follows—

(1.)—To give increased freedom of action to Local Governments in certain departments of administration, and to enlist their interests on the side of economy.

(2.)—To avoid conflict between the Supreme Government and Local Governments competing for grants for objects the relative importance of which the Supreme Government could not always justly estimate.

(3.)—To assert and give effect to the principle that the "Imperial Government will no longer continue to provide from Imperial Funds the means of carrying out works of local improvement throughout India; and that if more local roads, schools, and hospitals and other useful works of local importance are required, they must be provided from Local Resources and not by General Taxation."

Mr Strachey's speech—Supplement to the *Gazette of India*, March 18th, 1871.

(4.)—To invite Local Governments to provide by Local Taxation for part of the charges of the nine transferred departments hitherto borne by Imperial Revenue, and also for the anticipated increase of the charges of these Departments in the future.

(5.)—Lastly, it was provided that the operation of this Resolution would "provide opportunities for Local Self-government; for strengthening Municipal Institutions; and for the associating of Natives and Europeans, to a greater extent than heretofore, in the administration of affairs."

3. The first of the objects enumerated in the preceding paragraph has, I believe, been most fully attained. The new system has not been in working long enough to produce all the effects which may be expected from it; but we have already reaped this signal advantage, that applications for new expenditure are considered by the Administration on their merits only, whereas, formerly, the probability of their acceptance by the Supreme Government was the first thing regarded. True economy has been undoubtedly promoted by the change. Charges in the transferred Departments have not, perhaps, diminished; but the economy which is derived from the most advantageous distribution of expenditure, is now, for the first time, completely within reach.

Local Governments have not been indifferent to the development of imperial revenue.

4. The effect of the Resolution considered with reference to the 3rd and 4th of the objects enumerated in paragraph 2 is not, I venture to think, quite so satisfactory. Admitting the principle laid down in the third Clause, and admitting, also, that Local Governments may have been too little disposed to allow due weight to fiscal considerations, I deny entirely that there was any reason to assume that they had been indifferent to the development of Imperial Revenue, or that they would find means to raise unobjectionably under the name of Provincial Taxes what they would not have raised for the Imperial Treasury. I infer that it was a serious defect in the Decentralization Scheme that it compelled Local Governments to initiate new taxation.

5. In proof of the assertion made in the preceding paragraph, I would ask whether any Administration could have given stronger evidence of its anxious desire to develop the quatum it contributed to the Imperial Exchequer than was afforded by the Administration of the Central Provinces, by the various proposals (such, for instance, as Sir Richard Temple's proposal to introduce a Tobacco Tax, and the proposals subsequently made for increasing Excise Revenue) which it, from time to time, submitted for increasing its Revenues, and especially by the measures which it adopted with a view to revise and extend the *Pandhri Tax*. I have no doubt that other Governments could make out an equally strong case; and I would, therefore, submit that whether or not a charge of extravagance might have been brought home to Local Governments, the imputation of having neglected opportunities of increasing Imperial Revenues was quite undeserved; and that, accordingly, there was no sufficient reason for believing that the amount cut from an Imperial Grant, already reduced to a minimum, could be, forthwith, made up by Provincial Taxation.

6 I would take this opportunity of expressing my dissent from the idea which appears to underlie the Government Resolution that Provincial Taxation is less distasteful to the people or less dangerous to ourselves than Imperial Taxation. I see, of course, that a single tax extending all over India is more open to objection on political grounds than half-a-dozen taxes in as many Local Governments, but there is no reason why Imperial Taxes should be continental in their range. A Finance Minister in Calcutta devising a new taxation would look to the local peculiarities of the various parts of the Empire quite as much as Governors of Provinces,—the lately raised Provincial Taxes might have been levied, equally well, under the name of Imperial, and I would, therefore, submit that, outside the office of the Accountant General, there is no difference between an Imperial and a Provincial Tax, and that we shall be throwing dust in our own eyes if we permit the idea of such a distinction to appear in discussions on questions of taxation. The sole distinction which I would recognize is between *Imperial or Provincial Taxation* on the one hand and *Local Taxation* on the other, and in making this distinction I would restrict the term Local to its narrowest and strictest sense. I would define a Local Tax as one raised for an object producing direct, visible, and immediate benefit to the tax-payer. Unless these conditions are fulfilled, a Tax, by whatever name it may be called, should be regarded as Imperial and nothing else.

7. Returning from this digression, I would proceed to state that, while I regard the Resolution as open to objection, in as far as it compelled Local Governments to *immediate* new taxation, I recognize fully the justice, or rather the necessity, of the principle laid down by the Government of India, that, *in the future*, increased charges in the transferred Departments shall be chiefly met from Local Resources. I see clearly that, unless this principle is affirmed, there is no hope that the funds required by the advancement of the Country will be forthcoming, and I also look to the development of Local Taxation and administration for the attainment of the political and social results which, in the 23rd para. of its Resolution the Government of India proposed to itself to aim at. Nevertheless, I would submit that Local Governments may, not unreasonably, ask, that *for some years, and until Local Taxation has had time to make its way*, they may not be flung entirely on their own resources, but may be allowed to share in the progressive increase of Imperial Revenue. In his letter the late Officiating Chief Commissioner advocated the surrender to Local Governments of the Revenue of some given Department (Colonel Keatinge suggested Abkaree), on the ground that the measure would tend to enlist the interests of Local Governments in the development of the Income of the Department. I would support this recommendation; but I would venture to do so on different grounds. I do not think that Local Governments require any stimulus to improve the Revenues of the Territories they administer. I believe that all that is possible and proper, in that direction, is already done; but believing, as I do, that so-called Provincial Taxation is, I may almost say, a dangerous fallacy, and seeing that Local Taxation will be a *plant of slow growth*, I would urge that, for some time to come, the Supreme Government should not quite abandon Local Governments, but should not continue to aid them as its means permit.

8. What may be the most convenient mode of giving assistance, and how the amount of aid to be granted to each Government may be most fitly measured, are points of detail of comparatively little importance. It will, probably, be found advisable to surrender part of the Revenues of certain particular Departments, and among the Departments the revenues of which might conveniently be made over to Local Governments I would suggest Stamps and Excise as the most suitable. In many young Countries the income of waste lands is specially appropriated for the development of communications, but in India there would be some risk in following this example. It ought not to be too much the interest of any Local Government to raise its Forest Revenue. Stamp and Excise Revenue, on the other hand, are, to a much less degree, dependent on administrative arrangements, and, with a few reservations, it may be said that increase under both, so far as it results from administrative arrangements, is an unmixed advantage.

9. With regard to the manner in which the surrender should be made, I would recommend that, with a view to ensure stability in Imperial Finance, a certain minimum Stamp and Excise Revenue should be fixed, the whole of which should belong to the Imperial Exchequer, and that the sum by which the income of any year might exceed the minimum should be allotted to Local Governments, or if this would involve too great a sacrifice, should be divided between Imperial and Local Governments.

10. The problem how to extend Local Taxation is one which demands our most careful consideration. Towns large enough to be erected into Municipalities are already provided for, but the moment we get outside such towns, our difficulties begin. The average village is too small to serve as the unit of local organization, and our whole policy, for many years, has been directed to the effacing of the local sub-divisions, Parganas, Turufs, tappas, &c., into which villages were arranged under former Rulers. We have also pensioned off, at great expense to ourselves, the Qanungos, Desmukhs, and Chaudhns, &c., who were the representatives of the people, dwelling within those Sub-divisions.

Our centralizing policy has certainly added to the difficulty of introducing Local Taxation, and has also deprived us of a convenient machinery for expending the funds which Local Taxation may produce.

Municipalities apart, the very first steps towards Local Taxation have still to be taken. It is true that Patwaris and their Circles offer a good instance of the kind of organization which we have to spread over the Country, that police Circles are ready to hand, and that Local Jurisdictions have, recently, been fixed, for purposes of Vaccination and Registration of Vital Statistics, but the problem we have now to address ourselves to is, how to fix and harmonize these

CHAPTER XII

CENTRAL PROVINCES.  
13th January 1873

Dissents from the idea that provincial taxation is less distasteful to the people or less dangerous to ourselves than imperial taxation.

The sole distinction should be between imperial or provincial and local taxation, the latter being held to denote a tax which is raised for an object producing direct, visible and immediate benefit to the tax-payer.

Increase of stamps and excise revenue might be made over to Local Governments.

CHAPTER XII. circles for purposes both of administration and Local Taxation, and how then to extend a system of circle rating over the country

CENTRAL PROVINCES.  
19th January 1878.

11. In the steps which we may take to these ends, we must be prepared to decentralize. Nothing permanent and comprehensive will ever be effected till we resolve to rely on Local Agency, and instead of trusting to a staff of corrupt tehsil chupprasses for the execution of the measures which we adopt for the benefit of our subjects, lay ourselves out to enlist the sympathies, and to some extent the interests, of the natural leaders of the people on our side, and prepare ourselves at first not to look with too severe an eye on the (not necessarily unpopular) irregularities which they will commit.

12. The Education Cess offers a ready resource for a first experiment in Local administration. This Cess, if no other, admits of complete Localization. The benefits of a road to the inhabitants of a given village may be too slight, or too much mixed up with the benefits derived by other villages, to admit of estimation; but a school only benefits persons dwelling within certain easily ascertained limits. It is, also, the avowed policy of the State that education should become self-supporting, and that the aim of the Educational Department, except so far as it is a purely inspecting agency, should be self-effacement.

I would propose, therefore, to take one of our most educationally advanced Districts, to distribute it into convenient education areas, and to make over the Cess to the school managers in every area in which a school of a certain standard might be maintained.

In some cases, where liberally minded native gentlemen support schools out of their own funds, the Cess might be remitted altogether.

The power of re-imposing and resuming the management of the Cess, in case the management of the school declined, would, of course, be reserved.

The measure here proposed, would, unquestionably, be popular, and, I believe, that it would do more than anything else to give an impetus to education. It would at least serve to convince the people that the Cess is not a perquisite of Government, but is spent on those from whom it is taken. The Road and Dak Cesses cannot be completely localized at present; but Cesses for Sanitation and Police purposes when they are raised may be made as strictly local as the Education Cess.

13. In paragraph 6 above I have advocated a rigid restriction of the term "Local" as applied to taxation. There are, however, certain classes of cases in which a wider definition may, I think, be unobjectionably given to the word. As an extreme instance, I may mention the Nagpore-Raipur Railway. The benefits which this Railway would confer on the Chhatisgurbh Country is so incontestable, and would follow with such certainty and so immediately on the opening of the line, that I think it is a fair question for consideration whether the Local Cess might not be laid on the whole of the Country to be benefited, in order to defray the cost of its construction. Proposals for Local Cesses of this kind must be judged on their merits. I bring forward this instance only to show that, while I would rigidly restrict Local Taxation for sanitary, educational, and other similar objects, I would not refuse, on sufficient cause being shown, to extend the principles of Local Taxation so as to embrace objects necessitating a wider area of imposition.

Notwithstanding that a local cess should be confined to objects that are strictly local, it is a fair question whether the local cess in the whole of a country to be benefited by a railway may not be appropriate for the expense of its construction

14. Since the relaxation of the restrictions under which expenditure is incurred in the transferred Departments has worked so well, it may, I think, be worth while for Government to consider whether the benefits of the December Resolution should not be extended to the ministerial portion of our Civil and Revenue Establishments. It seems an anomaly that, while the Administration can sanction a lakh of rupees on a District office, it cannot add a chupprassi to that office establishment, or even, if I remember right, transfer a chupprassi from one office to another. If a lump sum were granted for Civil Ministerial Establishments, economies would no doubt be discovered, and money would be expended to better advantage than at present.

15. To recapitulate: it is the object of the foregoing paras. to show—

- (1) That the liberty of control accorded to the Administration is producing all the good results which were anticipated from it in the Resolution.
- (2) But that it was a serious drawback to the Scheme that is started, by requiring Local Governments to raise certain sums by Provincial Taxation, although there was no reason to believe that such sums could be, *immediately*, raised.
- (3) That the term "Provincial" as applied to taxation involves a dangerous fallacy if it is understood to imply that a Provincial Tax is less objectionable than an Imperial Tax, and that, except from the Accountant's point of view, the only true distinction is between Local Taxation as defined in para. 13 on the one hand, and Imperial or Provincial Taxation, on the other. It has been contended that the Taxes which various Local Governments have raised might equally well have been raised as Imperial Taxes, and re-allotted to Local Governments, under the old system.
- (4) The true character of Local Taxation has been insisted on; the difficulties which must attend and *delay* its extension have been indicated; and it has been submitted that, therefore, Local Governments are not in a position to be *at once* cut off from all participation in the natural increase of the State Revenues.
- (5) It has been suggested that, as a convenient mode of enabling Local Governments to share in such increase, the control of, and a share in, the Revenue derived from the Departments of Excise and Stamps should be *surrendered*.
- (6) And, lastly, it has been proposed that the principle of the December Resolution should be extended to *Ministerial* Establishments of the Civil Departments now classed as Imperial.

## CHAPTER XIII.

SOME MINUTES AND NOTES IN THE FINANCIAL DEPARTMENT OF THE GOVERNMENT OF INDIA, SINCE THE INTRODUCTION OF THE SCHEME OF PROVINCIAL FUNDS.

*Minute by His Excellency the Viceroy (LORD NAPIER of Merchistoun).*

Before terminating my connection with Indian administration, I desire to leave upon record an expression of my sentiments regarding a question which occupied a large share of the attention of the late Viceroy, and which possesses a deep and durable interest for the Subordinate Governments of India.

The institution of Fixed Provincial Assignments in several of the Civil Departments of Government was a positive and fruitful benefit to the Government of India and to the Subordinate Governments. The former was relieved of onerous duties, incessant claims, and vexatious conflicts, without the sacrifice of superior control; the latter were invested with new prerogatives which, directly or indirectly, prompted, or enabled, them to prosecute, with increased interest and confidence, many useful improvements regarding Roads, Popular Education, Sanitation, the diffusion of Medical Relief, discipline and labor in Jails, Civil Buildings, Local Administration, and the like, while, at the same time, they were stimulated to economy, and were placed in more honorable and harmonious relations with the Supreme Power.

The measure of success which has attended this project, contemplated in some shape or other by the Government of Sir John Lawrence, but first defined and carried out by the Earl of Mayo, may be regarded as satisfactory. The object of my present remarks is to point out how that success may be confirmed and expanded.

The plan followed by the Government of India in the introduction of Fixed Provincial Assignments was practical and prudent, at the time; but it involved some injustice, and it is susceptible of development.

In fixing the amount of these Assignments, the Government of India simply accepted the financial basis as it stood at the moment. They gave to each Province the amount of appropriation which it received in the previous year, making, for the purpose of imperial economy, a small deduction from all. This settlement had the advantage of eluding opposition and securing promptitude, it avoided all thorny discussions: the Governments which had been favored before were favored still, the Governments which had been unfairly apportioned, were not proportionally worse off than they were before, they were anxious to secure a real, though imperfect, benefit; they were not excluded from the hope of future increase. Rather than imperil a good Scheme by pertinacious controversy, they maintained a prudent, I might say a patriotic, silence, but this silence could not be maintained for ever.

The Appropriations of Imperial Revenue, under the Heads of Expenditure now included in the category of Provincial Services, before the institution of the new system, were in some degree unsettled and arbitrary. They had been made without much reference to the Revenues or the Population of the Provinces concerned. Some parts of the Empire had been more advanced, intelligent, ambitious and clamorous than others; they got much, because they asked much; and it must be allowed that, in some respects, they deserved what they got. Other parts of the Country were rude, backward, or lately reduced to submission: they got much because they needed much, because they had a claim on the fostering care of the Government of India, which recognises that conquest has its duties, as well as its rights: nor were, perhaps, the remissions and attachments of men in power without influence.\*

I do not wish to dwell upon matters which might raise dispute. Whatever were the causes at work, the result is patent to all: the re-partition of Imperial Revenues was unequal, and, in my humble judgment, even then, unjustifiably unequal.

In order to illustrate this assertion, I submit a short return, drawn up in the Financial Department, showing, at a glance, the Provincial Assignments of Imperial Revenue contrasted with the Revenues of the several Provinces in the year 1870-71, and their estimated Population †

From this table it appears that the Provincial Assignments vary, having regard to the Revenues of the several Provinces from 10 355 per cent. on the amount of Revenue, in the case of Madras, to 31 679 in the case of Burmah.

The aggregate amount of Assignments yields a percentage on the aggregate amount of revenue of 13 853. If this normal percentage be compared with the percentages actually awarded to the several Provinces, the Provinces fall into three distinct groups, one of which is greatly favored, one of which is unjustly depreciated, while the third holds a middle and equitable place. The favored group embraces the Punjab, Bombay, the Central Provinces and

\* It is remarkable, however, that Oudh, though a recent acquisition, has been paragonously dealt with; especially if we regard the amount of its population.

† The returns of population are, in several instances, hypothetical. The population of Bengal will, it is expected, prove to be considerably above the figure here given. Bombay is also, probably, under the truth.

The Revenue is given, for obvious reasons, without Customs and Opium. It may be remarked that a deduction should be made from the Salt revenue of Madras and Bombay on account of Salt consumed in Native States, but I have not gone into an analysis of this matter, my object being merely to present the question in its general features, with approximate accuracy.

CHAPTER XIII.

LORD NAPIER  
OF MERCHISTOUN,  
3rd May 1872.

The measure of success of the system of Provincial funds is satisfactory.

But the assignments to the several Provinces are unjustifiably unequal.

CHAPTER XIII. Burmah; the neglected group consists of Madras and the North-West Provinces, while Bengal and Oudh approach the proper standard.

LORD NAPIER OF  
MERCHESTON,  
3rd May 1872.

Leaving the Central Provinces and Burmah out of consideration, a fair appreciation of the disparities which exist in the treatment of the old established Provinces of the Empire may be obtained by comparing the Assignments awarded to Madras, the North-West Provinces, and Bombay. The North-West Provinces have, approximately, the same Revenue as Bombay, but the former receives an Assignment of £635,000, while the latter has one of £901,200.

The Revenue of Madras exceeds that of Bombay by £1,324,531, but the Assignment to Bombay exceeds that awarded to Madras by £148,900.

The percentage on Revenue received by the North-West Provinces in the form of a Provincial Assignment is 11.244, the percentage received by Madras is 10.355; the percentage received by Bombay is 15.172.

If we turn from Revenue to Population, the inequalities indicated above become still more marked. For every hundred inhabitants Oudh receives in the form of a Provincial Assignment £1.886, while Burmah receives £1.735. If the old Provinces of the Empire are contrasted, Madras, the North-West Provinces, and Bengal stand, approximately, on the same footing with something more than £2 per hundred inhabitants, while Bombay receives upwards of £6 for the same number.

The inequalities of apportionment which characterise the Provincial Assignments in the aggregate are, of course, equally manifest in detail. If the Appropriations to particular Heads of Service are examined, many striking disparities are disclosed.

Bombay receives for Education an Assignment of £118,271, and for Civil Buildings £107,500. Madras, with a greater Revenue and twice the Population, receives for the same purposes, respectively, £90,052 and £58,506.

Bengal, with a Revenue of £3,705,801 and a Population of 50,000,000, receives for Roads and Public Improvements £157,800. Bombay, with a Revenue of £5,939,335 and a Population of 14,000,000, receives, under the same Head, £121,000.

The North-West Provinces, with a Revenue of £5,647,000 and a Population of 30,000,000, obtain for Roads and Public Improvements rather less than the Punjab with a Revenue of £3,405,000 and a Population of 17,612,000.

Examples might be multiplied, but enough has been adduced to illustrate the argument.

In adopting the existing state of Appropriations in 1870 as a basis for Provincial Assignments the Government of India acted judiciously, but they might have done so with some reservation for gradual rectification. I confess that I think that they committed an error in affirming that those Assignments were only to be subject to reduction in the case of a great public emergency. It would, surely, have been wiser to have affirmed the gross amount to be permanent, and to have made some provision for re-distribution.

Methods for a more equitable re-distribution of the assignments suggested.

If it be admitted that the existing system embodies many elements of injustice and many causes of dissatisfaction, and that an attempt should be made to remedy these defects, it becomes important to ascertain how the Government of India can best revert to an equitable system of repartition which would, eventually, be conformable to the rights and interests of all.

An approximate uniformity might be attained by raising the lower rates to the level of the higher, or by reducing the higher to a medium rate, at which all might be made to meet.

In framing a project for raising the lower rates of Provincial Assignments to the level of the higher, it would be necessary, of course, to leave Burmah and the Central Provinces out of consideration. It would be enough to adopt the rate of 15 per cent as a standard—the rate, at present, approximately enjoyed by Bombay and the Punjab. If the Provincial Assignments of Madras, the North-West Provinces, Oudh and Bengal could be raised to 15 per cent. on their respective Revenues, such a settlement would, of course, be perfectly satisfactory to those Governments, perfectly consistent with the declarations of the Government of India, and obnoxious to no opposition on the part of the Provinces at present occupying a favored position. But to raise the Assignment of the four Provinces mentioned above, to the Bombay and Punjab rate would involve a new appropriation of Imperial Revenue to the amount of £682,749, which would be absolutely impracticable.

A more temperate proposal would be this; to allow the Assignments to Bengal and Oudh to remain as they are, and to raise the Assignments of Madras and the North-West Provinces, to 13.853 per cent on their Revenues, or to the normal rate mentioned above—the rate which is represented by the total amount of Provincial Assignments compared with the total amount of Imperial Revenue derived from the Provinces. This settlement would place Bengal, Madras, the North-West Provinces and Oudh, practically, on the same footing, leaving Bombay and the Punjab in an exceptional situation, which might be envied, but which would, probably, not be seriously contested. Here again, however, the financial difficulty appears to me to be almost insuperable. The operation to which I have referred would still cost the Imperial Revenue an additional Expenditure in favor of Madras of £254,132, and in favor of the North-West Provinces—of £147,342, or an aggregate increase to Provincial Assignments of £401,474—an amount which the Imperial Revenues might not be able to support. I am afraid that the project of introducing a tolerable uniformity in the rates of Provincial Assignments, by raising the lower to the level of the higher, or even to a medium or normal rate, is one that must be abandoned.

The alternative method would be to reduce the higher rates to a normal or medium rate, to which the lower rates would at the same time be raised.

This is the system which I venture to recommend; but in order to render the change less abrupt and more equitable, I would make it gradual, and I would not make it absolute. I would spread the adjustment over several successive years, and I would reserve a moderate Fund which should be available for appropriation in those Provinces which, for one reason or



other, might still lay claim to exceptional treatment, even after the expiration of the term referred to. CHAPTER XIII

	£	In my humble judgment, the Provincial Assignments might be fixed for all the Provinces at a normal rate of 12½ per cent on their respective Revenues, excluding Customs and Opium. Twelve and-a-half per cent would bring out the results contained in the margin in favor of each Province, and an aggregate normal Assignment of £4,306,522.	LORD NAPIER OF MERCHESTOUN, 3rd May 1872
Odih	197,019		
Central Provinces	129,905		
British Burmah	109,103		
Bengal	1,088,287		
N W Provinces	706,932		
Punjab	425,655		
Madras	908,136		
Bombay	742,486		

A balance would, therefore, be left of £466,078, which the Supreme Government might appropriate to certain Provinces, over and above their normal Grants, in consideration of exceptional necessities. The new scale of Assignments might come fully into operation at the end of five years, during which the higher rates now paid to certain Provinces would be, gradually, reduced, and the lower rates paid to others would be, gradually, elevated. In this way existing engagements and works in progress would not be too violently disturbed, and the favored Provinces would have time to meet their altered conditions, either by contracting their expenditure, or by raising the funds necessary to maintain it at the present level, by Local Taxation.

The serious obstacle which may be raised against the adjustment of this question in the manner suggested above, lies in the 17th paragraph of the Resolution of the Government of India under date December 14, 1870, which is couched in the following terms:

"Unless some fiscal misfortune, such as a heavy loss in the Opium Revenue, or National disaster, such as War or severe Famine, occurs, the Governor General in Council will maintain, for the future, the Assignments for Provincial Services, at the amounts now fixed. They will not, in any case, be reduced without previous consultation with the Governments."

This intimation, if it is to be regarded as, firmly and permanently, binding on the Government of India, would not admit of the settlement which I have ventured to propose, but I do not think that the intimation can be regarded as binding—it is a declaration of intention; and it has nothing of the character of a contract. The Government of India, in instituting the system of Provincial Services proceeded by authority and not by negotiation. They consulted the Subordinate Governments with the view of rendering the project as judicious and acceptable as possible; but they did not require the assent of the Subordinate Governments, and the Subordinate Governments did not make any concession or sacrifice of right or possession, in consideration of the benefit conferred upon them. To affirm that the declaration of intention referred to above, is absolutely binding on the Government of India, would be equivalent to affirming that the opinions of one set of men and of one period, can tie up and govern the convictions and the actions of a different set of men and of all times to come. It is true that the reversal of a declaration, such as that cited above, even when the declaration was inconsiderate and ill-advised, is much to be regretted—it bears with it a complexion of inconsistency, almost of want of faith, but the disadvantages attached to a perpetuation of injustice are greater still. I do not affirm it without reluctance and hesitation, but I still affirm, that the Government of India would do well to avow that the declaration referred to was made with precipitancy, and without due regard to all the consequences involved, and that they should frankly explain to the Subordinate Governments that the position is one from which the Government of India must recede, but with circumspection and with due regard to existing interests. Nor do I despair of the alteration being effected, with the eventual concurrence of the Governments of Bombay and the Punjab, which would be the immediate losers. Those Governments would scarcely maintain, were the matter fairly and seriously brought under discussion, that the people and the Provinces in which they are respectively interested have a claim to be educated, controlled, improved and decorated, for ever, at the expense of Madras and the North-West Provinces.

In submitting the preceding remarks, I think it right to guard myself against the imputation of wantonly stirring a question which might have been allowed to sleep. In the course I now adopt I merely fulfil an intention, long since announced to the Government of India, and redeem a pledge long since offered to the people of Madras.

In the letter from the Secretary to the Government of India, Financial Department, to the Government of Madras, of August 20, 1870, the ensuing passage occurs:

"Para. 13.—The plan thus set forth does not profess to remove all inequalities which may now exist in the provincial distribution of the Imperial Grants for the Services affected. But it will afford facilities to each Local Government for partially correcting any such inequalities by distributing the total amount assigned to it among the several Heads affected as it may think best for the public service, the requirements of each department being sufficiently provided for. No suggestion for the remedy of any alleged unfairness in the Assignments made to the several Provinces can be discussed on the present occasion."\*

To this the Government of Madras, in their letter of September 27, 1870, paragraph 12, replied in the following terms:—"I am desired to observe in conclusion that, in Deference to the remark made at the close of the 13th paragraph of your letter, the Governor in Council abstains, on this occasion, from entering into any comparison of the Assignments at present made to the several Governments for Civil Administration and Public Works, but that the subject

\* Note.—See page 40 of the accompanying paper (Proceedings of the Government of India, Financial Department, January 1871, Nos. 20 to 67).

CHAPTER XIII. is one which is engaging the attention of the Madras Government, and on which a communication will, probably, be addressed to the Government of India, on a future occasion."

LORD NAPIER OF  
MERCHISTON,  
3rd May 1872.

Since the Scheme of Provincial Assignments has been brought into operation, the Government of Madras have abstained from all remonstrance, deeming it expedient to urge no complaints in the first stage of the new system, and at a time when apprehended embarrassments of the Imperial Exchequer discouraged applications, involving, it might be, an increase of expenditure. But the Government of Madras are, to my personal knowledge, in no wise careless of the just claims of the Presidency. The question which I have brought under consideration has never been absent from their thoughts. It is one that concerns them deeply, and which they will never cease to agitate, hereafter, until it obtains an equitable solution. Should the Government of India, on the other hand, deem themselves justified in taking the initiative, the impending controversy would be prevented, and the last step would be made in that policy of conciliation which the Scheme of Provincial Assignments was intended to promote, but which, for the reasons above stated, it has left imperfect.

In conclusion I would submit to the Government of India the desirability of developing the system of Provincial Assignments by delivering over to the Local Governments some additional departments of expenditure.

Additional departments should be made over to the Local Governments.

The Government of Madras, on a former occasion, submitted their opinion that eleven Heads of Expenditure enumerated in the margin (without the Revenues attached to them) might be placed in the category of Provincial Assignments with good effect. I am not prepared to affirm that all these Branches of Administration would be, beneficially, transferred at once; but I venture to recommend to the consideration of the Government of India the expediency of making a beginning of enlargement, which, if approved by experience, would justify further concessions. I would prefer to select, for trial, the Departments known as "Land Revenue," "Forest," "Ecclesiastical" and "Medical Establishments." The revenue establishments form a department of administration which must, surely, be peculiarly

within the competency of the Local Governments, and which could scarcely be controlled with advantage from a distant Central Authority.

The Forest interests are closely bound up with those belonging to the Land, and the Forest establishments, under the organisation now sanctioned for Madras and Bombay, will be directly subordinated to the Collectors of Districts. The Medical Establishments, if placed under the exclusive management of the Local Governments, would, probably, be better harmonised with the various schemes on foot, for the development of Medical Relief, the Sanitation of towns and villages, and the improvement of Vaccination. In the Ecclesiastical Department the Government of India has, already, contemplated retrenchments, and a modification of the existing system by the extension of grants-in-aid. This design could be prosecuted with ease by the Local Governments in communication with the Local Bishops. It may be contended that, in all these departments reforms, retrenchments, and new adaptations might be carried out by the Local Governments, under the impulse and authority of the Government of India: nor can this, as a matter of principle, be denied. But we know that a sense of complete independence and undivided responsibility, allied with the prospect of pecuniary gain available for provincial and local purposes, does, practically, supply a powerful incentive to useful innovation and vigilant economy.

At any rate, I cannot be wrong in drawing the attention of the Government of India to the fact that the Scheme of Provincial assignments now in force has never been presented as a final measure, and in urging that the success which has attended the policy of the late Viceroy affords a *prima facie* ground for moving further in the same path.

CALCUTTA,  
The 3rd May 1872. }

NAPIER.

Annexure to the above Minute.

	Provincial Service Grant	ACTUALS FOR 1870-71.		Population.	Percentage of Grant to Revenue.	Percentage of Grant to population, i. e., amount of grant for every 100 inhabitants.
		Revenue, exclusive of Opium and Customs.				
	£	£			£	£
Oudh ... ..	211,300	1,576,048	11,200,000	13 406	1 896	
Central Provinces ... ..	269,600	1,039,213	7,986,000	25 942	3 376	
British Burmah ... ..	276,500	872,795	2,356,000	31 079	11 735	
Bengal ... ..	1,197,960	3,705,801	50,000,000	13 759	2 396	
North-Western Provinces ... ..	635,000	5,617,296	30,015,000	11 244	2 115	
Punjab ... ..	528,800	3,405,191	17,612,000	15 529	3 002	
Madras ... ..	752,300	7,264,366	31,000,000	10 355	2 423	
Bombay ... ..	901,200	5,939,835	14,000,000	15 172	6 437	
<b>TOTAL</b> ... ..	<b>4,772,600</b>	<b>34,450,545</b>	<b>164,168,000</b>	<b>13 853</b>	<b>2 970</b>	

*Note by THE HON'BLE SIR R. TEMPLE.*

I refrained, for a short time, to submit to His Lordship the Governor General the accompanying Minute handed to us by Lord Napier just before quitting the Government of India. The Table which accompanies the Minute was prepared under my orders, at his request. The points he touches on are, all, more or less controversial. Those Local Governments which would benefit by the adoption of his views would agree. Those Local Governments which would lose thereby, would disagree. If we stirred the matter, we should embark on a course of disputes which would never be satisfactorily settled.

To the best of my belief, Lord Napier is wholly mistaken when he says that the Government of India made any of the declarations in the Provincial Services Resolution without due consideration. On the contrary, all the points, even the very points he now mentions, were fully considered.

We felt that to get anything done practically, we must take existing things for our basis; that it would be impossible to settle any other basis to the satisfaction of all the parties concerned; that we must accept some degree of inequality in a matter where equality was impossible.

I still believe that it would have been impracticable to settle the matter in any such manner as that which His Lordship seems to desire.

But I admit that there is some unavoidable inequality; though I doubt whether it is, really and justly, as great as he supposes.

Though wholly opposed to any general stirring of the matter, and to any attempt at taking away from any Government that which has been given, I yet consider that the facts, as shown in the Financial Table now appended, should be observed by the Government of India, and borne in mind, whenever anything additional is given to Provincial Services.

Though we cannot properly take away, we can give as we see fit, without any other party having a right to cavil. And, in the future, I would try so to distribute the gifts (if there be any) among the Local Governments as to remedy any existing inequalities.

R. T.,—9-7-72.

*Note by His Excellency the Viceroy.*

SIR JOHN STRACHEY,—I should be glad of your opinion on the Minute left by Lord Napier, which requires careful consideration, and, for its full consideration, further statistics. The points are—

- (1) the alleged inequality of the Assignments:
- (2) the propriety of still further extending the new system

And, in considering the second point, the further question, whether the system could be applied to any sources of Revenue, *e. g.*, Ahkaree. I see that Lord Mayo and other very high Authorities thought that it could.

N.,—25-7-72.

*Note by THE HON'BLE SIR J. STRACHEY.*

His Excellency the Viceroy has desired my opinion on the Minute left by Lord Napier on the subject of the Assignments made to Local Governments for Provincial Services.

While His Lordship has fully acknowledged the great benefits that have followed from the new system, and has stated his belief that "the plan followed by the Government of India in the introduction of Fixed Provincial Assignments was practical and prudent at the time," he is, nevertheless, of opinion that "it involved some injustice," and that the former appropriations of Imperial Revenue to the various Provinces, which formed the basis of the new Provincial Grants, were "unjustifiably unequal."

In support of these conclusions, His Excellency the late Viceroy has brought forward a return showing the Assignments for Provincial Services, the proportion which those Assignments bear to the Revenue raised in each Province, and the amount which each Province receives, on this account, for every hundred of its inhabitants.

His Excellency's argument is based on the assumption that justice requires that the expenditure allowed by the Imperial Government for Provincial Purposes shall, in each Province, bear a certain proportion to the amount which that Province contributes to the General Revenues of the Empire. In other words, the proposition, as it seems to me, is this: that the expenditure in each Province shall be regulated, not by its actual wants, nor by the means at the disposal of the Imperial Government, but by the amount of its actual Local Revenue. I think it would be quite impossible to carry on the Government on any such principle. The Empire must be treated as a whole; not as a collection of separate and semi-independent States.

The distinction between Imperial and Provincial Expenditure is one which it is convenient, for certain practical purposes, to make, but it is, in reality, purely arbitrary. It is no more possible to say *a priori* that in any Province it is right to incur a certain expenditure for Roads, or Jails, or for Police, than it is to say that a certain expenditure ought to be incurred for the Army or for Telegraphs. Whether the expenditure be called Imperial or Provincial, actual requirements and actual means of meeting them can alone determine the amount which the Government of India can properly grant. The object at which the Government aimed, in introducing the new System of Provincial Assignments was not to attempt the impossible task of

CHAPTER XIII.  
—  
THE HON'BLE SIR  
R. TEMPLE.

THE HON'BLE SIR  
J. STRACHEY,  
27th July 1872.

## CHAPTER XIII.

THE HON'BLE SIR  
J STRACHAN,  
27th July 1872

making a theoretically equitable distribution of Imperial Revenues between the various Provinces, but to make better practical arrangements for meeting actually existing charges

If, however, the principle advocated by Lord Napier were admitted and were acted upon, I think that the results would be different from those at which His Excellency has arrived. If, for example, each Province were to receive for its Provincial Expenditure an assignment proportionate to the amount of its contribution to the Imperial Revenues, no Province would gain so much as Bombay, because no Province, taking into consideration its area and its population, yields anything like the same amount of revenue. Lord Napier shows that if the provincial grants were distributed in each Province, then the Grant per 100 persons, in Bombay would be £64; in Bengal, £24,\* and in Madras, £24. But if we distribute, in the same way, the revenue paid by the people of each Province, we find that, while Bombay pays £124 per 100 inhabitants, Madras pays only £234, and Bengal only £134 † Although I am far from thinking that the amount of the Grant to each Province should be proportionate to the amount of the revenue per head which each Province pays, it appears to me that figures based on this assumption would afford, according to the principle laid down by His Excellency himself, fairer data on which to determine the question, than the figures which he has given. If we had, now, to decide how existing advantages and existing burdens could most equitably be redistributed among the various Provinces, Bombay might urge, with great show of reason, that it was not just that it should be made to raise a revenue proportionally so far greater than that of any of its neighbours. It might especially point to the fact that, with a population of 14,000,000 and an area of 130,000 square miles, it was paying not much less in land revenue, ‡ than Bengal, with its population of 65,000,000 and its area of 275,000 square miles. It might be maintained that, if theoretical considerations of equity in regard to the distribution of burdens were to prevail, the Revenue of Bengal ought to be raised to the same standard as that of other Provinces, which might then be relieved from a great portion of the taxation falling on them § I would add that, while it is true, as observed by Lord Napier, that Provinces lately acquired, and in a backward state, may demand what may seem a comparatively large outlay, it is, on the other hand, no less a fact that a highly advanced Province like Bombay, with its great commercial and other interests, also requires a larger expenditure than less advanced parts of the Empire

To regulate assignments according to the amount of revenue paid by the several provinces would be fallacious

In reality, however, all calculations based on the amount of revenue paid by the several Provinces are altogether fallacious. In the first place, the term "Revenue" has a very wide and indeterminate meaning. It includes not only the proceeds of taxation, properly so called, but also the share of the Government in the produce of the land, and other proprietary rights. This share of the produce is determined in different Provinces on totally different principles. An illustration of this has, just, been given in the comparison between the amount of the Land Revenue in Bengal and in Bombay.

Taking, again, the amounts raised by taxation proper, it is extremely difficult, not to say impossible, with the knowledge now possessed, to determine the actual incidence of the taxes collected in the various Provinces. Lord Napier has, properly, excluded Customs and Opium from his calculations; but the figures given by him include other sources of revenue which are equally misleading as data for any conclusions. I will give one illustration—the Salt Revenue. His Excellency has included, in each case, the Salt Revenue collected in each Province. But, in reality, this is no sort of index to the amount which each Province pays. In Oudh, for example, with its Population of 11,000,000, the total Salt Revenue is shown in the estimates for 1871-72 to be £1,300; in the Central Provinces, with a Population of 8,000,000, the Salt Revenue is £125,000; in the North-Western Provinces, with a Population of 30,000,000, the amount is £445,000; in the Punjab, with a Population of 17,500,000, it is £465,000. In reality, since the Duty on Salt is the same throughout these four Provinces, and there is no reason to suppose that the consumption per head varies materially, the amount of Salt Revenue paid by each Province is, approximately, proportionate to its Population. The simple reason of the great disproportion in the collections of each Province lies in the geographical position of the salt sources from which the supply is derived. Thus the Punjab rock salt, the duty on which is collected at the mines, penetrates to every market in Northern India. The rest of the supply comes across the Inland Customs Line, and duty is paid to the Punjab, the North-Western and Central Provinces, at the places where the salt crosses the Line, without any reference to its final destination.

Bengal also supplies large quantities of salt to the Upper Provinces, and gets credit for the entire duty which it collects. Similar remarks, as Lord Napier has suggested, may be made regarding the Salt Revenue of Madras and Bombay.

Facts such as these, entirely vitiate the figures on which Lord Napier's conclusions are founded. For these reasons I do not think that His Excellency's proposals can be accepted.

\* Vide note below. Taking the population of Bengal at 65,000,000, this figure is reduced to £18 per 100 persons.

† I have taken the population of Bengal at 65,000,000, which is, certainly, below the amount which will be shown by the new Census. For the Revenue I have taken Lord Napier's figures.

	£
‡ Bengal	4,000,000
§ Bombay	3,500,000

§ If I remember rightly, the Lieutenant-Governor of Bengal has expressed the belief that if a settlement of land revenue in Bengal could now be made on the same principles as those in force in Northern India, the additional revenue received by the Government would not be less than £8,000,000 per annum. If the Settlement were made on the system in force in Bombay, the increase would be much larger.

I will not pursue this inquiry further. To recapitulate my conclusions: it seems to me—  
*1st*,—that the principle laid down by Lord Napier, and on which his whole argument is based, *viz*, that the expenditure in each Province ought to bear a certain proportion to the amount which that Province contributes to the Imperial Revenue, is inadmissible,

*2nd*,—that, even if that principle were admitted, no such conclusions as those stated by His Excellency can be drawn from the data which he has given;

*3rd*,—that those data are themselves wholly fallacious and misleading.

The fact appears to me to be that the questions raised in His Excellency's Minute are insoluble. I by no means assert that there have been, and are, no inequalities in the treatment of different Provinces. But, as a general rule, the conflict, so to speak, that had been going on, for a long series of years, between the Local and the Supreme Governments in regard to every branch of Provincial Expenditure has, I believe, led practically to a much fairer distribution of the Imperial Revenues than could have been arrived at in any other way. It is as true now as it was when the new system was introduced that there is no standard, except that of existing expenditure, by which the Assignments to different Provinces can, ordinarily, be regulated. Exceptional cases must be dealt with as they arise on their own merits.

I will only add that I am unable to agree with Lord Napier in his estimate of the engagement entered into by the Government of India in the 17th paragraph of the Resolution of the 14th December 1870, to the effect that, unless some serious fiscal misfortune should occur, the Assignments made to the Local Governments shall not be reduced. That engagement was entered into, after long and careful consideration, and it could not, in my opinion, be set aside without extreme impropriety—to use no harsher term. The Government of India was quite alive, when it made this promise, to the fact that such pledges are, ordinarily, very inexpedient. But it was satisfied that, without this condition, the acceptance of the Scheme by the Local Governments was entirely out of the question; and if those Governments had disapproved the scheme, its failure was certain.

The Government of India knew also that the Assignments were, in all cases, moderate, having regard to the charges to be met, and that the charges themselves were of such a character, that they would, inevitably, go on increasing with the progress of the Country.

In regard to the propriety of further extending the new system of Provincial Assignments urged in the latter part of Lord Napier's Minute I propose to state my opinions in a separate Note.

J. S.,—27-7-72.

### PROVINCIAL SERVICES.

Note by THE HON'BLE SIR J. STRAUCHY.

In the latter part of His Excellency the Viceroy's Note dated 23rd instant he desires my opinion in regard to the propriety of further extending the system of Provincial Assignments, and, specially, whether the system could be applied to any sources of revenue.

2. For several years past—and long before the Resolution of the 14th December 1870 was issued—I have lost no opportunity of maintaining that this system should be applied not only to Expenditure but to Income. Almost all the reasons which rendered it desirable to place on the Local Governments the responsibility for managing their local Expenditure apply equally to the management of the Revenue.

3. There never has been, and never can be, any proper care given by the Government of India to the development and administration of those branches of the Revenue which depend entirely, for their management and collection, on the Local Authorities. As I have often said before, the control of the Government of India over the fiscal proceedings of the Local Governments has, virtually consisted in haggling over the details of Expenditure, while the sources of income have been left, to a great extent, to take care of themselves. Although the great reform carried out by Lord Mayo in December 1870 has led to immense improvement in regard to Expenditure, the statement which I have just made, still, remains substantially correct. It is inevitable that it should be so, under the existing system; and, if it be impossible for the Government of India to supervise and regulate all the details of local Expenditure, it is still more impossible for it to supervise the details of managing the administration of the Revenues. I think it certain that the Authorities who administer the Revenue ought to be made practically responsible for doing so in the best manner possible; and this responsibility will not be really felt until the Local Governments find that, while bad administration of the Revenues leads to their own injury, good administration gives them increased means of carrying out the improvements which their Provinces require. They have now no personal inducement (so to speak) to develop the Public Revenues; and this inducement ought to be given to them.

A good illustration of this has recently come up from Bombay. The Local Government having no interest in the salt revenue, objects to provide buildings required for Imperial purposes. A conflict of interests is thus created, and the inevitable result, in such cases, must be, that expenditure which directly benefits Provincial Interests will be preferred to that which is incurred only on account of the Imperial Government.

4. So far as the principle under discussion is concerned, it has, to a certain extent, been already admitted and acted upon, since the Resolution of December 1870 gave to the Local Governments the whole of the Receipts on account of the Services transferred. These amounted altogether to £648,000. This was, clearly, an Assignment of Imperial Revenue.

## CHAPTER XIII.

THE HON'BLE SIR  
J STRACHAN,  
28th July 1872

The distinction between Imperial and Provincial sources of Revenue is purely arbitrary; and the revenue that has already been transferred, and many of the existing Provincial Taxes, are really just as much assignments of Imperial Revenue as any others that could be made.

5. The branches of Revenue which can properly be dealt with in the manner proposed are, chiefly, those which depend for their development on good Local administration. The best examples of such sources of income are the Excise and Income tax. There are also items of receipt, for the most part of comparatively minor importance, which are connected with the services transferred to the Local Governments. As I have already observed, the propriety of making over to the Local Governments these branches of revenue has already been recognised and acted upon.

6. Whatever further development be given to the System of Provincial Assignments, I think that the arrangements made in December 1870 should remain substantially untouched. The Government of India then fixed certain sums which were to be granted annually to the Local Governments on account of certain Services. If the plan be adopted of making over to the Local Governments a proportion of certain branches of income, the assignments of this nature should be in addition to the existing Provincial Grants, not in substitution for them, a corresponding fresh charge being transferred to the Local Governments.

7. In order to determine what amount of the Revenues should be assigned, it will be convenient, first, to determine the nature and the amount of the charges which may be properly transferred.

There can be no question that the reasons which led to the Measure of 1870 equally justify the extension of the same system to other items of Expenditure.

8. I think that the transfer of the following charges might properly be made.

(Budget Grant 15)

1st.—Charges on account of Provincial Administration

These include the salaries of Governors, Lieutenant-Governors, and their Staff, Heads of Departments, their establishments, and contingent expenses

(Grant 16)

2nd.—Minor departments of a Provincial Character.

These include such items as Museums, Botanical and other Gardens, Model Farms, Meteorology, Local Examinations, &c.

(Grant 17)

3rd.—Law and justice.

This includes all the Provincial, Civil and Criminal Courts, their establishments, and contingencies.

(Grant 20)

4th.—Medical Civil Salaries, &c.

(Grant 24.)

5th.—Miscellaneous.

Since the Resolution of December 1870, further transfers were made under this Head in March 1872 of items of a local character. Others still remain which might be similarly transferred.

9. It is obvious that, in the administration of some of these branches of expenditure, questions of imperial importance are involved. But the transfer of these charges would remove none of the restrictions which are now imposed on the Local Governments in dealing with such questions; and the Rules laid down in the Resolution of 14th December would be equally applicable. While, however, the Local Governments would have no power to make, on their own authority, great constitutional changes, there is great scope for improved administration and economy in details, such as the strength of office establishments and contingent charges which, now, swallow up large sums of money. And although the power of the Local Governments to make organic changes would not be increased, their interest in advocating and imitating reforms tending to improved administration and economy would be greatly stimulated. The charges which it is now proposed to transfer, do not differ, in their nature or in magnitude, from some of those already made over. For example, the Police is as important a branch of administration as any other that can be named, and its cost was greater than that of any of the other Services that have been above mentioned.

10. The charges in question are growing charges, and, by their transfer, to the Local Governments the Imperial Government will, in a great measure, be protected against future demands for increased expenditure. But the fact that these charges are growing charges, and that there is a limit to the power of economising, makes it right that the Local Governments should have a growing income. It has been said, with much truth, that the Measures taken in December 1870 were, to a certain extent, incomplete, because they did not provide for future expansion of charges, and that their tendency was, therefore, to force Local Governments to impose new taxation. This objection is got over by the plan of assigning to the Local Governments a portion of those branches of Revenue which, it is reasonable to suppose, will go on increasing, and the development of which depends on local good management.

11. Excise and income tax answer to this description, and a proportion of these might, with advantage, be assigned to the Local Governments, together with the whole of the connected charges. Besides these, a proportion of the revenue derived from commercial stamps, and of the Court Fees which depend on the administration of Law and Justice might be similarly transferred.

A rough calculation\* shows that if the charges above enumerated were thrown upon the Local Governments, they could be approximately covered by an assignment of one-half of the Excise Revenue, one half of the Income Tax, one-half of the Stamps, and the whole of the Court Fees.

\* Vide Table appended, which is simply given as an illustration. The figures would, undoubtedly, require modification.

Detail of imperial charges which may be additionally transferred to provincial.

If revenues be assigned to Local Governments, a corresponding amount of fresh charge should be transferred from imperial to provincial.

The calculation is founded on the total figures from all the Provinces. Probably, modifications would be necessary in making the practical distribution. It is not necessary, at the present stage of this discussion, that I should enter into further details. A few general remarks may be added.

CHAPTER XIII.

The Hon'ble Sir

J STRACHEY.

28th July 1872.

12. In assigning to each Local Government a certain proportion of different branches of revenue, it would, apparently, be desirable to fix a minimum amount as the share of the Imperial Government. For example, the Excise Revenue being, say, £2,217,000, 50 per cent. would be assigned to the Local Governments, with the proviso that not less than £1,108,500 should always be reserved as the minimum amount due to the Imperial Government. If the Revenue should expand, the Local Government would receive 50 per cent. of the increase. If the Revenue should diminish, the obligation of meeting the deficiency would fall, primarily, on the Local Government, which would, either, make it good from other sources, or would reduce its expenditure. Exceptional cases, such as those arising from widespread scarcity or famine, would have to be considered, as they arose, by the Imperial Government, the remedy, in the last resort, being a Special Grant.

In case of any organic change in the administration of any branch of Revenue materially affecting the amount of income, such as alterations in the rate of Income-tax, the percentage of revenue transferred must be subject to modification.

It would also be necessary to provide for the revision, from time to time, of these arrangements in regard to the proportion to be assigned to Local Governments. Otherwise, the increase of Revenue might be so great as to give an undue advantage to the Provincial, at the expense of the Imperial, revenue. The assignments of transferred revenue should be revised from time to time.

The power must, necessarily, be, at all times, reserved to the Supreme Government of calling upon the Local Governments, in case of any extreme emergency, to surrender, for the necessities of the Empire, any advantages which they may have obtained under the proposed Measures.

13. I have said nothing regarding the transfer of a portion of the Revenue derived from Land, Forests, and Salt. Difficult questions are involved, which it is not now necessary to discuss. I may, however, observe that I am strongly inclined to think that in some Provinces, and, especially in Bombay, a share of the salt duties might, with advantage, be transferred. This would not only interest the Local Government in developing that important branch of revenue—and in Bombay it is acknowledged to be very backward—but might render possible the abandonment of unpopular Provincial Taxation, and might go far towards removing objections and difficulties which have, hitherto, stood in the way of the equalisation of the Salt Duties throughout India.

14. Before the Measures suggested in this Note can be carried out, it is obvious that they require to be thoroughly considered and discussed, and the details must be carefully elaborated. It may not be expedient that the whole of the transfers should be made, at once, or simultaneously. I have only sought to indicate, in a general way, the direction in which I think that good policy requires us to move, in order further to develop the system of Provincial responsibility for good financial administration.

J. S.,—28-7-72.

Table to illustrate, approximately, propositions in SIR JOHN STRACHEY'S Note of the 28th July 1872: the figures are taken from the Estimates for 1872-73.

RECEIPTS	Oudh.	Central Provinces	British Burmah	Bengal.	North-Western Provinces	Punjab.	Madras.	Bombay.	TOTAL
	£	£	£	£	£	£	£	£	£
Half Excise	42,500	52,500	49,500	325,000	102,500	45,250	285,000	206,250	1,108,500
Half Assessed Taxes	9,000	8,500	4,000	92,000	43,000	23,500	34,000	54,000	268,000
Half Stamps	10,750	12,700	6,725	137,110	40,750	31,800	80,000	111,400	431,235
Court Fees	75,000	6,600	28,550	520,779	226,000	176,400	240,000	290,200	1,623,529
Law and Justice	11,000	15,000	17,100	75,000	86,800	45,000	95,400	35,500	380,800
<b>TOTAL</b>	<b>148,250</b>	<b>155,300</b>	<b>105,375</b>	<b>1,149,889</b>	<b>499,050</b>	<b>321,950</b>	<b>734,400</b>	<b>697,350</b>	<b>3,812,064</b>
CHARGES.	Oudh.	Central Provinces.	British Burmah.	Bengal.	North-Western Provinces	Punjab.	Madras.	Bombay	TOTAL.
	£	£	£	£	£	£	£	£	£
Excise (the whole including Refunds)	3,537	7,100	150	92,131	11,620	6,800	26,700	60,263	148,401
Assessed Taxes (the whole including Refunds) ...	959	450	720	26,127	3,130	3,400	5,000	7,491	47,277
Stamps (including Refunds) ...	2,373	5,000	1,810	50,921	12,940	6,600	19,500	21,848	120,992
Administration ...	37,390	42,300	35,300	172,900	118,500	113,400	135,900	175,600	834,900
Minor Departments ...	600	2,400	100	20,400	14,500	7,000	19,700	18,900	83,600
Law and Justice* (including Refunds) ...	64,995	78,900	62,170	727,500	330,700	184,000	368,400	454,740	2,271,405
Medical ...	6,800	13,000	7,000	38,500	26,800	21,000	30,800	27,500	171,400
<b>TOTAL</b>	<b>116,564</b>	<b>149,750</b>	<b>107,250</b>	<b>1,068,479</b>	<b>518,190</b>	<b>342,900</b>	<b>609,000</b>	<b>766,943</b>	<b>3,677,875</b>

\* The figures under this Head include, it is believed, in all cases, a proportion of the charges on account of Officers.

CHAPTER XIII. *Minute by His Excellency THE GOVERNOR GENERAL, dated 27th July 1872.*LORD NORTHBROOK,  
27th July 1872

There are several papers waiting for decision connected with Provincial Services, upon which there is some difference of opinion. This is only natural during the infancy of a system which has made a considerable change in the manner in which the business of the Local Governments is transacted.

Various questions  
of detail affecting  
provincial funds.

It is very desirable that these questions, which may form precedents for future guidance, should be carefully considered; and I therefore circulate them with my idea of the decisions which seem to me to be advisable. But I should be glad of any further observations from Sir John Strachey and Sir Richard Temple, as well as from any other Members of Council, as there are several points upon which I hesitate before arriving at a conclusion; and we should hear all that can be said upon both sides.

I.—The Public Works Department enquire—

(1) If the Resolution of the 14th December 1870, paragraph 21, Rule 1, applies only to special and ungraded Appointments.

The answer is, as proposed by the Finance Department, that it applies to all appointments; that is to say, that no new appointment of more than Rs. 250 a month shall be created without previous sanction, and that no appointment of less than Rs. 250 shall be raised by increase of pay or allowances to more than Rs. 250, without previous sanction.

*Order in Council, 1-8-72.*  
Approved.

(2).—Whether, under Rule 2, the Local Governments may increase the number of persons employed in classes or grades already sanctioned, provided that the appointments do not exceed Rs 250.

The answer, as I understand it, proposed by the Finance Department, is correct, viz., that it is intended that the power shall be given to Local Governments without previous sanction.

Approved.

(3) As regards the 3rd Rule, the Public Works Department ask how it is to be enforced.

The Finance Department suggests that monthly returns should be furnished of all alterations of pay, &c.

The Public Works Department think that the Provincial Budget Estimates and the Proceedings will suffice, as far as that Department is concerned.

*Order in Council.*  
Approved.

Considering that the question involves only the lower classes of appointments, it seems to me not to be necessary to call for monthly returns.

II.—The North-Western Provinces Government suggest that, where an improvement (e.g., a drainage work) is carried out by Local Funds, and has the incidental effect of increasing the Land Revenue, its cost should be paid from such increases.

The Finance Department object, on the ground that if no Provincial Assignment had been made, the improvement would have been carried out, and the Imperial Revenues have derived the profit at once, and also on the ground of the complication in the Accounts which would arise from admitting the course proposed.

Sir John Strachey thinks that some means might be found to obviate the technical difficulty, and that, as a matter of policy, the allowance should be made for the purpose of encouraging Local Governments to spend some of the Provincial Assignments upon works which, while they are locally desirable, may also profit Imperial Revenues, for if no advantage is held out to them, it is probable that they will, either, not make the works, or force them upon the imperial revenues.

*Order in Council.*

The Government, North-Western Provinces, to be informed that the question will be reserved for consideration with other questions regarding the expansion of the Provincial Service Scheme.

I think that Sir John Strachey is right, and would concede the point, under such Regulations as may be approved in the Revenue Department.

III.—In the same way, and for the same reasons, I would allow the revenue derived from

*Order in Council.*  
Approved.

Mines and Quarries, opened and worked at the cost of provincial Funds, to go to these Funds: without such an inducement, it is improbable that the Country will derive the full benefit from these Resources. It will be necessary, however, that the Imperial Government should give previous sanction to the rates or royalties proposed to be levied; and there may be cases which should be treated exceptionally and retained under Imperial Management.

IV & V.—The question is, whether, after a certain sum has been allotted to provincial funds for a particular service of a temporary character, e.g., Census, or a Gazetteer, any expenditure in excess of the sum allotted may be charged to Local Funds.

The Financial Department see some difficulty in carrying this out. I confess I do not see it myself, and the proposal commends itself to me as being likely to induce Local Governments to be economical, and also as preventing unforeseen excesses in Imperial Expenditure as compared with the estimates.

I would allow the £300 for the Gazetteer of Burma to be defrayed from Local Funds, and allot a proper sum for the Census operations in Bengal, on the condition that any excess shall be borne from Local Funds.

*Order in Council.*  
Approved.

VI.—Whether a house for the Political Agent, Hill Tipperah, shall be paid for from Provincial or Imperial Funds?



I think, with the Financial Department, that as this service would under the old system have been charged to 'Civil Buildings,' it should be defrayed from Provincial Funds.

Approved.

VII—Whether an extra grant should be given to Bengal on account of the Burdwan fever, and the extra expense to which the Bengal Government has been put on that account. This raises a question of considerable importance, *viz*, whether unforeseen expenditure under any one Head of the Provincial Services should be charged, in the first instance, to the general surplus, if any, of provincial Grants, before the Imperial Government should be called upon to contribute.

CHAPTER XIII.

LORD NORTHBROOK,  
27th July 1872Minor matters  
about provincial

I think that the Financial Department are correct in their view, that the above is the proper principle to lay down, and that it should be asserted.

At the same time, in this case, and in the case of the building for the Jamssetjee Jeejeebhoy School of Art at Bombay, I am disposed to couple the assertion of a sound principle for the future, with liberal treatment in the particular cases, more especially as a grant of a lakh was made to the Government of Madras, a short time ago, on account of the expenses incurred by that Government to meet the Famine in Ganjam. I would give the Bengal Government a lakh for the Burdwan fever expenditure. Controversial questions of this kind are often settled, satisfactorily, by a little concession in a particular case; while sound principles are laid down for the future.

There is an incidental point with respect to the salaries of Medical Officers, upon which I can offer no opinion.

There are some further questions relating to Provincial Assignments which require further consideration before they can be brought before Council; but I do not like any longer to delay a settlement of those now brought forward.

It is unfortunate that we have, for the moment, no representative of a Local Government in Council, and, for that reason, we must take care to consider all that can be urged upon their side of these questions.

N.,—27-7-72.

In reference to His Excellency the Governor General's Memorandum of the 27th, I have to remark as follows.

THE HON'BLE SIR  
R. TEMPLE,  
29th July 1872.

If a source of Imperial Revenue is developed by Provincial Expenditure, I think it impossible, under existing system, to give to Provincial Funds any share in the said revenue, that is, the revenue derivable therefrom.

We cannot at present alienate any part of Imperial Revenue.

Whether we ought to do so, in future, or not, may be a question. As yet we have no authority for such a proceeding.

No, if it be thought that we ought not to put this charge on the Provincial Services, we can defray it from Imperial Resources. That, no doubt, is within our power. I would add that the assigning to Local Governments a *share* in the fiscal proceeds of any undertaking might lead to disputes and to some complication in Accounts.

About the defraying of small charges, like Census, by granting a certain sum, leaving the Local Government to provide from Provincial Funds whatever may be required in addition, I have not much to say, but I do not myself quite approve of the plan. One objection is, that we should hardly know what the real total cost of any given operation had been.

A charge ought to be wholly defrayed from Imperial Resources, or wholly from Provincial.

I regret that I cannot, for one, concur in the proposal to grant a lakh of rupees to the Government of Bengal, for the Burdwan fever. I think that the objections set forth in my Note of the 12th July are insuperable. Indeed, the case is even stronger now than I then put it. We then supposed that the surplus in possession of the Government of Bengal was £30,000. We now learn that it is considerably more, and may be as much as £150,000. It would be inexpedient to make India pay a lakh of rupees for Bengal, which Bengal can afford to pay, perfectly well, for itself.

As to the Vizagapatam precedent, certainly a lakh of rupees was granted. I, for one, strongly deprecated the grant at the time; and I am, in consequence, the more anxious that it should not be made a precedent for a similar grant to Burdwan.

The cases, however, are not similar. Madras had, at that time, no surplus—it appeared to be rather in difficulty for funds, whereas Bengal has an abundant surplus. Madras has spent a good deal from its own resources on the Vizagapatam famine; Bengal has, as yet, spent little or nothing on the Burdwan fever.

\* Indeed, it is the fear of forming precedents that intensifies my objection. If grants are conceded on grounds of this nature, not a year, not even a half-year, or a quarter, will pass, without applications of this character being made and acceded to. Several lakhs yearly will be added to expenditure on Provincial Services, and will be, virtually, taken away from other branches which need the money much more. And this is a financial consideration, which ought, I submit, to be looked to now.

R. T.,—29-7-72.

## CHAPTER XIII.

I agree on all points with His Excellency. I only wish to add, with reference to Sir R. Temple's remark, that "we cannot at present alienate any part of Imperial Revenue," that we have, already, under the Resolution of 14th December 1870, made over to Local Governments, under certain conditions, nearly £700,000 of Imperial Revenue.

J. S.,—29-7-72.

H. W. N.,—30-7-72.

N. OF M.,—31-7-72.

A. H.,—31-7-72.

I agree generally. I have much doubt as to the permission to credit to Provincial Funds royalties on Quarries, and from local improvements. Not that I think these concessions wrong in principle; but because it will be difficult, in practice, to keep in check claims of this sort upon Imperial Sources of Revenue, but if they can (as, perhaps, is possible) be placed under proper rules, there seems no objection.

E. C. B.,—1-8-72.

*System of allotments for Provincial Services.*

HON'BLE SIR  
RICHARD TEMPLE  
13th Sept 1873

I submit, for the consideration of His Lordship the Governor General and my Hon'ble Colleagues, a Note by the Financial Secretary, Mr. Chapman, on various matters connected with the Allotments for provincial services, as His Lordship the Governor General desired that these matters should be taken up all together.

As these papers are already lengthy, I will not add much to them, save a brief statement of my opinion by way of recapitulation.

Further extension  
of the provincial  
service system is  
inexpedient, indeed  
certain restrictions  
are needed.

I am not prepared to recommend any extension of the Provincial Service System. I see no need of, or advantage in, such extension; but, rather, possible harm to the Central Control and management of the Finances.

I am not convinced that the Local Governments would, or could, improve any branch of Revenue by reason of their having a financial interest in its expansion.

I think that the Government of India cannot afford to surrender its claim to all increases which may be obtained in the Revenues, by reason of its obligation to keep the finances in order, and to reduce or keep down the National Debt.

One particular objection to making over any such branch in whole, or in part, is this, that any such arrangement would work very unequally in the different Provinces.

Besides the general objection, I think that objections in detail come out whenever any particular branch of Revenue is considered.

The Headings, however, to which there is less objection than to any other are those of Stamps and Law and Justice.

If any branch were to be thus made over, it could not be excluded from the Receipt side of the budget. The adjustments would have to be made on the Expenditure side.

I think that no deviation should be allowed from the principle that additional allotments should not be made for Provincial Services, unless the purpose comes strictly within the category of those Services, that no such allotment should be made for any Service that may be in a strict sense Imperial; and that no Local Government should be allowed to incur a charge of an imperial nature on the understanding that the charge should be defrayed from Provincial Funds.

There seems to me to be a need for rules to prevent Local Governments from pledging their successors to local expenditure to an excessive degree.

The finance of provincial services is, indissolubly, connected with imperial finance. This consideration necessitates a general watchfulness, over provincial services on the part of the Government of India.

It is manifest that the Local Governments must have command of the cash balances of their provincial services. This is essential to the continuous existence of the Provincial Service System. I would permit them to lend money for these Services in any case where they might, under rule, spend it. I would allow them interest on a specified portion of their provincial balances which they keep in the General Treasury. But I would not allow them to invest, whether in Government securities or other, any part of these balances. I would not allow them to borrow on security of Provincial Funds. Nor would I lend them anything on this security from the General Treasury.

In these remarks I draw a clear distinction between Provincial Funds and Local Funds. I would not make any charge on Provincial Services for Pensions or Leave Allowances of officers employed thereon.

The above points relate to general matters.

On the points of detail mentioned in Mr. Chapman's Note, I have to observe—

that Municipal Fines may be credited to Municipal Revenues;

that Excise Revenue of the seaports of British Burmah cannot be made over to Local Funds;

that a further Provincial Assignment might be made to Burmah if imperial finance shall admit of it;

that the transfer of Medical Services altogether to the provincial category cannot be effected; that imperial dues on Quarries, Gravel-pits and the like ought not to be credited to provincial services; that nowhere ought a separate officer for Provincial Accounts to be allowed; that a Financial Council cannot conveniently be allowed in any Lieutenant-Governorship, that we cannot make any general increase of Allotment to any Local Government, that special sums may occasionally be added on cause shown, that a moderate sum may thus be specially allowed to Madras for Light-houses and Light-ships.

CHAPTER XIII  
THE HON'BLE SIR  
R TEMPLE,  
13th Sept 1873

R. T.,—13-9-73.

\* By desire of His Excellency the Viceroy the accompanying *procès* has been prepared of the answers to the Circular No. 2019, dated 17th August 1872, by which opinions were called for upon the working of this Measure, and suggestions for its improvement. It seems right that the views of this Department upon the general questions raised, as well as upon the other connected questions awaiting decision, should be submitted to the Government.

FINANCIAL SEC-  
RETARY,  
5th Sept 1873

Two general proposals may first be considered, *viz*

(I) That for the Fixed Allotment to each Province be substituted, either wholly or in part, the Revenue raised in each Province under some specified Heads, or a share in some, or all, of the Revenues so raised.

(II) That more Services be made Provincial with an adequate provision for their support.

The object of the proposal (I) to substitute Revenue for the Fixed Assignments is represented to be two-fold, *viz* :

(1) To introduce an element of elasticity into the Resources of the Provincial Governments and.

(2) To give to the Provincial Governments an interest in the development of the Revenues

Whether an assignment of revenue should be substituted for a fixed allotment for the charges.

As to the first object, all that need be said is that, as yet, the resources at the disposal of the Provincial Governments have proved, on the whole, sufficient for their needs. Upon the whole, the balances of the Provincial Governments have accumulated. They aggregated, on the 31st March last, about £1,000,000. Had it been otherwise, and had no economy been found possible, the Government of India must, probably, have given some aid.

But, so far as the argument means that it should be made more easy for the Provincial Governments to spend money, it appears unsound. It is also unsound in so far as it may tend to withdraw more public funds from the fundamental financial restriction by which savings are hypothecated for the reduction of debt, and are not available for expenditure otherwise.

The second of these arguments has been used more by Members of the Government of India than by the Local Governments, who, with the exception of the Government of Bombay, do not put it forward. It does not appear to be of much importance. Experience shows that, under the existing system, there is no lack of zeal and interest in the collection of the revenues

The measure of December 1870 having advisedly fixed for some years the expenditure for certain growing heads of charges, an allotment of revenue to facilitate growth of expenditure would be unsound, and it would infringe the principle by which surplus is hypothecated for reduction of debt.

Indeed, it may, perhaps, rather, be wise, on the part of the Supreme Government, not to take any step that may, at all, fetter its powers and influence in restraining the zeal of the revenue officers. There seems more need, as a rule, for the interference of the Supreme Government on the side of discretion, than in order to stimulate zeal. The principle and policy, so to speak, farming the revenues to the Provincial Governments on a large scale, or "giving them an interest in their development" as it is called, appear questionable for more reasons than one.

The Government of India is, usually, much more conservative than are the Local Governments. its traditions are much more steady and continuous than theirs, it is, habitually, more cautious, and acts under a much graver sense of responsibility. A chief defect in the Scheme of Fixed Assignments for Provincial Services as first issued was its recognition of the possibility of taxation by the Provincial Governments for provincial purposes. Fortunately, the prosperity of the Imperial Finances and the economical success of the new financial arrangements for Provincial Services has made actual Provincial Taxation little necessary; and the Imperial Government has reverted to its characteristic and proper *role* of discouraging such taxation.

I venture to think that it is better that the Provincial Governments should not have any direct or separate interest in the development of the Revenues, and that the Imperial Government should not part with absolute freedom of control over Taxation, or give to the Local Governments any share or separate interest therein.

I believe it to be a profound delusion to suppose that taxation is more acceptable from the hands of a Local Government than when imposed by the Imperial Government, or that, substantially, a Local Government can, or ought to, do anything to develop the Revenue which cannot be done under the existing system. On the other hand, I believe that the instinctive sense of caution and responsibility can never be so great in a Local Government which feels that it has the Government of India behind it, as it is in the Government of India which has no one at its back, and is answerable for the consequences of any policy that it may adopt. And there is probably no matter in respect to which caution is more vitally important, than the regulation of Taxation that affects the masses of the population.

So much for the general question. The embarrassments that may result from having to consider any claim or separate interest that may be given to the Provincial Governments in

CHAPTER XIII. respect to particular Heads of Revenue will appear upon examining the proposal, Head by Head, as will be done presently.

FINANCIAL SEC-  
RETARY,  
5th September 1873  
The older Govern-  
ments would profit  
least by the transfer  
of revenue.

Before doing so, I notice another general objection which, though it may seem, to some extent, to conflict with the arguments just used, nevertheless deserves attention. It is this: The Governments of those Provinces of which the revenues are the most fully developed, whether by successful administration or from prolonged British occupation, or from whatever cause, are precisely, those which will profit least by the proposed arrangement. The force of this objection, also, will appear more fully in considering details. It might be met, more or less entirely, in two ways—*1st*, by giving *different* interests to the different Provincial Governments, and not insisting upon uniformity as to the Heads made over, or as to the shares given, and *2ndly*, by reserving power to re-adjust, from time to time, the share or interest given to each Government.

if revenue be  
made over, it should  
perhaps be trans-  
ferred net

It would probably be found most difficult to maintain either reservation. If Revenues are made over at all, I presume that they will be transferred *net*, and not gross, in other words, if any separate interest is given to the Provincial Governments in the Revenues, they must accept a corresponding responsibility for the cost of collection. The arguments of the Members of the Governor's Council at Bombay on this point should, probably, prevail over those of His Excellency the Governor.

Now to take up each Head in detail.

*I.—Land Revenue*—This would appear, of all the Revenues, the most appropriate in which to give the Provincial Governments a share; and if the principle is adopted at all, I am not prepared to say that the Land Revenue should be excluded from any arrangements made.

Yet there are very serious objections to the transfer:

Whether any  
share in land re-  
venue should be allow-  
ed to Local Govern-  
ments?

*1st*.—It is quite clear that the several Governments would profit in very different proportions. In Bengal, for instance, there is very little possibility of further developing the Land Revenue. Everywhere else, excepting in Burmah, Madras and Bombay, the prospects of increase are limited, and more or less remote; and even, as between Madras and Bombay, it is certain that Bombay must profit far more than Madras, which has already reached a very high development. Accordingly, it is from Bombay, chiefly, that clamors have arisen for a share of the Land Revenue. It is true that good theoretical arguments may be found for giving funds to the several provinces in proportion to the growth of their land revenue. But the theory, however correct, would not suffice to overcome the practical difficulties.

If the theory is accepted by the Government of India, then it must be prepared to allow free Provincial Taxation by Governments (like, for instance, that of Bengal), which would be left, otherwise, with the largest obligations and the smallest revenues to meet them. I fear the practical must prevail over the theoretical.

*2nd*—There are two great schools of opinion as to the proper principles upon which the land revenue should be assessed and levied.

One school argues that the British power in India rests upon the basis of the contentment of the masses of the agricultural population. For this reason, and because it considers that the land bears a large enough share of the public burdens already, and that no theory, however correct, will reconcile people to a sudden increase in their payments into the public treasury, or make such increase otherwise than a hardship, this school (which is now, perhaps, in the minority) advocates a studied moderation in the assessment of the land revenue.

The other school argues that the bulk of the revenue of India must always be raised from the land, that the Government has a clear fundamental right to share in the increased value of the produce of the land; and that it is treason against the State not to exact this right fully at each re-settlement.

It appears to me extremely important that the Provincial Authorities, who, chiefly, have to hold the balance between these conflicting schools of policy, should not be biased by any, so to speak, selfish interest in the increase of the land revenue:

And, also, that the Government of India, in directing the national policy upon these great questions, should be free from having to consider, in any way, embarrassing Provincial Claims and Interests. In short, it is important that there should be no temptation to the Local Governments to treat the great question of the Land Revenue Policy exclusively from the financial point of view. Certainly, the Government of India ought, never, so to treat it.

*3rd*—If a share of the Net Land Revenue is given to the Provincial Governments, the charges for the Settlements and for the Revenue Surveys must be excluded. These charges are temporary, though they may last long; and we must not give to Local Governments a *permanent* Assignment for a temporary Charge. In the same way, I doubt whether the payments to village officers, &c., in Bombay should not be excluded from any arrangement made. The charge for such officers varies too much, and is, on the whole, *diminishing*.

Or in Tributes?

*II. Tributes*.—It would seem out of the question to give to the Local Governments any share in these revenues. They are either absolutely fixed; or subject to variation upon political considerations only.

Or in Forests?

*III. Forests*.—It seems very doubtful whether these Revenues, or any part of them, should be surrendered to the Provincial Governments. The Forest Department is not managed chiefly, if at all, in the fiscal interest; and the influence of mere financial considerations in the Department ought not, perhaps, to be increased. Again, the Forest service is, saving in Bombay and Madras, a Department in itself, the Government of India ought to be able to distribute the officers, as it pleases, without considering the interests of Provincial Finance.

Or in Excise?

*IV. Excise*.—Like Land Revenue, this head would appear, at first sight, very suitable for

transfer, wholly or in part, to the Provincial Governments. Yet, here again, there appear many objections.

1st.—The Excise Revenue is very much more fully developed in some Provinces than in others. In making it over, therefore, comparatively little would be given to such Provinces, and those, perhaps, the most deserving; while most would be given in the Provinces where least had been done to improve the revenue.

2nd.—Here, again, it seems of great importance that financial considerations should not prevail over moral considerations, and that the Government of India should not be embarrassed in any line of policy that it may adopt by separate Provincial Financial interests.

3rd.—The connection between the opium Revenue and the Excise Revenue is, at some points, intimate; it is of consequences that no step which may, however remotely, affect the Opium Revenue should be taken without the full and unembarrassed consent of the Supreme Government.

V. *Assessed Taxes*.—No assessed taxes are left, saving the Burmah Poll-tax, which is classified (erroneously I think) under Land Revenue. If that scientifically bad tax is to be kept up permanently, I see no objection to the Provincial Government sharing it. But I hope, and expect, that the Burmah Poll-tax will not last permanently. It may, some day, prove embarrassing if we now create a separate Provincial interest in it.

VI. *Customs*.—There are particular objections to giving to the Provincial Governments any separate interest in this branch of revenue.

1st.—It is impossible to distinguish the amount of customs duty derived from each Province.

2nd.—The Provincial Governments can, scarcely, influence this Revenue at all.

3rd.—The Government of India ought to retain absolutely in its own hands the unfettered power of raising or lowering the duties at discretion without regard to separate Provincial interests; for instance the Export Duty on grain.

VII. *Salt*.—The same objections apply with even stronger force.

1st.—No one can say, with accuracy, what Salt Revenue is paid by each Province.

2nd.—The Government of India ought to have entire power to regulate the Salt Duties, as it pleases, without considering how any separate Provincial Interests are affected.

Consider, for instance, such a question as the removal of the Lines in the Central Provinces, or the construction of a Railway to some salt source. Many such measures may, immediately, affect the distribution of the Revenues among the Provinces. It is highly inexpedient that the already great difficulties of dealing with this important question should be increased by new complications.

VIII. *Opium*.—I cannot suppose, for an instant, that the Government of India will think of creating any separate provincial interests in this great Revenue; though His Excellency Sir P. Wodehouse proposes it. I would maintain it strictly Imperial under all circumstances.

IX and XIII. *Stamps and Law and Justice*.—I do not at present perceive any particular objections to making these Revenues Provincial. But we should have to provide for uniformity of practice as to discount on sales, &c., and to reserve the present power to the Government of India to alter the law at discretion, as good policy may appear to require. I see no advantage in making these Revenues Provincial.

X, XI, XII, XIV, XV, XVI, XVII. *Mint, Post Office, Telegraph, Marine, Interest, Pensions, Miscellaneous*.—It seems out of the question to make any one of these classes of receipts Provincial. They seem all, from their nature, so clearly Imperial, that I do not stay to examine them in detail. I can give detailed reasons for my opinion if called upon.

It appears to me then—

1st.—that separate financial provincial interest can be created only in the following heads—

Land Revenue (including Burmah Poll-tax),  
Forest,  
Excise,  
Stamps,  
Law and Justice :

2nd.—that there are very strong objections against so treating any Heads whatever but Stamps and Law and Justice: and

3rd.—that it would be far better to keep even these Revenues Imperial.

In short, the proposal to create separate Provincial Interests in the Revenues at all appears to me open to grave objections; and I would not hesitate to reject it.

If, however, the Government resolves to adopt it, we must not strike off the provincial share of the revenues from our Imperial Estimates and Accounts, thereby destroying their completeness, but show, as we do now, the whole revenues levied, and adjust the Assignment on the other side of the Account.

We were probably wrong, before, in reducing the Imperial Receipts by the Receipts transferred. It might have been better to have continued to show the Accounts Gross.

If, however, it is thought desirable to give the Provincial Governments any interest in the Revenues, I submit that the best and simplest plan will be to divide among them a percentage of any Surplus upon the whole Ordinary Account actually attained, say one-tenth.

The distribution might be made upon the plan upon which the reserve for miscellaneous and unforeseen charges was distributed, *viz.*, after considering Area, Population, Revenues and Charges.

CHAPTER XIII.

FINANCIAL SECRETARY,  
5th September 1873.Whether a share  
in Assessed Taxes  
should be allowed to  
Local Governments?

Or in Customs?

Or in Salt?

Or in Opium?

Or in Stamps and  
Law and Justice?Or in various  
other heads?Summary of con-  
clusions

CHAPTER XIII. I do not advocate any thing of the kind; on the contrary, I deprecate it. But it appears to me to be the least objectionable method of meeting the claim made. Of course, the Provincial Governments would, in such case, also have to pay up one-tenth of any Deficit.

FINANCIAL SECRETARY,  
5th September 1873.

Whether additional heads of service should be transferred to provincial funds?

The other principal question may now be considered, *viz.*:  
"Is it advisable to make Assignments to the Provincial Governments for other Services besides those already made over to them under contract?"

One or two general objections may, first, be stated.

I. According to the present system, one practical effect of constituting any Service a Provincial Service is, that it no longer appears as a Separate Service in the Imperial Accounts. The Imperial funds expended upon it are only shown as included in the Lump Assignment for all Provincial Services. It is true that a Subsidiary Account is given of the Expenditure of this Lump Assignment, and of any other funds that are devoted to Provincial Services, and from this Subsidiary Account the whole Imperial Money spent upon each separate provincial service can be readily, ascertained.

We have not, indeed, yet got this Subsidiary Account into thorough working order. It is both rather in arrears and somewhat imperfect. The cause of this is, that it has been found inexpedient to maintain the original design which was that no distinction should be made, in these Subsidiary Accounts, between Local Funds and Provincial Resources, but that they should show the whole public money of all sorts spent upon each Service.

The object was evidently desirable; but experience shows that it is still more necessary to present these Provincial Accounts so that they shall be strictly comparable with the Assignments made and with the Imperial Accounts as kept under the old system. Local funds, therefore, are, now, carefully eliminated. The change of practice has caused temporary confusion and delay, as such changes always do. Presently, the Subsidiary Accounts will give the information excluded from the Imperial Accounts with completeness. Still, people will not readily consent Subsidiary Accounts, and the disadvantage of excluding any of the old-established Heads of Service from the Imperial Accounts is sufficiently substantial to deserve distinct recognition.

Whether savings at the end of the year should not revert to Local Governments?

II. There is, in the principle of making Fixed or Contract Assignments for particular services, a financially unsound element, which should be carefully considered whenever any extension of the system is contemplated. It is this: the system involves the surrender for current expenditure of savings which are properly hypothecated to counteract deficits, either past or prospective. The general rule by which the unspent portion of Grants of public money, lapses at the end of each financial year, though it has its disadvantages, is yet, on the whole, strongly conducive to sound finance as involving continual restrictions upon Expenditure.

One of the essential and most popular features of the System of Assignments for provincial services is, that it relaxes this wholesome regulation, the very disagreeableness of which is strong evidence of its usefulness. Sir Philip Wodehouse would give up the relaxation; but I fear this is not possible,—the System of Provincial Assignments is founded upon it, and its elimination might lead to the collapse of the whole Measure.

At the origin of the System of Provincial Assignments, this relaxation was counterbalanced by withholding a certain percentage of the whole Assignment which experience has shown to be not very different from the Savings possible. It is probable that this *discount* (as it may be called), together with the limitation of the public expenditure upon some very clamorous Services, made the arrangement, on the whole, financially good. It is not, however, proposed that any "discount" should be taken in respect to any other Services that may be made over; while the savings on some of them are habitually large.

It is almost certain, therefore, that there will be financial loss upon the transfer of any more Services, hardly to be balanced by the solitary advantage of placing a rigid limit upon the expenditure upon them.

It should be considered, if any further transfer is made, whether it would not be right either to deduct a percentage for expected savings, based upon the experience of the past three years, or to base the assignments upon the average *actual* expenditure of the past three years, and not upon the Grants.

Whether charges of collection should be made provincial?

III. It seems, for two reasons, especially doubtful whether the expenditure for the collection of the revenue should be made provincial:

(1) The Imperial Government ought to have full control over this portion of the administration. The integrity of the revenue should not be exposed to the most remote risk, from any uncontrolled proceedings of the Provincial Governments.

(2) The revenues and the expenditure, upon their collection ought, certainly, to appear in the same Account side by side. It ought not to be necessary to refer to a Subsidiary Account in order to find the cost of collecting the revenue. One of the Accounts which has always been presented to Parliament gives the *Net Revenue*. It will be a complication if the collection charges are Provincial and the Revenue Imperial. Certainly no collection charges must be made Provincial without the special authority of the Secretary of State.

Whether parts of grants should be transferred in any case?

IV. Another preliminary suggestion is, that any further transfer should be by whole grants, no *part* of a grant should be transferred. The Rule has been, fairly observed hitherto, the chief exceptions being—

(1) *Medical Services*, the expenditure on which is at present, half imperial, and half provincial. It is proposed to make it wholly provincial, though there are serious difficulties in the way. This matter will be referred to again.

(2) *Jails and Registration* were separated off from *Law and Justice*; but these had always been distinct Sub-heads, and they are self-contained Departments.

(3) *Public Works*.—Here, again, the expenditure is half Imperial, and half Provincial. It was impossible to make the expenditure on military works Provincial, and it was thought proper to reserve as Imperial the works affecting the Imperial Revenues.

(4) *House-ent and Petty Construction and Repairs*.—These items were found to be so closely connected with Public Works Expenditure, that it was thought better to let them follow the portion of that expenditure made Provincial.

Saving, however, for such exceptional reasons, no Head of Account ought to be broken up, or made partly Imperial and partly Provincial.

Now, turning to details, it will, probably, be evident *at once* that none of the following services can be made Provincial.

1. Interest on Registered Debt.
2. Interest on Service Funds and Other Accounts.
10. Opium.
12. Mint.
13. Post Office.
14. Telegraph.
20. Political Agencies.
21. Allowances and Assignments.
22. Furlough and Absentee Allowances.
23. Pensions, &c.
24. Loss by Exchange.

The other Heads must be considered more closely. My remarks will be subject, throughout, to the reservation that they are made upon the supposition that the General Preliminary Objections are overruled and set aside.

3. *Refunds* must obviously follow the Heads. If they are retained as Imperial, the refund must be Imperial also. If any revenues are made provincial, the connected refunds should be provincial too.

4. *Land Revenue*.—It seems clear that, at any rate, the expenditure on Revenue Surveys and Settlements, which is temporary only, should remain Imperial, otherwise this Service seems as suitable for transfer as any other like Head.

5. *Forests*.—For the reasons given under this Head of Revenue, it seems specially doubtful whether this should be transferred. The administration of this Department, of all others, should be under uniform direction; and it should not be dealt with chiefly on financial considerations.

6. *Excise*.—As suitable for transfer as any other cognate head.

7. *Assessed Taxes*.—Obsolete for the present.

8. *Customs*.

9. *Salt*.

the revenues cannot be so treated.

11. *Stamps*.—As little objection to make this Provincial as there is to so treating any head.

15. *Administration*.—This Head, too, seems as suitable for transfer as any one; but the Account Department must remain Imperial.

16. *Minor Departments* cannot, without great inconvenience, be made provincial. The expenditure under this Head is, chiefly, for the great Scientific Departments—the Topographical, Geological, Statistical, Archæological Surveys, &c. Such services cannot, be broken up among the Provinces.

17. *Law and Justice* is as suitable for transfer as any other Head; but must not be over unless land revenue is transferred, as a great part of the expenditure incurred for the two departments is common to both, and more or less arbitrarily divided between them. The financial control in both departments must be in the same hands.

18. *Marine*, like the corresponding receipts, can hardly be made Provincial, save under some special arrangements.

19. *Ecclesiastical*.—No special objection to making this Service provincial in Bombay and Madras. But the rest of India is served by one Ecclesiastical Department, and Burmah is provided for from Madras. As the promotion of the Ecclesiastical Officers depends upon their standing, and officers are posted at the discretion of the Bishop, without any necessary reference to their standing, it seems impossible to make any satisfactory settlement with the Provinces of the Bengal Presidency or with Burmah for this Service.

25. *Miscellaneous* is unimportant; but, for various reasons, cannot conveniently be made provincial.

Upon the whole, it is evident that very few Services now Imperial can be made Provincial without more or less grave objections.

It is my decided opinion that no further transfers should be attempted.

So far as I know, the trouble caused by the detailed intervention of the Imperial Government in respect to Services now Imperial is unimportant. As to the General Administration, the Government in the other Departments will know whether the Supreme Government should abdicate any part of its functions in respect to Services now Imperial.

I proceed to note the several questions relating to the System of Fixed Assignments for provincial services, which have been, from time to time, reserved for decision until there should be a general review of the whole System:

1st.—Will the Government of India restrict the discretionary powers of the Provincial

CHAPTER XIII.

FINANCIAL SECRETARY,  
5th Sept. 1873.

Heads of service which cannot be made provincial.

EXPENDITURE

Whether Refunds can be transferred to provincial?

Or Land Revenue?

Or Forests?

Or Excise?

Or Customs and Salt?

Or Stamps?

Or Administration?

Or Minor Departments?

Or Law and Justice?

Or Marine?

Or Ecclesiastical?

Or Miscellaneous?

Summary of conclusions.

CHAPTER XIII. Governments in respect to Provincial funds to the Services which are Provincial, and for which provision has been made by an Assignment of Imperial Funds?

FINANCIAL SECRETARY,  
5th September 1873

Whether provincial funds should be expended on any service which has not been transferred to those funds?

The question has arisen chiefly in Bengal (*see papers marked A*), where the Lieutenant-Governor has undertaken an expenditure of about £10,000 a year from Provincial funds for strengthening the Subordinate Executive Service.

It is true that this was sanctioned by the Government of India, and that the question under discussion does not suggest that the Government of India should not retain the power of allowing such expenditure; yet it does seem highly expedient, *1st*, that the Government of India should specially prohibit any such expenditure by the Provincial Governments, save with imperial sanction, and *2ndly*, that such sanction should be given very rarely, *never* without full proof that the funds necessary for the expenditure are forthcoming, *permanently* if the expenditure is permanent, and, above all, never with the view of relieving the Imperial Exchequer, or shunting on to the Provincial Revenues, expenditure which is imperial in its character.

The permission to charge the Provincial Resources of Bengal with £10,000 a year for improving the Subordinate Executive Service (a purely Imperial Service) was given in the face of the respectful protest of this Department, and, so far as is known in this Department, without requiring any evidence that the Provincial Revenues could, permanently, bear the burden.

It is clear that if a Governor or Lieutenant-Governor is allowed to pledge the Provincial Revenues in this way, he may bequeath unlimited financial obligations to his successors, for the discharge of which the Supreme Government will, assuredly, have eventually to provide.

I apprehend that there is ample scope, in the services transferred to absorb all the Provincial Revenue, even though, by some unexplained process, they should double, and that the demands of these Services are certain so to overtake the Assigned Resources, that it must be quite unsafe to pledge any part of these resources otherwise.

One of the most vulnerable points in the system is the facility that it affords to the Government of India for shifting on to the shoulders of the Provincial Governments the obligation of providing funds for necessary public services. The Resolution of December 1870 did distinctly contemplate the relief of the Imperial Finances by, if need be, an increase of Provincial Taxation. But the Imperial Finances have not, since 1870, needed assistance from Provincial Resources, and the policy of the Government of India is now, very distinctly, to discourage, perhaps almost to prohibit, Provincial or Local Taxation.

Consistency seems to require that the existing funds of the Provincial Governments should be strictly reserved for provincial services, and that no demand whatever should be made upon them for any Imperial Service. It is submitted that the Government of India should be sensitively jealous upon this point.

It seems very desirable that, even now, the £10,000 paid by Bengal for the Subordinate Executive Service should be charged to Imperial Funds, or covered by an addition to the Assignment. And, in future, if it be found necessary or expedient that any Imperial Charges should be defrayed from Provincial Funds, this should be effected by diminishing the Provincial Assignment, and not by debiting any Imperial Charge to Provincial Funds.

Whether any measure chargeable to provincial funds, but involving new and lasting financial obligations, should be carried out by a Provincial Government without the sanction of the Government of India?

*2nd.*—Even within the transferred Services, it seems important that the Provincial Governments should not be allowed to undertake any measure involving new and lasting financial obligations without obtaining the previous sanction of the Government of India.

A case in point, is Sir G. Campbell's scheme for spending £40,000 a year, and perhaps a great deal more, upon Vernacular Education. Sir G. Campbell undertook the scheme, avowedly, without providing Ways and Means for it permanently. It seems out of the question that such financial imprudence should be allowed to continue or recur. Other cases in point are the proposals to establish a School of Industrial Art in the Punjab and a Vernacular *Moniteur* at Patna.

Another very small case in point will be found in a demi-official letter from the Accountant-General, North-Western Provinces, dated 18th August 1873, informing me of the grant by the Government, North-Western Provinces, of a permanent allowance to the Allahabad District Charitable Society—a grant in itself unobjectionable.

The ground upon which I suggest that the Government of India should require a reference to itself in respect to all such cases, say in every case in which a new expenditure of not less than Rs 250 a month to last for not less than five years is proposed, is as follows:

If by any such proceedings, for example, by the large obligations undertaken by Sir G. Campbell's Government in the matter of Mass Education, a succeeding Provincial Government is brought into embarrassment, then, it is the Government of India that must rescue it.

The fact is, that the Government of India cannot, really, divest itself of responsibility for the Provincial Finances. After all, the Provincial Governments are only its Agents, and it ought not to leave its Agents without proper control.

May the Provincial Governments lend or invest provincial and local funds?

*3rd.*—Are the Provincial Governments to be allowed to lend or invest Provincial and Local funds?

The papers on this subject are put up marked (C). The notes showing the questions awaiting decision are in print, and I need not recapitulate. The Governor General in Council has already agreed, though with some reservation on the part of some Members, that a Provincial Government may lend money whenever it may spend it. The Financial Member had it in charge to draw up a rule, but this has not yet been done.

Practically, the question has not pressed for solution. But it would be well, perhaps, to solve it after consulting the Provincial Governments.



4th.—Will the Government of India undertake to bear the Pensions and Absentee Allowances of officers paid from Local Funds, whenever, with the sanction of the Government of India, such arrangements have been made that the distinction between Provincial and Local Funds is lost in respect to any work or any salary?

I think that this must be allowed. But the policy now is to prevent the confusion of Local and Provincial Funds.

5th.—May fines levied under Section 34, Act V of 1861 (for committing Nuisances) be credited to Municipalities?

There appears to be no objection to this.

6th.—May the Excise Revenue of the towns of Rangoon, Moulmein and Akyab be made over to the Local Funds of those towns?—

We are, on the whole, opposed, in this Department, to any assignments of this kind from Imperial Revenue.

7th.—Can any special help be given to Burmah?

The special need of Burmah has been, more or less, admitted. The Hon'ble Mr. Ellis has proposed to allot one-eighth part of the capitation or poll-tax, on the ground that the existence of this tax drains Provincial Revenues. Personally, I would not very strongly object to this; provided always that a free discretion be reserved to abolish the Poll-tax, or modify it at discretion.

8th.—Can the remainder of the head "Medical Services" be transferred to the category of provincial?

CHAPTER XIII.  
FINANCIAL SECRETARY,  
5th September 1873  
Miscellaneous matters.

Can the remainder of the head Medical Services be transferred to Provincial?

The papers are in the Home Department. The transfer has actually been made upon the Estimates of 1873-74; but a difficulty has arisen in carrying it out, in that the pay and allowances of covenanted medical officers are fixed in the Military Department, and are beyond the control, in any way, of the Provincial Governments. In the smaller Administrations especially, this fact may, from time to time, vary the cost of this Service so much, that it will perhaps be necessary to give up the idea. The obstacle is analogous to that found in this Note to the transfer of the Ecclesiastical Service.

9th.—May the Government of Bombay appropriate to local funds the fees, hitherto credited to Imperial Revenue, for removing stones and gravel from beds of rivers, and for quarrying stones?

Minor matters.

The item is not large; but there seems some objection to giving to Local Funds, revenues not raised at their expense, and not especially connected with them.

10th.—Should Bengal be allowed a separate office for the Provincial Accounts?

This should, it is submitted, be refused. It is of the utmost importance that the Account Department should be under uniform direction; and it would be most objectionable to allow independent Offices of Account for Provincial Services. Further, it would be very extravagant to do so. There can be nothing in the mere separation of provincial services from the rest to require the constitution of separate Offices of Account. The delays of which the Bengal Government complains are due to the Lieutenant-Governor requiring new combinations of figures and new arrangements of Accounts. Any change of accounting procedure, or any fresh compilations, must inevitably cause delay. This is constantly overlooked by those who call for Returns and the like. Figures are susceptible of an almost infinite number of combinations; but of course only a few combinations are kept ready; and if fresh compilations are, inconsiderately, demanded, enormous labor and much disappointment will result. Sir G. Campbell would find himself as badly off with a separate Office as with a share in ours.

Should a separate office be allowed for provincial accounts?

11th.—Should a Financial Council be appointed to assist the Lieutenant-Governor of the North-Western Provinces, as has been several times pressed by His Honor?

Should a Financial Council be allowed to the Government, North-Western Provinces?

The proposal has hitherto been negatived.

12th.—The Government of Bombay has twice complained that their assignment is insufficient. The cases await disposal, and are put up with a draft on each.

13th.—The Government of Madras alleges that its assignment is insufficient to provide for the construction of light-houses and the purchase of light-ships.

Miscellaneous matters.

It will be difficult to make any concession here without departing from the whole basis of the Assignments. Perhaps, however, the case might be dealt with as one of extraordinary and non-recurring expenditure, and a special grant made, such as the £30,000 which was offered to Bengal for the canal at the head of the Damoodah.

R. B. C.—5-9-73.

## CHAPTER XIV. COMPULSORY IRRIGATION RATES ON LAND.

CHAPTER XIV. *Memorandum, dated 17th April 1867 by Colonel R. STRACHEY, B. E., Inspector General of Irrigation, on the extension of Irrigation in Guzerat, Khandeish, and the Deccan.*

COLONEL THE  
HON'BLE R.  
STRACHEY, B. E.  
17th April 1867.

\*. 27 In connection with this portion of the subject, I may further observe that I am under the impression that a proposal has been made in some quarter to the effect that, on the completion of any new irrigation work, the cultivators should be required to make use of the water, and should be charged for its use, whether they desired to, have the water or not. I cannot avoid expressing, in the most distinct manner, my own disapproval of any such procedure, and I feel assured that the Government of India would much prefer to leave the utilising of the water, and the full realisation of the returns from irrigation, to take place by a regular and natural spontaneous growth. It is almost certain that the demand for water will, in a very few years, far exceed the power of supplying it; and there is much danger of committing great injustice by attempting to force the introduction of irrigation prematurely. To bring about any sudden change in the practice of agriculture by anything like compulsion, would be a dangerous step, to say the least of it. To argue that, because the Government has spent money on these works, mainly to benefit the cultivators, it has therefore acquired the right to compel the cultivators to use water at its own price—for the proposal to which I have referred pretty much comes to that—is to take up a position utterly indefensible, and contrary to every principle of good government. I cannot say that I have any cause to suppose that the Government of Bombay has entertained such a proposal as this, and in the case of the new canal, drawn from the Girna in Khandeish, the option of using the water or not has, I understand, been left entirely to the cultivators. But the objections to attempting to force on the practice of irrigation, though dictated, no doubt, by a good motive, are to my mind so great, that I have thought it necessary to draw attention to the matter at the risk of combating a view which was not at all likely to receive any support.

### NORTHERN INDIA CANAL AND DRAINAGE BILL.

No. 4, dated 11th January, 1870.

*From—Her Majesty's Secretary of State for India,  
To—The Government of India.*

I have had under consideration in Council the "Northern India Canal and Drainage Bill, 1869," copy of which was enclosed with your Excellency's Legislative despatch No. 22 of 18th October last. You have already been informed by telegram that great objections are entertained by me to Section 56 of the Bill, which declares that "if at any time, not less than five years after the commencement of irrigation from any canal, the average net revenue in the three next preceding years realised by the Government from the use of the water thereof, and including all sources of income dependent on such canal, and deducting all charges for maintenance and management and working properly debitable to the Revenue account of the same, shall not amount to a sum equal to seven per cent. on the capital expended on the said canal, the Local Government may charge, on the lands irrigable by the water of such canal, but not paying any water-rate therefor, such a yearly rate or rates as shall, when added to the net yearly estimated income, reckoned as aforesaid, produce a total amount as nearly as may be equal to seven per cent. on the capital aforesaid."

2 I will now explain in what my objections to this Section consist.

3. The object of the provision in question is to enable Government to secure itself against pecuniary loss in the event of a canal proving a financial failure. Such failure might ensue from three causes: A canal might not be able to supply, for irrigational purposes, the expected quantity of water; or, the expected quantity being available, cultivators might decline to avail themselves to the expected extent; or excessive costliness of construction might, in order to render a canal remunerative; necessitate the imposition of higher rates than cultivators could afford, or would voluntarily pay. In the first case, under the proposed Enactment, the loss consequent on having engaged in an unsuccessful speculation would fall, not upon itself, but upon the cultivators, whom it had disappointed. In the second, cultivators would be forced to pay for water for which they had no use, or, at any rate, were not disposed to use; possibly, no doubt, from imperfect appreciation of the value of irrigation, but quite possibly also from a perfectly intelligible desire to have part of their land under dry crops, instead of all under wet. With regard to the third, none can require less than your Government, to be reminded how prone to become excessive guaranteed expenditure always is, and under the provisions of the Bill all expenditure on Government canals would be guaranteed.

4. To this alone there would be no objection if the guarantee were given voluntarily. But here the guarantee is to be extorted compulsorily. The inhabitants of a District are not to be asked, beforehand, whether they desire irrigation or not. The Government alone is to judge whether irrigation is desirable. It alone is to decide arbitrarily whether an irrigation work shall be constructed; but the landholders, and not the Government, are to be responsible, in the event of the latter's committing an error of judgment. There is little analogy between a plan like this and that under which County Cesses are levied in England and Ireland; for those by whom these Cesses are imposed, besides being themselves Cess-payers, represent theoretically, if not really, the great body of Cess-payers, who are assumed consequently to have given their assent by proxy. The outlay to which they are subjected has been undertaken by them voluntarily, and in the event of its proving unproductive, they have no pretext for considering themselves aggrieved.

5. These considerations would, in my opinion, go far towards neutralising any recommendations which the proposed enactment might otherwise possess, but I am greatly in doubt whether it is really calculated to serve any useful end. To force irrigation on the people would be not unlikely to make that unpopular which could, otherwise, scarcely fail to be regarded as a blessing, and which, as all experience shows, Indian agriculturists, if left to themselves, are sure duly to appreciate, sooner or later, and seldom later than the first season of drought that occurs after irrigation has been placed within their reach.

6. From what has been said, it will be inferred how anxious I am that the proposed Bill should receive the careful consideration of your Excellency in Council. The object aimed at by your Government in the Section above referred to is obviously that of adjusting the burden of interest on loans raised for State irrigation works, and transferring it from the shoulders of the General Tax-payer to those of the Communities for whose special benefit the works are severally undertaken, in the value of this object, as far as it can be justly and conveniently attained, I entirely concur; and it will, therefore, be satisfactory to me to learn that the Section to which exception has been taken can be so far modified as to obviate my objections. I may suggest one alteration, which might render it, comparatively, unobjectionable. At present, as explained above, the great fault to be found with it is the compulsoriness of its provisions; but, if no irrigation work were undertaken till the consent of a certain majority (perhaps two-thirds) of the population likely to be affected by it had been obtained, all objection on that score would disappear. Even then, however, a preferable arrangement to that which is contemplated by the Bill would, perhaps, be one to which allusion was made by your Government, when commenting on the Revenue report of the Irrigation Department of the North-Western Provinces for 1867-68, according to which, cultivators, instead of paying in proportion to the quantity of water taken by them, that is, more in a dry year and less in a wet one, would be assessed at an equal rate per acre of their irrigable land in all years. By this means, both the cultivators and Government would gain in some years and lose in others, but the gains and losses of each party would, on an average, balance each other. It would, however, no doubt, rest with Government to fix the Rate, and whatever rate, according to the data available for calculation, seemed necessary to yield the desired percentage on the cost of the canal, that rate might be fixed accordingly. This course would probably be less unpopular with the Rate-payers than that of making them pay more in certain years, in order to make up for the deficiency of their payments in previous years.

*Colonel the Hon'ble R. Strachey, R. E.*—The Sections which relate to the imposition of a rate on land irrigable from a canal, but not irrigated, contain the substance of the plan thought most suitable for giving that financial security for the payment of the interest on the capital invested in these works, which the Government considers of the greatest importance. The proposal is that if, after a canal has been open for five years, the average nett revenue does not amount to seven per cent. on the capital, a general rate may be charged on all land irrigable from the canal, though it be not actually irrigated, of such an amount as will bring up the whole nett revenue to seven per cent. on the capital. Such a proposal is novel in this Country, and therefore, at first, likely to be viewed with some hesitation. But the Government has thought it to be the most likely method of arriving at a final conclusion which shall be generally satisfactory, to make a definite proposal in the form which, on the whole, seems best suited to meet the requirements of the case, and to endeavour to remove any valid objections that may be taken to the plan, and to adopt any improvements that may be suggested in course of discussion. These parts of the Bill, no doubt, require, and will receive, special attention from the Council, and, so far as such a course may approve itself, simplicity may be secured by leaving to the discretion of the Local Government, to be dealt with under Rules, matters which are specifically dealt with in the Bill as now framed.

*Major-General the Hon'ble Sir Henry Durand* said that it was not his intention to oppose the introduction of the Bill. His object was to guard himself against its being supposed that, as at present informed, he entirely approved of its principles. One of these was an important one, and, with respect to it, he wished it to be understood that he reserved to himself the right of rejecting or of accepting it. He adverted to the somewhat arbitrary powers taken by the Bill for the imposition of a water-rate upon irrigable lands, whether water be taken or not, when the revenue return upon irrigation works fell short, within a fixed period, of a certain percentage on the outlay. This was a principle which would demand a careful scrutiny in its application when the Bill had to be considered in Committee, and he suspended his own decision even as to the admission of the principle, until he saw how it was applied and dealt with. For he observed that, under the powers taken, there was no security for the people exposed to the incidence of this Water-Cess against their being, in fact, made to pay for failures—

COLONEL THE  
HON'BLE R.  
STRACHEY, R. E.  
21st January 1870

MAJOR-GENERAL  
THE HON'BLE SIR  
H. M. DURAND

## CHAPTER XIV.

MAJOR-GENERAL  
THE HON'BLE  
SIR H. M. DURAND.

for projects ill-considered and ill-carried out. At the same time he observed that the Bill was permissive, rather than absolute, on this point. A Lieutenant-Governor might levy the Water-rate after the prescribed period of short receipts, and the responsibility was thrown upon him of deciding whether or not to impose the Cess. The instruction to do so was not positive, but left him a wide discretion. Under these circumstances, he was not disposed to object to the leave asked to introduce the Bill.

He must, however, remark that he should have preferred that the opinions of the Lieutenant-Governors upon this point of a water-rate impossible on irrigable land had been before the Council. The Statement of Objects and Reasons informed us "that this proposal had been introduced into the Bill by the Government of India since it was submitted to the Local Governments, and that they have, therefore, had no opportunity for expressing their opinions on the very important questions it raised." The foregoing was written on the 21st of last September, and, in the interval of four months, that the Bill had been before the Public, the Local Governments had had the time necessary for the consideration of the provisions of the Bill. He was not aware whether they had communicated their views or not. But, as they had had the opportunity of so doing, the fact that the Council was not in possession of their opinions on this principle, which involved such weighty considerations, did not seem to him sufficient to raise an objection to the introduction of the Bill.

He contented himself, therefore, with guarding, by these remarks, against its being understood that the admission of the Bill pledged him to uphold this principle and the provisions based thereon. He held himself free to accept or reject them, uncommitted by the leave to introduce the Bill.

COLONEL THE  
HON'BLE R. STRACHEY,  
18th February 1873.

*Colonel the Hon'ble R. Strachey, R.E.*—Before proceeding further to comment on the details of the measure, it would be convenient if he (COLONEL STRACHEY) said a few words as to the general position which the Government accepted in carrying out irrigation works, in relation both to the General Community of Tax-payers and the particular Community for the special benefit of which the works were constructed. The water, as already said, had become the exclusive property of the State. But, in the nature of the case, this property could only be utilised in one way, and in a special locality. It was apparent, therefore, that the State could only act, in the management of the property, as a trustee for the Community residing in this Locality, and that this Community in fact possessed, in its collective form, the right to enjoy whatever advantages could be obtained from the water. This indicated the first obligation on the Government in relation to canal-management, that the water should be, as far as was practicable, so distributed as to give the greatest general benefit to the agricultural population in the Districts to which it could be taken. This distribution, however, should be so regulated as to produce, on the whole, the best results in the aggregate, and it might, quite possibly, be necessary to limit the sub-division of the water, or the extension of its use, so as to avoid waste, which, otherwise, must arise, to an objectionable amount. Further, it was to all persons who might benefit by the use of the land that could be irrigated that attention must be paid, whether they were proprietors or only occupiers.

It was clear that the particular part of the community that benefited by an irrigation work should make a suitable contribution, in the shape of interest and profit, to the general revenue

Next, it appeared that the Government undertook the works either with funds supplied from the General Revenues of the Country, or with money borrowed on the general credit of the Country. For the use of these funds, it was clear that the particular part of the community that benefited by the works should make a suitable contribution, in the shape of interest and profit, to the General Revenues. The precise amount of this contribution it would not be easy to define, but it should apparently be sufficient to cover the direct outlay of the State, in connexion with any Loan specially entered into to admit of the works being carried out, and should not be in excess of the sum which could be paid without placing the Locality benefited by the works in a worse position as regarded the aggregate demands made upon it by the State than that in which other Districts were placed. The State might, properly, assist any Section of the Community in obtaining special advantages, subject to the condition that the ultimate burdens on all classes of the tax-paying Community might, as nearly as possible, be equalized.

He (COLONEL STRACHEY) was aware that this did not give a very valuable practical criterion of the limits that should be placed to the charges made by the State for the use of irrigation works constructed at the public cost and risk. But it, at all events, indicated that the idea of working such undertakings so as to give the greatest possible mercantile profit was not to be accepted without many large reservations. On the whole, however, there was no great risk of the Government ever attempting to strain its powers of extracting too large profits from irrigation works. Moderate charges, with a wide diffusion of the benefits of irrigation, would certainly give the results which would be most satisfactory to the Government and the people, and be most conducive to such financial success as the conditions of the undertakings required.

The second important change which the Bill proposed was to permit of a compulsory rating of land which was irrigable from a canal, but not irrigated, if, after the lapse of a certain period, the net income was not sufficient to cover the charge for interest on the capital expended on the works.

The object of this part of the Bill was evident; and all that he need say on the subject was to explain, more fully, the considerations which had appeared to justify the proposal and to meet the objections that had been made to it.

The financial consequences of the very large sums of borrowed money that would be applied to the irrigation works

The events of the last few months would, he should imagine, have satisfied every one in the Council, that the greatest caution would be necessary in carrying out the extensive systems of public works on which the Government had recently embarked. The financial consequences depending on the expenditure of the very large sums of borrowed money that would be applied to the irrigation works and railways which the Government was about to undertake, were,

extremely serious, and financial disaster and collapse of a very alarming character might readily follow an inconsiderate line of action in such operations. The necessity for giving attention to these financial considerations could not be too strongly insisted on.

The character of the Public Administration in India tended, he ventured to think, to exalt, unduly, administrative requirements at the expense of financial possibilities. It was the natural, and almost the necessary, result of a Government like that of the British in India, to be oppressed, if he might use the word, with a sense of the obligation to carry out moral and material improvements; and it was to this really healthy tendency that the excellence of our rule—for it was in all essentials excellent—was to be attributed. But the great body of administrative officers was not concerned, in any important degree, with the duty of finding the means for meeting the necessary cost of the measures they proposed, nor was there, in the form of our administration, any corrective or compensating check to this. The great body of the tax-payers was not able to influence, in any way, the financial arrangements of the Government. But more than this, there was hardly any real or effectual criticism brought to bear on those arrangements from without, and the Financial Administration had been left to contend with a pressure for supplying the means of improvement which it had, too often, found difficult to resist, though the consequences should be serious ultimate embarrassment.

Perhaps he (COLONEL STRACHEY) might feel, rather more than others, the weight of such a responsibility as that of which he had spoken. He had, for many years past, advocated the policy of extending, within the bounds of prudence, the means of irrigation to all parts of India where there was danger from drought, and there were very few parts of the Country to which this description would not apply. He had strongly supported the proposal that the needful funds for the construction of these works should be obtained by borrowing, and he had affirmed that, with due care, there need be no cause for anxiety as to the financial consequences of following this course. He felt, therefore, that, so far as his own voice had had any influence in bringing about the acceptance of the policy that he had advocated, he specially shared in the responsibility that rested on the Administration of the Irrigation Department, that the great operations which they had in hand should be carried out to completion without detriment to the credit of the Government. It was in this sense that he, personally, claimed attention to the important aspect of the question of the extension of irrigation to which he had just been alluding, and it was in this sense that the Government of India had deemed it necessary to take special precautions to provide against possible future difficulties arising from the obligations it accepted in applying these very large sums to the protection and improvement of the Country by means of irrigation works.

If the outlay on the works to which he had referred on a former occasion, as now contemplated in the Punjab, North-Western Provinces and Oudh, were completed in eight or ten years, the Government would, at the end of that period, be liable to a yearly charge for interest, of not less than £600,000, and a yearly charge of at least equal amount for maintenance and management; in all, nearly one and a quarter millions sterling. And this, it must be remembered, represented the liabilities, on a part only of the undertakings on which the Government had embarked. Very large works were in progress in Bengal, and very large projects had been prepared, and only awaited a final removal of financial doubts, to admit of their immediate commencement. In Bombay, the position was the same; and Madras also would, without doubt, add to the drain, in an important degree. He need not attempt to estimate, in precise figures, the full extent of the whole of the liabilities which were thus being permitted to arise; but it was certain that they would amount to an annual charge of several millions sterling.

The Government of India had accepted the responsibility of carrying out to its legitimate end, the policy of providing this Country with the best, nay the only, security that could be obtained against the recurrence of those terrific calamities in the form of general Famine, produced by general drought. But, in doing this, it was bound so to take its measures as to prevent the contemplated benefits turning out causes of injury by reason of financial disorder arising from them.

In thus dwelling on the necessity for caution in prosecuting these works, he would distinctly guard himself against being understood to suggest that there was reason to think that they were likely to prove financially unsuccessful. He had no such fear. But, as a prudent banker required certain forms to be complied with, and certain securities to be given, in dealing with his most trusted customer, and as, in the great majority of cases, such forms and securities might not be found to have been really important causes of the final satisfactory Settlement of Accounts, so the State, in entering on great financial operations, would do well to satisfy the Community from which it derived the funds to be laid out that there was, in fact, a substantial source from which the liabilities of the State in respect to its Loans could without doubt be made good, however firm its own convictions might be of the prudence of its investments.

When considering the probable consequences of the works they were now about to undertake, it was proper to expect that the same general results would ensue that had been shown, by actual experience, to follow the prosecution of like works in past time. The main feature in the financial working of these undertakings had always been that a certain length of time had been required to develop the irrigation to an extent which made it properly remunerative. As to the end, there was no cause for anxiety, but an intermediate period would, almost certainly, occur in which a heavy charge would have to be met from the General Resources of the State on account of any new works. It was hoped that, under the improved system of management which they might now hope to secure, and in the light of the strict financial returns which would be an essential part of any satisfactory system, the financial operation of

## CHAPTER XIV.

COLONEL THE  
HON'BLE R.  
STRACHEY, P. E.  
21st January 1870.

and railways which the Government was about to undertake were extremely serious, and financial disaster and collapse of a very alarming character might readily follow an inconsiderate line of action in such operations

The outlay on Public Works, Extraordinary, may, in eight or ten years, entail a yearly charge of £600,000 for interest and £600,000 for maintenance; in all nearly 1½ million sterling, or, including certain very large projects not yet sanctioned, the annual charge may amount to several millions sterling. The remunerative character of the works would ensure the payment of this interest, but the compulsory irrigation rate would afford additional security

CHAPTER XIV. the works would receive closer attention than before, and causes of delay in the extension of the irrigation, or of failure in realizing a proper income, which were removable, might be ascertained and removed. But, after all possible precautions were taken, it could not be at all certainly hoped that a serious charge might not fall on the Revenues in consequence of the new works, and it was necessary to consider thoroughly how such charges, if they arose, were to be dealt with.

COLONEL THE HON'BLE R. STRACHEY, R. S., 21st January 1870.

This additional security was a very important cue for maintaining the credit of Government in the course of extensive borrowing involved in the prosecution of irrigation works and railways in India. It was impossible to overrate the importance to the Government, of maintaining its credit on an indisputable footing, when it entered on the course of borrowing which was necessarily involved in the operations which it had been recently determined to carry out with a view to the extension of Irrigation works and Railways in India. The power of the Government to continue in the course of improvement on which it had embarked, was directly and essentially dependent on the solidity of its credit. If money could not be got cheap, the Government must soon check its operations. Everything which depressed the credit of the Government acted, directly, as an obstruction to progress, everything that raised its credit facilitated progress. The Government considered that, among the methods by which its credit might be sustained, a very important one was to place a direct liability on those interests which benefited by irrigation works, to provide any sum which might, after a reasonable period had elapsed, be found to be required to supply the funds necessary to discharge the interest on the capital by means of which the works were carried out, if not to pay off the capital-debt itself. The precise measures by which this end was to be attained would of course require careful consideration, and the proposals that had been made in the present Bill were designed to give the Executive Government the powers which it might be necessary to exercise to secure the object that had just been explained.

The burden of these several millions sterling of annual charge must be borne somehow, and, without doubt, it should be borne by that section of the community in whose behalf the works were constructed.

The first remark that suggested itself in connection with this discussion—and it was a very obvious one—was that, if the Government carried out works such as these with borrowed money, the burden that might arise must be borne somehow. The real question at issue, therefore, was, should this burden be left to fall on the Whole Community, and should the form of its incidence be left to be determined, from time to time, as the financial circumstances of the day required, or should it be placed specifically on that Section of the Community in whose behalf the works were constructed, in a space now to be settled once for all? Should we, in short, postpone, till the necessity for action arose, all consideration of the means which we should take for meeting the obligations that were incurred, or should we now assign a specific security equitably adjusted?

The Government of India came to the conclusion that the last was, without doubt, the proper course to follow, if it were possible; and the general plan that was proposed in the Bill would, it was believed, give a satisfactory solution of the problem, when it was properly guarded and explained.

It is not necessary to discuss whether, among the community to be benefited by the irrigation works the consent of the majority of the class interested should bind the minority, because the consent of the persons interested could not, in reality, be obtained in a form that would give it the slightest real value, and, moreover, the mere fact that a given numerical majority of the persons for whose benefit works were undertaken had not specifically consented to their execution could not at all affect the real equity of any arrangement under which such works might be paid for.

It was always a somewhat dangerous thing, to argue from analogies which were, necessarily, more or less incomplete. In the present case, when we sought an analogy in English practice, we were met by the wide difference of the conditions under which public works for the general improvement of a District were undertaken there and in India. The common argument, that engagements entered into with the consent of the majority of the class interested should be held to bind the minority, could have no operation in India in relation to works such as we now were speaking of. The consent of the persons interested could not, in reality, be obtained in a form that would give it the slightest real value.

On the other hand, the mere fact that a given numerical majority of the persons for whose benefit works were undertaken, had not, specifically, consented to their execution, could not at all affect the real equity of any arrangement under which such works might be paid for. So long as the essential considerations were respected, which would have guided an intelligent Community, thoroughly understanding its own interests and able to protect them, the circumstance that the State had acted authoritatively, in behalf of a backward Community, could not make unjust that which, otherwise, would have been just. The Government in this Country had extraordinary responsibilities placed upon it, arising from its extraordinary relation to the people of the Country. Very frequently it was forced to act in behalf of the people or of a Section of the people guiding itself as best it might, by considerations of what was due to interests which the people themselves appreciated very imperfectly, or perhaps not at all.

From such considerations, he (COLONEL STRACHEY) concluded that, if the Government took all those precautions that should and would be taken by an advanced Community acting in its own behalf, it might, circumstanced as the British Government in India was, without objection, regulate the management of works of public improvement in a manner that it was reasonable to suppose might have been agreed to by such an advanced Community. And, hence, he concluded that the principle of establishing a Local Financial Responsibility for works which were in their nature exclusively of Local Interest and value, was perfectly equitable in India as elsewhere.

In proceeding to apply this principle, the main point to attend to was that the burden which was to be imposed should only fall on those who really could benefit by the works. When, therefore, it was proposed that all lands irrigable from a canal should be liable to pay a rate towards the expenses of such work, it should be seen that the lands were those which could, in fact, receive substantial benefit, and not those which might perhaps be benefited. It would be easy to guard the power proposed to be taken under the Bill so as to secure this object completely, and it would be his duty to propose to the Committee, if his present motion was carried, such amendments and additions to the Clauses as they now stood in the Bill as would effect this, in an unmistakable way. He might add that the first intention of the Section was what he had stated, but it had been thought that the needful definition of the lands to be charged as irrigable might be left to the Executive Government.

It would further be for consideration whether it might not be desirable to prescribe some form of preliminary enquiry by which the Executive Government might satisfy itself, in a special manner, that all those measures had been taken by the Canal-administration, for facilitating the extension of the usefulness of a canal, which should have been taken before recourse was had to general and compulsory rate on lands irrigable but not irrigated. He might add that the Government contemplated giving additional facilities for the execution of agricultural improvements, by means of what were commonly known in India as *tuccavy* advances, and one of the classes of work to which such advances might most properly be applied would be the minor water-courses requisite for the introduction of irrigation.

Another point which would be suggested to the Committee for consideration was, whether it might not be expedient, in the event of a compulsory rate being charged on account of any new irrigation-work, to declare that a certain fixed maximum rate of profit should, thereafter, be prescribed, beyond which the Government charge for that work should not go, so that, if the locality benefited by the works was held to give a practical guarantee for the financial safety of the operations involved, it should, on the other hand, be secured against any charges in excess of what was necessary to cover all obligatory expenditure for maintenance and interest. As it might be argued that, if no guarantee was given against loss, no pledge should be given against raising the charges to any amount that the real value of the water justify; so it might be said that, if the general tax-paying community were protected from all loss, they should be ready to waive their claims to all extraordinary profits, and the charges should be fixed so as just to cover the actual outlay, including a fair rate of interest on capital, and no more.

The sole intention of the Government was to place the future of these most important works on a thoroughly satisfactory footing, both as regards the interests of the agricultural community for which they were primarily designed, and the general financial interests of the State, which could not be endangered or injured, without immediately affecting injuriously the interests of all classes. The Government would hope that a satisfactory conclusion might be arrived at on the various points which arose in relation to this proposal, and that the objections that had been made to it might be removed by the consideration it would receive from the Committee.

*His Excellency the Commander-in-Chief* said that it was now many years, perhaps, indeed, more than he cared to count, since, as a Member of Government on the other side of India he was one of what might be called the official minority which pressed on the Government of India and on the Secretary of State the necessity of constructing reproductive works by recourse to other means than those presented by the Ordinary Resources of the Country.

The struggle was a long one; but it was at length pressed to a successful conclusion. Finally, the argument prevailed by which the notion was borne home to the Government in this Country, to the Council at Home, and to the public at large, that, for this purpose of reproductive works in India, we must lean on the public credit. But, while the minority impressed the value of this policy till at length it came to be triumphant in all quarters, it was not forgotten by them that the public credit would suffer, as so ably explained by his Hon'ble friend the Mover of the Bill, if means were not taken, carefully, at the same time, to insure financial safety; in short, to extinguish the Loans by means of which the reproductive works were to be constructed. Some of the clauses in the Bill before the Council had been designed for such a purpose. This he (SIR W. MANSFIELD) saw with great pleasure. It was evident that, according to the provisions set out for their consideration, Local Governments and Administrations would be required to consider well the necessities of their Provinces and Districts, with a view to the responsibility imposed on the latter for the expenditure on account of the improvements and works by which they were to profit.

It was but too true that there was a sort of feeling among certain classes of the public, this including not only the ryots and the petty landholders, but even some of our own officers in responsible situations, that there was a kind of bottomless purse, into which all were free to dip their hands, at pleasure, for local objects, without any local responsibility of reimbursement, this unlimited treasury being what was called the Government.

We could understand the ryot or the petty landholder having this notion of the Sirkar; but it was difficult to comprehend how responsible officers charged with the care of administration, who were aware of the almost infinite demands on the Government, should fall into such errors of reasoning.

Well, this matter seemed to be fairly set right by certain Clauses in the Bill. Some alteration in the wording, some modifications, might be required; but the principle according to which these works must be carried out henceforth was described in a manner admitting of no mistake in future.

It could not be too clearly declared that the Provinces, the Districts, the populations which benefited by the reproductive works must be responsible for the expenditure incurred on account of them, and that this must not be thrown on the Country at large or the system of general taxation.

*Major-General the Hon'ble Sir Henry Durand* said that, when permission was asked to bring in this Bill, he adverted briefly to the fact that they had not before them the opinions of the Local Governments upon it, and he would have preferred that the Council should not have entertained the Bill until after those opinions had been laid before it. The Council had since obtained the views of the Local Governments, and he must say that some of them were very

## CHAPTER XIV.

COLONEL THE  
HON'BLE R. STRA-  
CHRY, B.E.,  
21st January 1870.

The main points to attend to were—1st, that the burden to be imposed should only fall on those who really could benefit by the works; this the Executive Government might see to; 2nd, that for those who are compelled to pay the rate, water-courses for enabling them to use the water should be constructed at their expense.

The sole intention of the Government was to place the future of these most important works on a thoroughly satisfactory footing, both as regards the interests of the agricultural community for which they were primarily designed, and the financial interests of the State which might also be endangered, to the injury of all classes.

HIS EXCELLENCY  
THE COMMANDER-IN-  
CHIEF (SIR W.  
MANSFIELD)

It could not be too clearly declared that the provinces, the districts, the populations which benefited by the reproductive works, must be responsible for the expenditure incurred on account of them.

MAJOR-GENERAL  
THE HON'BLE SIR  
H. M. DURAND.

CHAPTER XIV. hostile to a particular Clause of the Bill, which had been made the subject of discussion. He referred to Section 56. We had some of the leading men, amongst others Sir William Muir, giving their opinion on that Section. Sir William Muir said:—

MAJOR-GENERAL THE HON'BLE SIR H. M. DURAND.

Some of the Local Governments are very hostile to a compulsory rate, which, in Sir W. Muir's opinion, would be based on no principle that can be recognised as just and equitable, and would create so much discontent as to make it doubtful whether it could ever be put in force. It is notorious, the Board of Revenue add, that the existing canals run through tracts where they are not wanted

"Section 56 of *say*—I earnestly dissent from these Sections. The imposition of a Rate on lands that might be held open to the benefits of canal-irrigation, but which do not actually share in them, is based on no principle which I can recognise as just and equitable, or (even if practicable) as expedient. If a Canal will not prove remunerative by the assessment of those who directly profit thereby, it should not be undertaken at all. If Government makes a mistake, I fail to perceive why third parties, having no special concern or responsibility in the matter, should, any more than their neighbours, be subjected to a *Cess*, in order to make good the loss. The demand would create so much discontent, and would be so evidently inequitable, that, even if legalized, I much doubt whether it would ever be put in force: and its effect, if any, would probably be to make the canal advisers of Government less careful in sifting the financial prospects of their designs, because they would have, in the back-ground, the fallacious guarantee of an eventual rating on all the area which they might hold to be open to irrigation from their works."

We had others expressing equally strong opinions hostile to this particular Section. The Board of Revenue, composed of able men of the North-Western Provinces, said regarding

"But Section 56 is open to very grave objections. It compels the owners of lands adjacent to, but actually deriving no benefit from, a Canal, to pay water-rate on such land, in order to bring up the proceeds of the water-rate to seven per cent on the capital expended on the Canal, and charges for maintenance, management and working not properly debitable to the Revenue-account of the Canal. It is notorious that the existing canals run through tracts where they are not wanted.

"Before the Canal was made, the land now adjacent to the canal was easily and cheaply irrigated from *kacha* wells, and the advent of the canal has been anything but a boon. The proprietor of such land does not derive any benefit from the neighbourhood of the canal, any more than his neighbour whose land is not irrigable from the canal. Yet he is to be made to pay, when the other is exempted. The canal may have been constructed at an extravagant outlay. It may have failed to yield a profit to Government from mismanagement, or the entertainment of too expensive a supervising establishment. For all this, the proprietor, who is in no way responsible for such results, and who derives no benefit from the canal, is *fined*: for the payment would be simply a fine. The Canal Department must look to economy in construction, management and maintenance, and to a judiciously adjusted scale of water-rates, and careful administration, to secure a fair profit to Government. We contend that it is most unjust to make the agriculturist pay towards the expenses of a canal from which he modified in opinion, positively derives no benefit. The mere fact of his land being irrigable from the canal is immaterial, where it but he communicates is irrigable by other existing means. If it is not so irrigable, he will irrigate from the canal, especially where that of the Financial his land is close to the canal.

The Lieutenant-Governor of the Punjab, who was formerly opposed to a compulsory rate, had now modified his opinion, but he communicates that of the Financial Commissioner, who was extremely opposed to it, and even the Lieutenant-Governor's assent to a compulsory rate, provided that it shall not exceed half the full water rates, is coupled with a caution that the Government should be chary of extending canals to tracts largely irrigated from wells. The Chief Commissioner, Oudh, points out that, on the one hand, the concession to proprietors of land of a large share of the increased profits from irrigation works constructed with public money is gratuitous, and that, on the other hand, it would be difficult to persuade thousands, or rather millions, of disconnected cultivators living on a line of country hundreds of miles in length, that it is to their advantage, contrary to old customs, to pay for water which has never reached their fields—there will always be the risk of causing general discontent by the sudden exaction of such an addition to the ordinary fiscal demands. In the Central Provinces, where there was not much experience in these matters, the Chief Commissioner was favorable to a compulsory rate,

"We think that Section 56 should be struck out of the Bill, and with it Sections 57 to 60."

There were others, again, equally hostile to it; but he (SIR HENRY DURAND) would not take up the time of the Council by reading their opinions; though some of them were very ably and forcibly expressed. We had also the views of the Punjab Government, which, at one time, were extremely adverse to the Section; and the Lieutenant-Governor of the Punjab, though he had himself modified his opinion to the following extent, now sent the opinion of the Financial Commissioner, which was extremely opposed to Sections 56 to 62 inclusive.—

"The Officiating Financial Commissioner further objects to the provisions of Sections 56 to 62, regarding compulsory irrigation-rates the Lieutenant-Governor formerly objected to these provisions, but he has recently, in a letter addressed to the Supreme Government, in the Irrigation Department, withdrawn his opposition, with reference to a proposed modification of the Bill, by which it is ruled the amount leviable from those who do not use canal-water shall never exceed half the full water-rates. His Honour is fully aware of the great advantage which would result from all irrigable lands taking water; but he desires me to state that the adoption of these compulsory provisions renders it all the more necessary, in his opinion, for the Government to be chary of extending canals to tracts largely irrigated from wells."

We had, again, the views of the Chief Commissioner of Oudh, who expressed an opinion as hostile to this particular Section of the Bill as did the Financial Commissioner of the Punjab. He said:

"In an abstract point of view, and apart from the complications of particular Provinces, the Chief Commissioner can see no reason for the gratuitous sacrifice of revenue involved in the concession to the proprietor of 'a right to a large share of the increased profits due to the introduction of irrigation by expenditure of public money.' But, if it be the pleasure of the Government to make this concession, then the Chief Commissioner thinks it a good reason for adjusting the canal-rates so as to prevent the deficiency which it is proposed to supply by the taxation of irrigable lands. Admitting the necessity for obtaining seven per cent. profit on the outlay on canals, the Chief Commissioner has, as yet, had no data before him showing that, if the canal-rates are fully assessed, the required amount of profit cannot be raised. The Chief Commissioner would cite the late revision of rates for the Bari Doab Canal, as exhibiting the considerations indispensable to the full realization of the revenue due from canals. There is no doubt about a full rate being the form of taxation to which the cultivators of Upper India will most readily assent. The Chief Commissioner feels quite sure that they will not understand a supplementary rate on irrigable land. He holds that the analogy of English circumstances spoken of has no existence. It is a very different thing getting the intelligent assent of English proprietors to the payment of rates in defrayal of the cost of a Local Improvement, and persuading thousands, or rather millions, of disconnected cultivators, living on a line of Country hundreds of miles in length, that it is to their advantage, contrary to old customs, to pay for water which has never reached their fields. There will always be the risk of causing general discontent by the sudden exaction of such an addition to the ordinary fiscal demands. The insertion therefore of such a provision into a Legislative Act, not professedly a measure of taxation, and not easily repealable, may, the Chief Commissioner fears, lead to practical difficulties, and he ventures to recommend that the subject be further considered, and the necessity for the *Cess* be clearly made out. This will allow of time to test the feeling of parties interested. If this be favorable, no harm will be done; if unfavorable, the degree of its intensity should then be ascertained. The subject would seem to be easily separable from a Bill to amend the administration of the existing Canal-law, and to call for the *attentive consideration* of the Revenue-officers."

In the Central Provinces alone, where there was not much experience in these matters, we had an opinion favorable to the principle of the Section. SIR HENRY DURAND could not help thinking that the opposition to the policy of this particular Clause had been due to the peculiar wording, in this matter, both of the Statement of Objects and Reasons appended to the Bill, and also of the somewhat arbitrary terms in which the Section itself was worded



He found that, in the Statement of Objects and Reasons, where it laid down the principle on which the Section was based, the principle so laid down was good, and that it could, in itself, hardly be objected to. It was there stated that—

“the Government constructs irrigation works out of the funds or on the credit of the General Tax-paying Community, and, as trustee for that Community, it must take the best possible security for the payment, by the Districts which are benefited by any canal, of the actual charges to which the State is put by its construction and maintenance. It might be argued that the liability to meet such charges should be extended to the whole tract of Country which receives any benefit from the irrigation works. But it is believed that, under a satisfactory system of management, the needful returns to cover the charges may be obtained from the land which will directly benefit, and it is therefore considered sufficient to limit this liability to the irrigable lands only.”

It was rather remarkable that, when you read Section 56, you did not find any allusion to what was contained in the Statement of Objects and Reasons, confining the water-rate to lands which will directly benefit :

“56 If, at any time, not less than five years, after the commencement of irrigation from any canal, the average Net Revenue in the three next preceding years, realised by the Government from the use of the water thereof, and including all sources of income dependent on such canal, and deducting all charges for maintenance and management and working properly debitable to the Revenue Account of the same, shall not amount to a sum equal to seven per cent on the capital expended on the said Canal, the Local Government may charge on the lands irrigable by the water of such canal, but not paying any water-rate therefor, such a yearly rate or rates as shall, when added to the net yearly estimated income, reckoned as aforesaid, produce a total amount, as nearly as may be, equal to seven per cent on the capital aforesaid.”

So that, at the first blush, he (SIR HENRY DURAND) could understand the Local Governments going against this particular Section of the Bill; because, whilst there was no uncertainty as to the principle laid down in the Statement of Objects and Reasons, there was nothing to show that in the Section there was a corresponding condition affecting the application of the principle he could quite understand the alarm of the Local Governments at the Section. Then, again, in the Statement of Objects and Reasons the word “District” was used. A District was only an aggregation of villages. It did not always follow that the Canal Districts and Civil Districts were of the same demarcation; nor did it at all follow that the villages which composed either Canal or Civil Districts would all benefit from the construction of a canal. Some might benefit from it, others might benefit partially, some might not benefit at all; and some might even suffer detriment. So that, from the indefinite words used, the Local Governments might well be startled, but he did not think that, after a careful consideration of what the Local Governments had said, they really went against the principle involved. He thought that the financial policy was one which, stated generally, was a principle which would be accepted by every one. The difficulty, and it was the real difficulty, was as to its application. While he was not prepared to say, admitting as he did, the soundness of the general principle, that that principle was in itself obnoxious to criticism: he was not prepared to say that this Bill, supposing the principle applied as it ought to be, and with some modifications of Section 56 as it now stood in the Bill, might not be made a good Bill. If it were not for Section 56, hardly any one would deny that the Bill itself was a good Bill: it really did very little more than bring into an improved shape what was now embodied in two or three old Acts and Regulations, and it invested the present practice with legal form. Therefore, excluding that Section and some others connected with it, all of which the Hon'ble Mover of the Bill could, he was certain, amend, he thought the Bill was one that should be regarded as unobjectionable.

Section 56 was, as previously observed, a more difficult subject for consideration; but, if the Council had paid attention to the somewhat lengthy extracts which he had read from the Reports of the Local Governments, they would observe that the gist of their objections was founded on the fact of the powers conferred by this Bill for the levy of the water-rate on people who derived no benefit at all. If the rate was limited to lands in no other way irrigable, and which were within the sphere actually irrigated by the canal, there would be less ground for objections on the part of the Local Governments. But, as the Bill was worded, a village might find itself compelled to pay for no advantage received, or it might be required to discard its wells from which its lands were irrigated, and which were sunk at great cost, in order that it might contribute to the financial success of some undertaking of which it was wholly independent. Although there was a discretion left to the Local Governments as to the Compulsory Rate, and the action upon that discretion was subject to the control of the Governor General in Council, yet he thought that this point was one which, though guarded in this manner, had moved the Local Governments very much, and which admitted of an easy remedy in Committee, and he was under the impression that it would, coupled with other financial adjuncts which the Hon'ble Mover of the Bill would be able to add, in a great measure remove the objections entertained to the Bill. If he understood the Section rightly, taken in connection with Section 61, there was nothing to prevent very considerable practical injustice being done to a village, the lands of which were irrigable, but not irrigated, by, or requiring irrigation from, a canal which might run twenty-five or thirty miles off, and that village might be made to pay towards the general deficit of the work. That he thought should be carefully looked into.

As connected with this subject, he confessed he entertained great doubts as to the policy of Section 62, to which he very earnestly asked the attention of the Council. It would be remembered by his Hon'ble Colleagues that, with regard to reproductive works, he had urgently recommended that there should be a strict account kept of each separate work, and that its cost and the revenue and profits derived from such works should be laid periodically before the public at the time of the preparation of the Budget. Now, this Section appeared to him

CHAPTER XIV.

MAJOR GENERAL SIR  
H. M. DURAND.

The principle of charging water-rates to those who actually benefit by a canal might be admitted, but this would not cover the levy of a compulsory rate in a whole district, because parts of it may benefit by a canal. If the section imposing a compulsory rate be struck out, the Bill was a good Bill.

The amount of the financial return of each irrigation work should be kept distinct, without any jumbling or mixing up of one work with another.

## CHAPTER XIV.

MAJOR-GENERAL  
SIR H. M. DURAND

THE HON'BLE  
F. S. CHAPMAN  
A compulsory irri-  
gation rate is an in-  
genious provision for  
guarding against the  
effects of errors of  
construction or of  
calculation.

LORD MAYO  
21st January 1870

The objection to a  
compulsory irri-  
gation rate may be re-  
moved by limiting the  
meaning of the words  
"irrigable land"

By thus restricting  
the meaning of the  
words, the law would  
be such that no people  
could be made to pay  
for canal water who  
are not directly bene-  
fited thereby, unless  
their land is actually  
increased in value,  
and unless the water  
is actually brought  
upon the farms. Un-  
less this principle be  
enforced, the Gov-  
ernment will be in-  
volved in a serious  
difficulty. Some body  
must pay for the  
works; and is it fair  
or right that works  
constructed for the

really to militate against that which he held to be most important; for, although he himself was not of the opinion which he had heard advanced in that room, against the construction of public works by Loans, on the ground that Loans necessarily led to extravagance—an opinion which he thought rather unworthy of a Government—to bring against its own prudence and power of control—still he did think that the credit of the Government and of the Country was involved in the results of its reproductive works being laid before the public without any jumbling or mixing up of one work with another.

The Hon'ble Mr. Chapman said that, as at present advised, he objected to the principle of Section 56. It seemed to him to contain an ingenious provision for guarding against the effects of errors of construction or of calculation. Now, the Estimates of the Department with which Colonel Strachey was connected were not immaculate. The tendency, undoubtedly, was to under-estimate the cost of construction and over-estimate the probable receipts. He (Mr. Chapman) did not see why the public, who derived no direct benefit from the works, should be made to pay for these errors. As well might they call upon the inhabitants of a District through which an unproductive Railway passed to make good the deficit. You said to them—“A beneficent Government has constructed this great work by which you will secure an outlet for your labour and your produce.” Their answer would be, “We are the best judges of our own interests, and we consider your Railway a mistake, and leads to no place in which we have any interest.”

His (Mr. Chapman's) belief was, that if irrigation works were only well conceived and executed, there need be no fear about their financial success.

His Excellency the President said:—“I intend to reserve the greater part of what I have to say upon this very important Bill for its future stage, when, after being amended in Committee, it comes up for final consideration in this Council. I will therefore content myself to-day with expressing an opinion similar to that which is entertained by my Honourable friend Sir Henry Durand, to the effect that a great deal of the objection that has been taken to some of its Clauses can be removed by the amendments that will be proposed in Committee.

“Now the most formidable objection taken to Clause 56 is that stated in the remarks of Mr. Reid and Mr. Inglis of the North-Western Provinces.

“They say that ‘it compels the owners of lands adjacent to, but actually deriving no benefit from, a canal to pay water-rate on such land, in order to bring up the proceeds of the water-rate to seven per cent. on the capital expended on the canal, and charges for maintenance, management and working not properly debitable to the revenue-account of the canal.’

“I believe that, by the insertion in the Bill of a proper definition of the word ‘irrigable,’ that objection can be entirely swept away.

“I am informed that it is intended to define the word ‘irrigable’ in this way; that the land irrigable is not irrigated from a canal; that it is cultivated and situated within such a distance of the canal as permits the irrigation of it by natural flow; that the profits of such irrigation shall increase the annual rent and value of the land to an amount equal to the charge that is placed upon it, and that, not only shall all these precautions be taken, but that the canal-officer shall have offered to construct the minor works necessary for conveying the water to the said land under Section 29, or (if the said occupier or owner shall so prefer) to permit their construction under Section 32 or 33, or shall have tendered an advance of money sufficient to provide for the construction of the said works, such advance to be made and to be repayable in conformity with the Rules then in force, for making and recovering advances of taktavi, or advances for making improvements in land.”

“I am in hopes that, if these definitions are inserted by the Committee in the Bill and adopted by this Council, many of the objections taken will entirely fall to the ground. I believe also that it will be possible to give to all these definitions practical effect.

“It might be said, and, I think, with truth, that irrigation works in India cannot be constructed without conferring great benefits upon the whole population of a District, and, speaking generally, without adding increased value to all the lands in the neighbourhood of those works.

“I believe that to be a sound axiom; but it is not the principle that is acted on in this Bill, which is more limited.

“The principle upon which the Legislature in England has acted, in respect to the prosecution of works of local utility is this—it has always considered it right to charge upon a certain District the repayment of capital and interest, and the cost of maintenance, because it is held that the construction of such works confers extensive advantages upon the whole neighbourhood. But this principle is only found to a limited extent, in the Bill now before us, and it will be so guarded, that no people can be made to pay for this water who are not directly benefited thereby, unless their land is actually increased in value, and unless the water is actually brought upon the farm. And, here, I think it right to say that, unless such a principle as this guides the future of our great operations of improvement in India, we are likely, at no distant time, to find ourselves in serious difficulty; and I believe that, unless the principle is adopted which was so well described by His Excellency the Commander-in-Chief, unless the whole of our loan-finance—the whole expenditure of a remunerative character for improvements to the land and other like objects in India—is removed from the Ordinary Finance of the Country, you will find that it will be difficult to continue these most necessary works on a scale at all commensurate with the requirements of the Country.

“I therefore think that those who argue against this principle argue against that upon which all security for the continuance and certain completion of these works is actually based.”

"I will not now take up the time of the Council, to go into details in proof of this axiom. On some future occasion, it will probably be my duty to do so, but, when we see that the cost of the Ordinary Administration of this Country is such as can hardly be defrayed out of Ordinary Revenue, and, when we look to the increased cost of that administration which improvement must, necessarily, bring, I say that it must be plain that it is impossible to add indefinitely to our payments of interest in regard to these reproductive works without dangerously crippling our power in respect to Military Defence, the Administration of Justice, the spread of Education, and many other objects which are so essential to the safety and progress of the Country.

"I hope that these truths are now beginning to be recognized throughout this Land, and it behoves us to look upon these questions, not from a Provincial or a Local point of view, but to ask ourselves the simple question,—if these works are to go on, who is to pay for them; and can they go on if their cost is to be defrayed from the Ordinary Revenue of the Country?"

"This consideration has certainly not presented itself to the minds of those who object to this Bill.

"It is said that it is unfair that certain persons should pay for certain works, but if they are not to pay, who is to pay?"

"There is no unlimited Fund at the disposal of the Government of India which is available for such a purpose.

"If a work is not sustained by Local Resources, it can only be sustained by the contribution of the General Tax-payer; and I ask, is it fair or right that works constructed for the exclusive benefit of the people in the Punjab or the North-West should be paid for out of the pockets of the people of Madras or Bombay?"

"It was the early adoption of the principle to which I have been referring, that has led to the successful expenditure of the enormous sums which have been borrowed from the State or from private sources for Agricultural, Municipal, Maritime, and other objects at Home; and I do believe that, had it been attempted thirty or forty years ago in England to carry into effect the principle that has hitherto been adopted in India, that is, that the General Revenues of the Country were to be made liable for works of improvement of a limited and local character, not only would the expenditure on those works have been most extravagant (being conducted without that local control which is so necessary), but that the charge thrown upon the Revenues would have been so enormous, that the construction of all such works would have, long ago, been arrested.

"When it is also said that, because engineers make mistakes, and that errors may be committed in the construction of these works, therefore the loss occasioned by these errors, and the result of these mistakes, are to be thrown upon the General Tax-payers of the Country, it seems to me to be an objection that is wholly unsustainable.

"These works are not undertaken on the understanding that mistakes are not to be made; mistakes will occur, but to say that a great principle of this kind is unjust because occasional mistakes, blunders and errors may be made by persons occupied in the construction of these works is, to my mind, an argument that can hardly be deemed serious.

"I believe that, in the interests of the thousands whose life (I may almost say), and certainly whose welfare, depend upon the early completion and construction of these works, this principle ought to be adopted, and I do believe that, when it does come to be thoroughly understood that those Localities which are to be most benefited, undertake to bear the other Tax-payers of the Empire free from burden and cost; when the inhabitants come to understand what the object really is, and that in return they are to be guaranteed by Government that the profit of those works—above that which is absolutely necessary to defray the cost of payment of interest, repayment of capital and maintenance—is to be all their own;—they will find that, so far from the present Bill being likely to throw unfair, unnecessary and burdensome charges upon them, it will cause these works to be constructed and completed with far more economy and care than they have been hitherto, that, in their construction, they will be subjected to much more accurate criticism than they have been before; that the whole claim of the Government in their respect will be greatly limited. I believe that, when people come to consider all these points, they can arrive at no other conclusion than that the principle of the Bill is just and fair, and calculated to secure the speedy completion of the works, and, at the same time, leave to the proprietors and occupiers of the land a larger portion of the profit.

"I am not surprised that objections are taken to this Bill. Everything that is new is liable to suspicion, but I think that the solid objections which have been made can be removed, and that, on further consideration, it will be found that this Bill, if it be properly worked, will confer lasting and immediate benefit on thousands, by securing to them, at the least possible cost, all the blessings of irrigation."

The Bill, as discussed in 1870, was framed for Northern India; its further consideration was deferred, pending reconsideration of certain differences of views with the Government of the North-Western Provinces. Meanwhile, the Government of the Punjab urged the passing of the Bill for that Province, and, accordingly, the Bill was re-cast in 1871, so as to apply to the Punjab only. In this new Bill the provision in the former Bill for limiting the compulsory rate to the amount sufficient for bringing the returns for an irrigation work up to seven per cent. on the capital expended was omitted.

His Excellency the President said:—"It is not fair to assume that Measures which are considered fit for the Punjab must necessarily, in consequence, be considered suitable in all their details for every other part of the Empire. Canal Bills for other Provinces will be discussed and settled on their own merits, with reference to the wants of the particular case and

CHAPTER XIV.

LORD MAYO,

21ST JANUARY 1870

exclusive benefit of the Punjab or the North-West should be paid for out of the pockets of the people of Madras or Bombay?"

It is equally unjust to throw on the general revenues the loss occasioned by errors in the construction of works designed for the benefit of a particular locality; more especially as the profit from successful works, beyond a certain minimum, will go entirely to the proprietors of the land

LORD MAYO,

12TH OCTOBER 1871

The Government has long since declared

## CHAPTER XIV.

LORD MAYO.  
21st January 1870.

ad its opinion in favor of a compulsory rate to be levied under fixed conditions and certain well-defined limitations.

THE HON'BLE R. E. EGERTON.

In the Punjab where the demand for water is very great, there will never, probably, be occasion to enforce the compulsory clause

THE HON'BLE F R COCKERELL,  
26th October 1871

The new Bill puts no limit to the amount of compulsory irrigation rate which may be levied, though even a limited compulsory rate is peculiarly offensive to the popular notion of that equity and good conscience which does duty for substantive law to so large an extent in this country. Whether the rate be limited or not, in principle it is wrong, because it would be levied without the consent of the payers.

to the opinions of the Local Authorities. As a matter of principle, the Government has, long since, declared its opinion in favour of a Compulsory Rate to be levied under fixed conditions and certain well-defined limitations. I believe the principle asserted by the Sections 44, &c, to be, not only sound and useful, but absolutely essential to the success of those great schemes of irrigation by which alone large portions of the Country can be preserved from periodical famines, and the Country permanently enriched; but, because the Council adopts that opinion and applies these Clauses to the Punjab, it does not, necessarily, follow that all the details now provided will be, necessarily, applied, in future legislation, to other parts of India. Such an assumption is without foundation. This sound principle may be applied in other forms and by other means."

The Hon'ble Mr. Egerton said:—"Sections forty-four to forty-nine—'Irrigable, but not Irrigated.' These Sections form part of the Bill introduced in 1869; but they now stand very much modified. The conditions under which a special rate may be applied are so strict, and the power conferred on the Local Government is so large, that I think it very difficult to make the provisions applicable to any canal. In the Punjab, where the demand for water is very great, there will never, I think, be occasion to apply those Sections to any canal."

The Hon'ble Mr. Cockerell said:—"The most important feature of the Bill is the provision contained in Section forty-four, for the levy of a rate on lands irrigable but not irrigated; and I would first draw attention to the rather curious position in the Bill which this provision occupies. Like the proverbial snake in the grass, it is almost hidden in the ramifications of Part III, which, though the receptacle of all sorts of unconnected matters, bears simply the unsuspecting heading—'Special powers of canal officers in relation to surveys, construction and maintenance of works and decision of differences regarding water-courses.' The principle of such an assessment was, on its first appearance in the original draft, strongly attacked, and especially reprobated in a Despatch from the Secretary of State, dated 11th January 1870, from which I need make no quotation, as it has been published and circulated as a paper on the Bill. But it will be said that this provision has been divested of its obnoxious character, by the conditions which have been attached to the levy of a Compulsory Rate, and which are included in the amended Bill. To show that this is not the view taken by those who are amongst the most competent to form a sound conclusion on this point, I will read from a letter from the Government of the North-Western Provinces in regard to the amended Bill. The Lieutenant-Governor, who, it will be remembered, was the strongest opponent to the principle of a Compulsory Rate when the idea of levying such a rate was first started, is of opinion that the provision of the amended Bill on this subject is 'even more objectionable than as it stood in the original Bill. There, the imposition of the Rate was made to depend on a distinct financial necessity; and the Measure itself could not be introduced unless it were proved that the canal had failed to reach a specified percentage of profit. The character of the imposition was thus marked, and its range defined and limited. In the present Bill, neither cause nor limit is assigned. The Measure will simply be based on the opinion that reasonable use has not been made by the people of the canal, and, on this opinion, an agriculturist, who never took a drop of water from the canal, or intends to take it, who finds, in fact, that it is not for his interest to bring water channels to his fields, can be charged a special rate which may reach to two rupees an acre. The injustice of such a proceeding seems to be patent on the mere statement of it."

"There was something peculiarly offensive to the popular notion of that 'equity and good conscience' which does duty for substantive law to so large an extent in this Country, in making the non-realization of a seven per cent. return on any outlay of capital borrowed at four per cent, the main condition of the levy of this impost; but it may well be questioned whether, as the Lieutenant-Governor surmises, the new condition as to the 'reasonable use' may not press more hardly upon the landholder than the former one. In any case, by whatever conditions the action to be taken upon it may be surrounded, the principle remains unaltered, and, consequently, the objections to that principle must apply as strongly in the case of the present Bill as its predecessor. It has been asserted that the principle of the proposed tax differs in no respect from that which governs the levy of Special Taxation in Towns for various descriptions of Municipal Improvements. I contend that there is no analogy whatever between these cases. In the latter, theoretically at least, the taxation is imposed by the will, or with the consent, of the Representatives of the Tax-payers. I say, theoretically, because, literally, Municipal Commissioners are not the Delegates of the people; yet, generally speaking, the Government make such selections for those offices as the people, if they were vested with the power of election and were likely to make a discreet and discriminate use of it, would, themselves, choose. Taxation so imposed is, surely, something very different from the Measure provided by this Bill.

"Again, in the case of Municipal Taxation, the tax-payers get something for their money, which, however much or little they may appreciate its value, does, undoubtedly, ensure to them very substantial benefits; but the landholder subjected to the Special Rate, gets no benefit in return. It will be said that the conditions under which only the Rate can be levied require that the use of Canal-irrigation should secure greater profit to the Agriculturist than he would otherwise have obtained? It is just because cases may occur, in which it may be shown that the cultivator would have secured a better crop from the use of canal-irrigation than he would have done without it, and because such cases are extremely likely to occur and will subject the landholder to the screw of the Special Rate, that I regard the provisions of this Bill with so much apprehension. For it may well be that the cultivator, intelligently and wisely, elects not to use canal-irrigation, to forego the estimated increase of profits, in order to avoid what he may conceive to be the more than counterbalancing concomitant evils attending the use of such irrigation. He may say 'I know that I should get a much larger profit from the use of your

water, but either from well-irrigation or the natural resources of the soil unaided by your water, I get a return sufficient for my wants; and I would rather forego possible increased profits than bring myself within the dominion of the Canal Officers. By resorting to the use of canal-irrigation, I incur all sorts of responsibilities and obligations in regard to water-courses and the like, or I must give up my wells and depend entirely upon you for a water-supply, and you may, as you have carefully freed yourselves from all pecuniary responsibility for the non-fulfilment of my just expectations, disappoint me just at the moment of my utmost need.

"I do not, by the case which I have put, intend to suggest that the Canal Officers are, as a rule, in any degree, less mindful of their duties to the people with whom they are brought in contact than any other body of public officers would be under similar circumstances; but I do wish to point out that the proposed law practically invests those Officers—and I believe necessarily so—with very extensive authority, and that, keeping this fact in view, it must be regarded as not the least mischievous consequence of the power of levying a compulsory rate, that the inducement to use their authority wisely so as to attract a voluntary recourse to canal-irrigation by a popular administration of the system, is, through the existence of that power, to a great extent, withdrawn.

"Another important argument in favour of the levy of this Special Rate is that, on grounds of humanity, no less than on sound financial considerations, irrigation must be promoted by the construction and maintenance of canals for which somebody must pay; and that this being so, it is more just to assign the burden of the cost of these works to those for whose benefit they are devised, than to impose it on the General Tax-payer.

"The first proposition may be readily admitted, subject to the reservation that no injustice or hardship is caused to individuals as the necessary consequence of these works. When that limit is overstepped, I should hold that it is not desirable to construct Canals. But, in regard to the apportionment of the burden of cost, I contend that the argument is wholly unsound. Of course, every projected work of this sort is intended to benefit some people, but if, through any error of design or construction—and the history of some of the more recently constructed barracks shows that even officers of the Department of Public Works, upon which the design and execution of canals must devolve, are fallible—the work failed to achieve the general object of its design, surely it would not be just to saddle certain persons with the cost, who have derived no advantage from the work, and have had no option whatever in the matter of its construction, merely because it was designed for their benefit?

"Take, as a possible illustration of such a case, the Sardas and Rohilkhand canals, which are, I believe, either being constructed, or are about to be constructed. One of our Hon'ble colleagues (Mr. Inglis) who has a thorough practical acquaintance with Rohilkhand, is of opinion that, owing to the water being so near the surface, and the consequent facilities for kacha well-irrigation which exist in the country to be traversed by these canals, the mass of the agriculturists will not take the water, and that, consequently, the Canals cannot prove a profitable undertaking.

"The truth is that canals are projected and constructed mainly in the interest of the General Tax-payer to lighten his burdens, directly, by staving off the heavy cost of periodical famines, and indirectly, by improving the general resources and wealth of the Country. Where these works are wisely designed and carried out, they are sure to answer their purpose without the aid of Section forty-four, the risk of error in design or construction should, in all equity and reason, be borne by the General Tax-paying Community, whose agent the Department of Public Works is in projecting and carrying out these Schemes. That Community is, on every consideration, as justly chargeable for the consequences of an unwise or unskillfully executed canal project, as for the cost of barracks which, through faulty construction, may have fallen down or become otherwise unserviceable."

The Hon'ble Mr. Ellis did not intend to say much in regard to the point raised in the amendment of his Hon'ble friend, Mr. Cockerell, as those who were in charge of the Bill would be best able to answer for the procedure which had been adopted. He (Mr. Ellis), however, advocated the pressing on to completion of the measure while the Council had the advantage of the presence of His Honour the Lieutenant-Governor and the Financial Commissioner of the Province. He did not think it necessary to lay the same over again, and follow his Hon'ble friend, Mr. Cockerell, through the details he had entered into regarding the original provisions of the Bill, for he believed these provisions were no part of the present measure; but he agreed with his Hon'ble friend in his expression of satisfaction that their further prosecution had been vetoed by the order of the Secretary of State. These provisions, however, were not now under discussion; and any objections that might have been taken to them, as they originally stood, were quite irrelevant, as the provisions of the Bill, as now framed, were of a different character. These provisions appeared to Mr. Ellis to be a compromise between the extreme views of those who held that, if a canal was to be made, a certain re-arrangement of the District through which it passed, must also be made to guarantee its paying at any price, and the views of those who held that under no circumstances should a person be called upon to pay for water which he was not disposed to use. He took this to be a compromise; and he accepted it as a fair and reasonable one. If anything was to be said against the principle adopted, it would be that it was fenced round by conditions so varied, complicated and difficult of proof, that, if anything, there were too many safe-guards, rather than too few, against oppression and injustice to the people. He did not conceive, however, that it would be necessary to put them in force in the Punjab, for, from all he could ascertain, the people of that Province were only too glad to get water where they could, the only doubt being that, in some of its parts, there would not be a population sufficient to make use of the water available. This operative

CHAPTER XIV.

THE HON'BLE F. R. COCKERELL,  
26th October 1871

THE HON'BLE  
B. H. ELLIS.

In the Punjab, where the people were only too glad to get canal water, the compulsory clause

## CHAPTER XIV.

THE HON'BLE B. ELLIS,  
26th October 1871

The Bill did not charge the people with the cost of an engineering failure.

If, however, from ignorance, wilfulness or other cause the people refused to avail themselves of the water which was made available to them for their profit, then there was no hardship that these people should pay to ensure the financial success of what was carried out for their benefit.

THE HON'BLE THE  
LIEUTENANT GOV-  
ERNOR OF THE  
PUNJAB  
SIR R. DAVIES

It is not in any way inequitable to put a rate upon land which the owner has it in his power to improve by bringing water to it, under the conditions proposed in the sections of the Bill

THE HON'BLE SIR  
R. TEMPLE,  
26th October 1871

being the case, the provisions of the Bill would be harsh, and it would be asked "Why enact them at all?" The answer to that would be that, in carrying out large schemes of this nature, involving considerable sums of money, the Government naturally looked to the financial success of the schemes, only requiring a guarantee that financial success should be ensured. He was thoroughly agreed with the Hon'ble Member who moved the amendment, that they should not attempt to secure themselves against engineering failure by a tax upon the people for whose benefit these engineering failures were designed, but he understood that the Bill, as at present drawn, did nothing of this kind. It did not charge the people with the expense of engineering failures, if it did, then he would certainly not support the Clause. It was obvious that, so far as engineers were concerned, all claims of that kind should depend upon two calculations—the calculation of the cost of the works, and the calculation of the area irrigable. The rates were fixed by revenue officers, and, for them, the engineers were not responsible. If the work failed financially, because it cost more than was originally estimated, or because it was found that the supply of water was not sufficient, or the area irrigable not so large as was expected, then, according to this Bill, no one would be liable for a single pie more than he already paid.

Mr Ellis could not conceive how his Hon'ble friend could have imagined that the Bill under discussion was designed to cover engineering failures, or to foist the cost of such failures upon the people in any way. If, however, from ignorance, wilfulness or any other cause, the people refused to avail themselves of the water which was made available to them for their profit, then he (MR ELLIS) would say there was no hardship that these people should pay to ensure the financial success of what was carried out for their benefit. There was an analogy between this and the case of land revenue. Assessment was fixed on the best lands at a high rate, on the supposition that the best kind of crops would be grown thereon, but, if the landholder refused to grow the best kind of crops and grew only inferior crops, he was, not the less, obliged to pay a high assessment. The land was made more valuable, and, if the owner retained possession of it and had these facilities, whether he wished to make use of them or not, there was no hardship in making him pay a higher rate for land which he retained and allowed no one else to use to their advantage. MR. ELLIS therefore had no sympathy with those who raised a cry of oppression and injustice in the case of the taxation of those who would be taxed under the very stringent restrictions imposed by the Clauses of the Bill as at present framed.

His Honor the Lieutenant-Governor said.—"I have not the slightest hesitation in supporting my Hon'ble friend in his motion that this Bill be passed. My Hon'ble friend, Mr Cockerell, observed that the measure had been before the Legislative Council since 1870; but I must remark that it has been before the Government of India since February 1867, having then been sent up by the Punjab Government. I think, therefore, that, if we had omitted to press on the Legislative Council the passing of this Bill at this season and at this place, we should have greatly neglected our duty.

"The Hon'ble member has adverted to the lost experience of Messrs Ingles and Robinson; but, without saying anything depreciatory of the ability of these gentlemen, I must remark that Mr Egerton and myself were, for many years, employed in these Districts of the Punjab, into which irrigation was introduced on the annexation of the Country, and that we have that peculiar experience which could not possibly be enjoyed by gentlemen who have not served in the Province. We have also had the benefit of Sir Richard Temple's experience, who, for many years, was employed in the Punjab, and has full knowledge of all the circumstances connected with irrigation in that Province.

"As regards the objection taken to the preamble, I may observe that the principle involved has invariably been put forward in all the Bills which have been prepared on the subject, from time to time, and had the assent of the late Mr Thomason, and also that of the late Sir Henry Durand. The Hon'ble gentleman (Mr. Cockerell) took exception to the provisions regarding the landlord's rates, and he observed that it was inexpedient to disturb the general effect of the Revenue Settlement, but in the Punjab, I believe, this inconvenience cannot occur, certainly not for a long time to come.

"As regards the Compulsory Rate, I was, originally, amongst the opponents of the first draft of the Bill; but I fully accept the compromise which is offered in this Bill, but I think, if the Hon'ble gentleman had gained, as he admits he has not had the opportunity of gaining, experience in a Country liable to the effects of drought, he would have set a higher value on the inestimable advantage of the presence of water near lands irrigable. I cannot, myself, admit that it is in any way inequitable to put a rate upon land which the owner has it in his power to improve by bringing water to it, under the conditions proposed in the Sections of the Bill. It must be remembered, also, that the Government is co-proprietor in the lands of this Country, and that it has not only the strongest interest in insisting, but a real right to insist, upon the improvement of land; and it seems to me that the proprietor who had it in his power to irrigate land and refused to do so under the conditions of this Bill, would be very much in the same condition as the tenant in England who refused to manure his land against the customs of the Locality in which he lived.

"I consider that the Hon'ble gentleman was under a misapprehension when he said that lands already irrigated from wells could be brought under this Compulsory Rate; but my understanding of Section forty-eight of the Bill renders this impossible.

THE HON'BLE SIR  
R. TEMPLE,  
26th October 1871

Sir R. Temple said.—"Mr. Cockerell next adverts to a recent despatch from the Secretary of State regarding what is known as the 'Compulsory Rate,' that is, the rule whereby a Water-rate can be imposed on lands which are proved to be capable of canal irrigation. He seems

to think that this Rate, as in the Bill to-day, is contrary to that despatch. On reference to the despatch, however, I do not see how my Hon'ble friend's construction of it can be maintained. No doubt that despatch did advert to the difficulty of enforcing the principle and did direct that caution should be exercised. But after that it went on in the following terms —

"The object aimed at in the Section (s e, regarding the Compulsory Rate) is obviously that of adjusting the burden of interest on loans raised for State irrigation works and transferring it from the shoulders of the General Tax payers to those of the Communities for whose special benefit the works are severally undertaken, and in the value of the object, so far as it can be justly and conveniently obtained, I entirely concur, and it will therefore be satisfactory to me to learn that the Section can be so far modified as to obviate any objections."

"So far, then, this principle is approved and not objected to, as Mr. Cockerell seems to think. Then, after suggesting certain modifications, the despatch runs thus —

"A preferable arrangement might be one according to which cultivators, instead of paying in proportion to the quantity of water taken by them, that is, more in a dry year and less in a wet one, would be assessed at an equal rate per acre of their irrigable land in all years \* \* \* \* \* It would, however, rest with Government to fix the rate, and whatever rate \* \* \* \* \* seemed necessary to raise the required percentage on the cost of the canal might be fixed accordingly."

"Here again, it is distinctly contemplated that, under certain circumstances, a Rate may be imposed on irrigable lands, and that such rating is to be fixed by Government on financial considerations. I shall advert, presently, to the details of this proposal. At this moment, my object is to show that we are distinctly authorized by the Secretary of State to legislate on the subject."

"Mr. Cockerell then alludes to the analogy of Municipal Taxation in towns and cities; he considers that such taxation may be justifiable, because those who pay it are directly benefited thereby. He seems to think that the analogy does not apply to the proposed Compulsory Rating of irrigable lands. But I say that it does apply most distinctly. For, will not every man who may be charged with this water-rate benefit thereby? Undoubtedly he will. He will only be so charged when it can be proved, formally, that he can and will benefit. Indeed, the payer of this canal water-rate would benefit quite as directly by the irrigation of his fields as any townsman could benefit by the conservancy of the streets or by the improved purity of drinking water and the like."

"But if Mr. Cockerell introduced this analogy at all he ought to have pursued it further. He should have alluded to the Local Cesses for Roads, Schools, Hospitals, and the like, which have been passed of late, Province by Province, for the whole of India. It is held by the Legislature that, inasmuch as the Community benefit by these things, they must be taxed. And it is considered that it is more just that such Community should be taxed separately for its own roads and schools and hospitals than that the cost should fall on 'the General Tax-payer,' that is, on the Revenues generally. But if this be so, then it would be equally just to charge each rural District for the canals running through it, inasmuch as a canal is at least as useful as Roads and Schools, indeed is perhaps more useful than any other work, perhaps even than all other works put together."

"Again, the payer of Cesses for Roads and Schools and Hospitals does not always benefit so directly as the payer of a Canal Water-rate. A man may be taxed for Roads, though he never travels; for Schools, though he has no children to educate; for Dispensaries, though he never takes physic. But a man will not be compelled to pay water-rate unless it be proved that his fields can be profitably irrigated, and that the water has been brought to their boundaries."

"Therefore I say that the analogy does not, as Mr. Cockerell seems to think, militate against the Canal-rate, but is actually in its favor."

"Then Mr. Cockerell quotes a passage from a letter from the Government of the North-Western Provinces, to the effect that a man may be charged for water which 'he finds it not his interest to take.' How in Northern India—or anywhere in India, save in exceptional alluvial Districts—it can be otherwise than for a man's interest to take canal water if it be obtainable, I cannot understand. Notoriously, it is always for his best interests to take the water, and, if so, it is just to charge him."

"But the passage which my Hon'ble friend quotes is only a specimen of dicta which are too common in many quarters and which involve a misapprehension, as I will endeavour to explain."

"It seems to be supposed that, if it be really for a man's interest to take canal water, he will 'find' it to be so. But, unfortunately, in India he does not always 'find' this, or finds it only after a long delay. If our people were quick in apprehension, energetic and enterprising in disposition, they would indeed find their true interest fast enough. But they are, notoriously, slow, apathetic, and unenterprising. I say this, without forgetting the many virtues which they do possess. And it can be proved in tens of thousands of instances that they have failed or delayed to take canal water for years and years, which, nevertheless, it was their true interest to take. Their taking it at last shows that they ought to have taken it from the first. I have learnt from the best departmental authority, and, indeed, the fact is patent from the statistics of irrigation, that whenever there is a drought there is an immediate extension of irrigation. When the drought ceases, and the seasons become good again, the irrigation, once begun, is maintained. This has occurred, over and over again, with tens of thousands of acres. The facts prove that, in all these instances, the water, which was all along available, might, with every advantage, have been taken from the first, and that the people were wrong in not taking it and in not finding out their true interest sooner. When they find it out later, it is only after some terrible teachings from famine or distress."

## CHAPTER XIV.

THE HON'BLE STA  
R TEMPLE,  
26TH October 1871

The Secretary of State has not condemned the levy of a rate on irrigable, but not irrigated land, on the contrary, he suggests possible conditions under which a rate might be leviable from such land.

A compulsory irrigation rate does not differ from a road or school cess.

It is not conceivable how, except in alluvial districts, it can be for a man's interest not to take canal water if it be obtainable, though it is true that in tens of thousands of instances people, from ignorance or apathy, have failed to take canal water for years and years.

## CHAPTER XIV.

THE HON'BLE SIR  
B. TEMPLE,  
26TH OCTOBER 1871.

"It is true that extension of irrigation arises from other causes besides, such as development of subsidiary channels, but after allowance for all this, the fact, as I have just set forth, remains.

"Again, if ever a people had an awful lesson of the consequences of drought, it was the people of Orissa. They saw the terrible mortality from Famine when the rains were withheld. Nevertheless, when, shortly afterwards, canal irrigation was brought to their very fields, they refused to take the water, because they would have to pay for it! I have heard, though I would fain hope that this cannot be altogether correct, that the land holders incited the tenants to refuse, on account of some fancied object. Be this as it may, I believe that there have been, at times, combinations with this view, and a considerable reluctance to use the water. Of course it is the interest of the Orissa people to take, and pay for, the water, though they often fail to find it out.

"Fortunately there has not, as yet, been any such tendency observable in the Punjab. The seasons for the last decade of years, have been very dry there. But I can remember cycles of wet seasons when sandy unirrigated soils, usually unproductive, became very productive without any outlay of capital, and placed the irrigated lands, cultivated with outlay of capital, at an unusual disadvantage; glutted the markets with produce; caused prices to fall, rendered it difficult for the farmers to get money wherewith to pay the revenue, and caused much economic disturbance. All this will be found in the Punjab Reports for 1855-56. Now, if such circumstances recur, as they easily may, it is quite conceivable that the Punjabees might try to escape paying for canal water, quite forgetting that such payment is really their insurance against cycles of dry years, which are more frequent than wet years, and forgetting that if they, who benefit, do not pay for the canals, the cost must fall on somebody else, and will actually fall on the General Tax-payer.

The advantages of canal water are so decidedly superior that in the North-Western Provinces and the Punjab it supersedes the use of wells.

"Then Mr Cockerell stated that cultivators might have substantial reasons for not taking canal water. I felt curiosity to hear what these reasons could possibly be. At length my Hon'ble friend gave one such reason, which was this, that the men might have wells and therefore did not want canal water, evidently supposing that well irrigation is sufficient and is nearly as good as canal irrigation. Such, however, is not at all the fact. In many parts of Northern India, indeed, the wells are very efficient, and have solid masonry. But, at the best, irrigation from wells is nothing like as good as irrigation from Canals. The well irrigation is wholly insufficient, however useful up to a certain point, to ward off the consequences of drought, whereas canal irrigation does, to a considerable degree, suffice. Further, both in the North-Western Provinces and in the Punjab, so completely does canal irrigation supersede the use of wells that I have seen regret expressed that more water had not been reserved for tracts which had not even the advantage of wells.

"The existence of well irrigation, therefore, though it may be a reason for the Canal Officers reserving some part of the water for less favoured tracts, is not in truth a 'substantial reason' for a cultivator refusing canal water if it be offered to him.

The compulsory rate will not be levied to cover the cost of failures.

"Then Mr Cockerell said that it would be unfair to saddle the cost of a canal which has failed, on the community through whose villages it passes, and that such loss ought rather to be borne by the General Tax payer, that is, by the whole Country. Now the remarks seem to me to arise from an utter misapprehension of this part of the Bill. The Bill is, purposely, so drafted that the Rate cannot possibly be levied if the canal has at all failed, and can only be levied when it has palpably and demonstrably succeeded. On turning to the important Section fifty, we find that the Compulsory Rate can only be levied—

"When the following conditions are complied with (a) that the land is cultivated but not irrigated, (b) that the net annual value of the produce of the land, or the productive powers thereof, will be increased by the irrigation thereof by canal water after deducting all necessary charges incurred in cultivating the same, conveying the water thereto, and paying all Government charges in respect of such irrigation, (c) that the Divisional Canal Officer shall have tendered to the Occupier or Owner thereof a supply of canal water sufficient for the irrigation thereof in the manner customary in the irrigation of land from a canal, (d) that the Divisional Canal Officer shall have offered to the said Occupier or Owner to construct the works necessary for conveying the water to the said land under Section fifteen, or (if the said Occupier or Owner shall so prefer) to apply the provisions of Sections twenty and twenty-four for the construction or transfer of a water-course, or shall have tendered an advance of money sufficient to provide for the construction of the said works, such advance to be repayable in conformity with the Rules for making and recovering advances made under the Act for the time being in force as to advances for improvements in land.

"Manifestly the proof of the canal is in the water? If the water is tendered as set forth in the conditions I have just quoted, the canal cannot have failed, and the cultivator can only be made to pay when he receives water from a canal which must, from the essence and nature of the conditions, be in an efficient working order.

"Then Mr Cockerell quotes from a Report which states that the projected Sarda Canal will pass through a country already irrigated by 'kucha' wells, evidently thinking that such a tract will not really need canal irrigation and should not be made to pay for the same. In the first place the Sarda Canal, as now designed, is not to pass through a country thus irrigated. But if it were so designed, then would the fact of its passing through such a tract be any sort of proof of its not being imperatively needed? Is irrigation from 'kucha' wells, in the least degree, a substitute for canal irrigation? Assuredly not. What is a 'kucha' well? Why it is just a hole dug in the ground where, ordinarily, water is met with near the surface; it is unsupported by masonry, and is, altogether, of a temporary and uncertain character. So long as the rains are propitious, as the clouds drop fatness, as moisture is retained in the ground, these kucha wells are serviceable. But on the slightest stress of drought, or failure of season, they



inevitably become useless. Their existence therefore furnishes no reason whatever for Canal water not being introduced and canal rates levied. Indeed, the remarks I am combatting run counter to the fundamental principle of Canal Irrigation in Northern India. We want something more reliable than the periodical rains, than the kucha wells which constitute the lowest and most precarious kind of irrigation, than even masonry wells of the better sort. These things depend on climatic considerations, which meteorological experience has shown to be dangerous to life and property. We cannot depend on local supply of water for Hindostan. But there is one supply of water which we can, comparatively, depend upon, and that is derived from the mighty range of the Himalayan mountains which overhang Hindostan. There Providence has stored an infinite quantity of snow and glacier, and perennial waters, for the use of man, for the sustenance of the people who dwell in the arid plains below, if we will only learn, by application of science, to utilize these natural advantages, and if the Agriculturists will submit to the pecuniary sacrifices necessary thereto.

The Hon'ble MR. STRACHEY said:—"MY LORD: I propose, in the remarks which I am about to make, to confine myself to one part of the Bill only, that part which provides, under certain circumstances, for imposing Compulsory Rates on the owners of irrigable land. In regard to the other important subjects to which this Bill refers, I think that I need say nothing; because they have been already sufficiently discussed. We all know, my Lord, what a common practice it is, in arguing, to attribute to one's adversary all sorts of opinions which he never expressed, and never held, and, having demolished one's imaginary enemy, to triumph in an imaginary victory. I am sorry to be obliged to say that there has been a great deal of this kind of argument on the present subject. I shall now endeavour to state the reasons for which I believe it to be essential that the principle regarding which there has been so much discussion, and which is affirmed by Sections 44 to 49 of this Bill, should be distinctly laid down by the law.

"Although there has been much difference of opinion regarding the exact manner in which that principle should be practically applied, the principle itself has been distinctly declared by the Government of India, for several years past, as one of essential importance. This has been repeatedly said in the published orders and despatches of the Government, and also by your Excellency and by Members of the Government in the Legislative Council. The justice of that principle has been, with rare exceptions, acknowledged by the highest authorities connected with both the Supreme and Local Governments.

"The public hardly appreciates the serious financial considerations which are involved. Already, as Colonel Strachey stated, last year, in this Council, we have incurred, or are in progress of incurring, an expenditure on canals, in the North-West Provinces, Punjab and Oudh alone, of more than £20,000,000.

"Other great undertakings of a similar character are going on, in other parts of India, and Colonel Strachey informed us that, before long, the liabilities for works of irrigation would amount to an annual charge of several millions sterling.

"The duty of executing these works, if it can be done without extreme financial danger, is obvious, for, in no other way, is it possible to give real and complete protection to the Country against the terrible Famines, which, even to this day, periodically devastate the land.

"There is a common idea that these great canals not only pay all their expenses, but that they bring a great and certain direct return to the Treasury. Unfortunately this is only partly true. There is, doubtless, ample reason for believing that these works will ultimately be highly remunerative, but it has been proved by actual experience, as my Hon'ble friend, Sir R. Temple, has already observed, that this result often takes a very long time to bring about. In regard to the reasons which lead to this delay in obtaining the full benefits of the canal, I shall have to speak again, presently.

"I will now only say that, without at all undervaluing other reasons—such as bad management of our own officers, insufficient construction of subsidiary channels, and other causes which have often had much influence—I am satisfied that the main cause of this delay has been, ordinarily, the ignorance of the people, and their disinclination to embark in any novelty. They, and their fathers before them, from time immemorial, have cultivated their fields with no water but the rain from heaven, or that raised, laboriously, from wells, and they can no more appreciate, in a moment, the advantages which the canal offers them, than the people of our towns can appreciate the value of clean streets and drainage, and wholesome water to drink. I will quote here a despatch, written about two years ago, from the Government of the North-Western Provinces, in illustration of this part of the subject. It was written regarding the projected new canal from the Ganges, and with particular reference to the irrigation of the autumnal crops, but it applies in principle to irrigation canals generally:

"As regards the projected *Kharif* canal, it will be long before the people avail themselves fully of the contemplated autumn supply for other crops than indigo, sugar and cotton. In the Eastern Jumna Canal the eventual proportion of nine-twentieths now taken by the people for *Kharif* cultivation is the result of an education of some forty years in the use and benefits of canal irrigation. The experience of the past year goes to show that, at the present time cultivators in the Doab wait looking for the rain from heaven, and only at the last moment and, therefore only in really bad seasons, resort to the canal in aid of the commoner crops. His Honour is not inauspicious to the benefits of *Kharif* canals, and would, indeed, be glad to see the one projected by the Chief Engineer carried into effect, if it can be done with a due regard to financial considerations. But the Lieutenant-Governor holds strongly that, in the Doab, irrigation from such a canal could not supersede, or stand instead of, *rubbee* irrigation, and also that, in calculating returns for capital invested in such an undertaking the disinclination of the people in this part of the Country must be borne in mind. Perhaps, on an average, one out of every five years may prove a failure, and lead the people to the canal for their ordinary autumnal crops, in the end, after a long series of years, they may have learned fully to appreciate and use the water irrespective of the season. But, certainly, for a considerable period, the water would be but partially used during the

## CHAPTER XIV.

THE HON'BLE SIR R. TEMPLE, 26TH OCTOBER 1871.

THE HON'BLE J STRACHEY.

The principle of a compulsory irrigation rate, leviable under the conditions defined by the Government of India, has been repeatedly declared, and its enforcement is a virtual necessity

The duty of executing irrigation works for the complete protection of the country against the famines which periodically devastate the land, is obvious, if it can be done without extreme financial danger. Inasmuch, however, as the works are only partly remunerative, from the very long time that the people take to appreciate the advantages of canals, whilst the interest charge, meanwhile, on the outlay is very considerable, it is proper that the sum wanting for payment of interest should be made up by a compulsory rate on those lands for the benefit of which the works were constructed.

## CHAPTER XIV.

THE HON'BLE  
J STRACHAN  
26th October 1871.

Monsoon, and the return in water-rate would be proportionally low. But delayed returns are equivalent to an increase of the capital invested, and the Lieutenant-Governor thinks that this point has not been sufficiently regarded in the calculations of the Chief Engineer.

"There can be no doubt, I believe, that this is, generally, true. Ultimately, the people find out the value of the Canal, and every drop of water is utilized and anxiously demanded; but, until this result arrives, the Government has to go on paying the interest on the borrowed money with which the Canal has been made. So long as these works were upon a small scale, and constructed with such funds as could be made available from the annual revenue, the matter was one of minor importance, but, now, that we are expending on these canals, millions of borrowed money, it becomes a matter of most urgent financial necessity that there should be no doubt as to the mode by which the interest on these charges is to be secured. The Government of India maintains—and this is the general principle which underlies the Sections of which I am speaking—that if, after these works have been constructed, the income be insufficient to cover the interest on the Capital Charge, then the deficiency ought not to be borne by the General Tax-payer, but by the particular Districts which have benefited by the canal, which, by its construction, have been protected against famine, and where the value of landed property has been enormously increased. That this principle is equitable and right, and that the other principle—that of throwing upon the Tax-payers in distant parts of the Country charges for works of local utility—is thoroughly inequitable and wrong, seems to me to be a proposition not open to doubt. It is a principle recognized in every Civilized Country, and it is now recognized in India in regard to all other classes of public works and objects of local utility. I should like to read to the Council what one of the wisest and most accomplished Statesmen who ever came to India, Lord Sandhurst, said upon this subject:

"It was but too true that there was a sort of feeling among certain classes of the public, this including, not only the ryots and the petty landholders, but even some of our own officers in responsible situations, that there was a kind of bottomless purse, into which all were free to dip their hands, at pleasure, for local objects, without any local responsibility of reimbursement, this unlimited Treasury being what was called the Government.

"We could understand the ryot or the petty landholder having this notion of the Sarkár, but it was difficult to comprehend how responsible officers charged with the care of administration, who were aware of the almost infinite demands on the Government, should fall into such errors of reasoning.

"Well, this matter seemed to be fairly set right by certain Clauses in the Bill. Some alteration in the wording, some modifications, might be required, but the principle according to which these works must be carried out, henceforth, was described in a manner admitting of no mistake in future.

"It could not be too clearly declared that the Provinces, the Districts, the Populations which benefited by the reproductive works must be responsible for the expenditure incurred on account of them, and that this must not be thrown on the Country at large on the system of General Taxation."

"There has been much discussion in regard to the manner in which this principle should be carried into practice. Although the procedure laid down in these Sections of the Bill is absolutely just, and, so far as it goes, as it seems to me, beyond criticism, I do not pretend to say that, personally, I think it goes far enough. The Bill is, I think, needlessly tender when it provides that no Compulsory Rate should be levied except on those owners of irrigable land the value of whose property has been directly increased by the canal, and who can certainly, by using the water offered to them, re-coup themselves for the charge that is imposed upon them. I think it would have been simpler, and quite equitable, to make the incidence of the rate much wider, and to impose it upon all property within the Districts certainly benefited by the canal. My Hon'ble friend, Sir Richard Temple, has already referred to the series of laws which have been passed for every Province of India, laying down the principle that, if more Roads and Bridges and Schools and Hospitals and other works of local utility are required, they must be provided at the charge of the Districts which want them, and not at the charge of the Tax-payers in other Provinces. I cannot conceive why Canals are to be an exception to this general rule. It is, of course, true that the benefits of canals often extend beyond the local limits of the Country through which they pass. The same may be said of almost every great work of public utility, but there can be no question that no works exist of which the purely local benefit is so certain and so immediate as that of an irrigation canal. I will give an example.

An irrigation rate would be on precisely the same footing as the cesses for roads, school, &c. Indeed, no works exist of which the purely local benefit is so certain and so immediate as that of an irrigation canal. By no possibility could an irrigation rate be heavy, as it would only make good the difference between the actual income from the works and the income required to protect the State against loss and to secure the gradual repayment of the borrowed money.

A few months ago, an Act was passed authorizing the imposition, in the Permanently-settled Districts of the North-Western Provinces, of a rate of two annas on every acre of cultivated land, for constructing and maintaining Roads and Communications, for the Police and District Post, for Schools, Hospitals, Lunatic Asylums, Markets, Wells and Tanks, and any other local works likely to promote the public health, comfort or convenience. I am altogether unable to understand how, if it is right to impose General Local Rates for such purposes as these, it can be wrong to impose them for works of irrigation, which afford absolute protection against famine, and which confer upon the people of the Districts, through which they pass, benefits to life and property incomparably greater than those which any other public works can give. It must not be supposed that such rates would be heavy; they would never be required to meet the whole charges on account of the capital expended, but only to make good the difference between the actual income from the works, and the income required to protect the State against loss, and to secure the gradual repayment of the borrowed money.

"By no possibility could such a Rate be heavy. I may give an illustration. It has been proved in the case of the greatest and most expensive project of canal irrigation ever proposed in Northern India—that of the Sardah Canal (I speak of the project in its original shape, for it has been, subsequently, greatly cut down)—that the financial success of the scheme could be placed beyond doubt, and a return of at least seven per cent on a capital of £5,000,000 sterling be rendered certain, by imposing a General Rate of one and a half anna, or about two pence farthing, per acre on the cultivated and culturable lands through which the Canal will pass.

The average rate at which the Government land revenue now falls upon these lands is about two rupees an acre. If this were increased to two rupees, one anna and six pies, the people on whom the rate was levied would be, for the most part, absolutely ignorant that any fresh charge had been put upon them, while they could not help knowing that they had received a blessing of almost incalculable magnitude. Surely, this is a fairer way of protecting the finances of the Empire against loss, than imposing taxes on the people of Calcutta, Madras and Bombay for the benefit of the people of Oudh.

"The present Bill, while it generally affirms this principle of Local Responsibility, applies it, in practice, only to a limited extent. These Sections, as my Hon'ble friend, Mr Ellis, has observed, represent, in fact, a compromise between two opinions, both of which, however, admitted the general principle at stake. It has been thought better, at present, to confine the power of imposing a Special Water-rate to those cases in which it can be proved that the water might be taken with actual profit to the proprietor if he chose to take it, and that, after taking the water and paying the rate, the annual value of his land would be greater than before. Most elaborate safe-guards have been inserted in the Bill to prevent the possibility of hardship to individuals. They are so elaborate, that I am afraid it will not be easy to apply them in practice.

"They err, however, on the safe side. They are entirely in favour of the people and against the Government. My Hon'ble friend, Sir Richard Temple, has already stated to the Council, and I therefore need not repeat, the conditions which must be fulfilled before this special rate on irrigable lands can be imposed. My Hon'ble friend, Mr Cockerell, quoted with approval, to the Council, a description of those conditions, from a despatch lately received from the Government of the North-Western Provinces. With your Excellency's permission I will again read to the Council the same passage.

"As the Bill now stands this extraordinary rate may be imposed on the report of an officer that the owners and occupiers of lands irrigable by such canal have not made reasonable use of the canal for purposes of irrigation. \* \* \* The measure will simply be based on the opinion that 'reasonable use' has not been made by the people of the canal, and, on this opinion, an agriculturist who never took a drop of water from the canal, or intends to take it, who finds, in fact, that it is not for his interest to bring water-channels to his fields, can be charged a special rate which may reach to two rupees an acre. The injustice of such a proceeding seems to be patent on the mere statement of it."

"Certainly, my Lord, the injustice of such a proceeding would be patent, but why should the intention of any such proceeding be attributed to the Government of India? Not only has this Government never contemplated such injustice; but I affirm that there is not a word in this Bill to justify the charge. The simple answer to objections of this character is, that they are objections to propositions which have never been made, and to provisions which have no existence in the Bill; and that, under no circumstances whatever, will it be possible to impose the Special Rate upon any land, unless it can be proved, not only that it is irrigable from the canal, but that such irrigation will, certainly, increase its nett annual value. No rate can be imposed on account of the canal until the value of the land has been actually increased by the construction of the canal. This answer also completely meets the objection that the power of imposing Compulsory Rates may encourage the execution of extravagant and unremunerative projects. It will be impossible for the Government to throw upon any one any loss arising from any such causes, for no one can be called on to pay who may not, if he chooses, derive a greater benefit from the canal than any charge which can be placed on him. It is said 'it would not be equitable to levy the Special Rate from those who never touched the water.' Now, I ask the Council whether something precisely equivalent is not done in hundreds of cases with which we are all familiar? I will give one illustration—the Water-works of Calcutta. In this case, the Municipality—which, notwithstanding what has fallen from my Hon'ble friend, Mr Cockerell, on the subject of Indian Municipalities, I affirm to be, virtually, nothing more than a branch of the Government—borrowed half a million of money, and brought into Calcutta an excellent supply of pure water. To cover the charges for this work, a compulsory water-rate is imposed upon all owners and occupiers of houses in Calcutta. A few years ago, there was a violent opposition, on the part of a certain very orthodox Section of the Community, against the gross injustice of being made to pay for water they did not want, and which they would never touch. 'It is true,' they said, 'we could use this water if we chose, and you are pleased to think that we should be the better for it. We think differently; from time immemorial we and our forefathers have gone on without these new-fangled notions, you may say if you like, that the water which we drink is a filthy fluid scooped up out of noisome tanks. We are satisfied with it, and we protest against the injustice of being made to pay for water which nothing shall induce us to use.' These objections did not prevail. The Government was not prepared to relieve these people from payment of their share of the Water rate. It virtually said to them, 'you can use the water if you like, and it will be as beneficial to you as to your neighbours to be saved from cholera, and to have your streets made clean and wholesome. We refuse, on account of your objections, either to throw an additional burthen on your neighbours who drink the water, or to tax people in other parts of India.' The objectors paid their Water-rates; and now, I am happy to say, they have given up all their objections and have taken to drinking the water. The parallel is a perfectly fair one. We propose to do nothing more; we propose, indeed, to do very much less, in the way of imposing Compulsory Water-rates upon people who can, if they choose to do so, use the water to their own benefit, than has been done in Calcutta and Bombay, and in half the cities of the civilized world.

CHAPTER XIV.

THE HON'BLE  
J. STRACHAN,  
26th October 1871.

It would be unjust to levy water rate from people where it is not their interest to take canal water, but nothing of this kind has ever been contemplated.

The water rate levied in Calcutta, even from those who do not use the water supplied by the municipality, is the precise equivalent to a compulsory irrigation rate.

## CHAPTER XIV.

THE HON'BLE  
J STRACHAN  
26th October 1871.

Ignorance, and not the absence of beneficial return, prevents the use of canal water the mischievous consequences of this ignorance injure the whole country, until the pressure of famine compels resort to canals, of which the use is thereafter permanently continued. A compulsory irrigation rate would amply apply the pressure which is now supplied by famine. The compulsory rate is also simply analogous to the privilege of enhancing rent, which the law allows to a landlord who, at his own cost, makes unirrigated land irrigable.

The Government, the chief landlord of the country, asks only for a power, which private landlords possess already, of requiring a rate from the lands which have been permanently improved in value by irrigation works.

"But my Lord, there is another reason of great importance, to which my Hon'ble friend, Sir Richard Temple, has already referred, which makes it especially right to bring some pressure to bear upon agriculturists whose ignorance or dislike of change lead them to delay in availing themselves of the benefits of irrigation which are offered to them. If these people only injured themselves, we might leave them alone. If the result of their refusal to use the water were only an additional pecuniary burden on their neighbours, or on the general tax-payer, the matter would be more serious; but still the loss would be one that could be measured in money. Unfortunately, this is not the case. These canals are primarily constructed to save the Country from Famine, and, if the water is not taken, the Country is not protected. Thus, the ignorance of the Agriculturists, and their disinclination to adopt new systems of cultivation, defeat the object with which these great works are undertaken. It is a fact that has, in my opinion, been conclusively proved by experience in various parts of India, that it is mainly under the pressure of Famine and scarcity, and failure of the periodical rains, that irrigation makes really rapid progress. So long as the seasons are tolerably favourable, people go on in their old ways, and do not take water from the Canal. There comes a failure of the rains. Then there is a rush for water, and people learn the advantage of the Canal. Having once or twice broken through their old habits, they give them up and continue to take the water regularly. But this experience, as gained at a fearful price to the Country. It is lamentable to think of the lives that have been sacrificed, and of the vast amount of property that has perished, during the last ten years, to say nothing of earlier periods, in consequence of the difficulty and slowness with which these ignorant peasants learn the real value of canal irrigation. The present Sections may, I hope, act very advantageously in placing upon the owners of irrigable land, instead of the terrible pressure which is now brought to bear by natural calamity of season, a pressure of a different and purely beneficial kind. This pressure may induce them to co-operate with the Government in extending irrigation, and thereby obtaining for themselves, and for the Country generally, the only effectual remedy against the utter ruin which too often falls upon them in the shape of famine.

"I have one other reason to give in reply to the objections that have been made to these Sections. The power which the Government now proposes to declare that it possesses, is, in principle, strictly similar to that which is recognized by the existing law as possessed by every proprietor of land. I believe this to be true of the whole Bengal Presidency. It is certainly true of Bengal and of the North-Western and Central Provinces. It has been ruled by the High Court of Allahabad that, when a landlord provides facilities for irrigation, of which his tenants with occupancy rights can avail themselves if they choose—i.e., that is, the landlord, at his own cost, makes unirrigated land irrigable—he may claim an enhanced rent from his tenants.

"It is true," say the High Court, 'that a landlord cannot compel a tenant to use water from wells or other works constructed for facilitating irrigation, but, if a landlord constructs such works, and provide facilities for irrigation of which the tenants may, without expense, avail themselves, if he brings the water to their holdings, we are not at all prepared to hold that he could not, after the service of a proper notice, enhance the rent-rates, paid by tenants of the holdings to which such facilities were given, up to the rates paid by tenants of a similar class, holding lands with similar advantages, in places adjacent. A tenant of unirrigated land, if his landlord makes that land irrigable without cost to the tenant, must pay at the rates paid by other similar tenants for irrigable lands in the neighbourhood. If this were not allowed, landlords would have no motive for improving occupancy holdings, a conclusion at which we should arrive, with much reluctance.'

"Nor is this all. It has been ruled by the High Court that a 'proprietor is clearly entitled to claim an enhanced rate of rent in consequence of the productive powers of the land having been permanently increased by the proximity of the Ganges Canal, independently of the agency of the ryot.' So, also, it has been, on more than one occasion, ruled by the High Court of Calcutta, that a tenant is liable to enhancement of rent when the productive powers of his land have been increased by improvements constructed at the cost of Government. It comes therefore to this. The Government, the chief landlord of the Country, asks only for a power which private landlords possess already. If the Government makes a canal, and water becomes available for the irrigation of an estate, the private landlord may say to his tenant—'Why do not you take the water that is at your disposal, and thus increase the productive powers of the land which you occupy? Why, on account of your neglect, and of your bad husbandry, am I to suffer, and get from you only the rent of unirrigated land? Take the water and increase the value of your holding, and pay to me, in future, a rent proportionate to the real value which the land now possesses, and equal to that which good tenants, your neighbours, who have availed themselves of the advantages offered to them, pay for similar land close by.' The Courts would support the landlord in his perfectly reasonable demand. We now ask the Legislature to acknowledge that the State possesses similar rights, and that it may, equitably, demand to receive from those who are virtually its tenants, a similar return for the improvement by which it has permanently increased the value of the land.

"My Lord, I have only one thing more to say. My Hon'ble friend, Mr. Cockerell, has told the Council that there have been many protests and expressions of disapprobation against this part of the Bill from many eminent public officers. I admit that the high authority of Sir William Muir may be quoted in support of the views of my Hon'ble friend. But, with this exception, to which I fully concede that high importance must be attached, I venture to assert that it would be difficult to quote a longer list of eminent names in favor of any great Measure which has lately come before this Legislature, than can be quoted in support of the main principle involved in these Sections. I will not refer to the opinions held by your Excellency, or by any one who is now a Member of this Council. But it ought to be remembered that the justice of the principle now under discussion

was admitted and advocated by Sir Henry Maine, by Sir Henry Durand, by Lord Sandhurst, and by Sir Donald McLeod, that it has been accepted by three successive Lieutenant-Governors of the Panjab, and by three, out of the four, Local Governments of Northern India."

His Excellency THE PRESIDENT said—"I am content to leave to public judgment, in reference to the important principles involved in this Measure, the statements that have been made to-day by my Colleagues

"I am glad a discussion has taken place, because the principle which is contained in portions of this Bill has been, for some time, rather lost sight of; and it is a matter of satisfaction to me that an opportunity has been given to those who think them right and sound to explain them in the able and complete manner that has been done to-day

"I have really little to add to what has been said in the discussion now about to close. "I will not refer to the amendment immediately before the Council. It appears to meet with little favour. At this I am not surprised, for it suggests that this Council should discuss, in the enforced absence of those who are best informed and most interested in the matter, a question which most intimately affects, and affects only, the Province in which we sit.

"It seems to me that the observations of my Hon'ble friend contained, from the beginning of his speech to the end, an enunciation of principles which, if they were carried into effect, might prove the doom of those great works in which we are engaged.

"It is twenty-five or thirty years since great irrigation works were begun in Northern India; the circumstances of the Country are much changed since then., At that time they were conducted on no distinct financial principle, the annual expenditure was not very large; the money to carry them on was generally found according as it was wanted, and the payments on account of interest had not become serious in amount, but, as the wants of the Country developed, and the great and important character of these works was perceived, all wise men who looked to the future of our financial position discovered that, if these works were to be carried on at all, they must be continued on a fixed principle.

"Government, then, determined on distinguishing the expenditure involved thereon from the ordinary expenditure of the year.

"In that they recognised the principle that these great works should be carried on only on the assumption that they were to be, to a great extent, reproductive, and that their finance was to be, as far as possible, separated from the Ordinary Finance of the Empire.

"The principle involved in the Clauses which have been so much discussed to-day, and which contain, to a limited extent, the principle of a Compulsory Rate, is nothing more or less than the logical consequence of the policy which has been adopted, for some years, with regard to these great works—the principle that local works of a beneficial character should be, as far as possible, defrayed from local resources.

"It is said that this is a question of principle as between the Government of India and some of the Local Governments. For my own part, I cannot too strongly express my satisfaction at having heard from the most distinguished member of the Local Administration, that the Clause does not in any way involve a question of principle as between the Supreme and Local Governments. But, if we talk of a principle of this kind being discussed between the Local Governments and the Government of India, without laying myself open to any accusation of presumption, I may say that it is the Government of India whose duty it is mainly to decide. The Government of India appears, in this case, in the joint capacity of a body who are responsible for the general interests of the Country, who represent that co-partnership in the land, which is the property of the public, and who are also in the position of the lender who has to lend trust-money for certain purposes, and whose duty it is to see that it is lent on good and sufficient security.

"Therefore, as between the Government of India and the Local Governments, I am bound to say the position of the Government of India, and the responsibilities which attach to it, are tenfold greater than any responsibility that can possibly attach to a Local Government in such a matter.

I know that we are as anxious as any Local Government, that these works should be carried out to the utmost extent.

"I do not believe that any Government that ever ruled in India recognised more thoroughly than we do, the enormous advantage of these great works of irrigation, and the paramount duty that lies upon us to promote them, by every means in our power.

"But we believe that, by adopting these principles of sound, and, perhaps, apparently severe, finance—and by no other means—the certainty of a continuance of these works can be secured. We believe that, if you attempt to throw upon the general resources of the Empire, at any time, huge burdens in the shape of expenditure, which will necessitate unpopular, onerous and almost impossible, taxation, the certain result of such a step will be the stoppage of all useful works

"The extent to which this good principle ought to be carried out is, according to my view, not sufficiently developed in this Bill, but the Measure is good, as far as it goes, and I believe that, in its working, it will have the double effect of making those under whose authority and under whose direction these works are constructed, very much more careful as to economy and efficiency of construction than they would otherwise be, and it will also have the effect of affording to the Government, which is only another term for the General Public, great additional security against loss.

## CHAPTER XIV.

THE HON'BLE J. STRACHAN,  
26th October 1871

The justice of a compulsory rate from lands which have been improved in value by irrigation works has been admitted by Sir H. Maine, Sir H. Durand, Lord Sandhurst, Sir D. McLeod, three successive Lieutenant-Governors of the Panjab, and three out of four Local Governments of Northern India.

## LORD MAYO.

Local works of a beneficial character should as far as possible be defrayed from local resources. A compulsory irrigation rate simply enforces this principle.

## CHAPTER XIV.

LORD MAFO,  
26th October 1871.

which will necessitate unpopular, onerous, and almost impossible taxation, the certain result of such a step will be the stoppage of all useful works.

"If it has that effect, it will be impossible for any future Administration materially to limit the construction of irrigation works which are wisely designed, and which can certainly be completed without immoderate charge upon our annual Revenues.

"It has been said that, if errors in design and mistakes in construction occur, the incidence of re-payment should be changed and placed on the shoulders of the people at large.

"I can see no force in that argument, and really, when we come to details, we find that the officers who conduct these works, and are really entrusted with their construction, and to whose errors and mistakes (if they occur) misfortunes must be attributed, are more under the influence of the Local Governments than under that of the Government of India.

"Who are the officers who are now conducting these works? The officers of Local Governments; and, though these officers require no such incentive to the due exercise of their duties, still, the fact of their being officers of the Local Governments, and under the control of the Lieutenant-Governors and Chief Commissioners of those Provinces in which the works are undertaken, must have the effect of making them careful and energetic.

"I think that is sufficient to shew that there is no strength in the argument that, because it is possible that errors in design and mistakes in construction may be committed by the officers of Provincial Governments, therefore, the whole people of India should pay.

"It has occurred to me through the whole of this discussion, that a sort of anxiety is apparent that, in an expenditure which is incurred for the sole benefit of a particular class or District, some other class or distant Province ought to partake in the liabilities, and should, under certain circumstances, be made to pay.

"This puts me in mind of the old saying of Sydney Smith—'Charity is common to mankind. A sees B in distress, and he is most anxious that C should relieve him.'

"I cannot help thinking that this is the sort of feeling which underlies many of these propositions, and there is an intention or a hope, that those who benefit, should pay a good deal, but that, under certain circumstances, others should be bound to contribute.

"I do not think that any great undertaking, whether it is in private or public hands, can ever be successfully carried on on such principles.

"My Hon'ble friend, Mr. Strachey, has alluded to a most apt parallel, in quoting the Calcutta water works.

"It is the principle which has been adopted with success, not only in India, but in Europe, where it has always been laid down that, where a great local work is undertaken for the benefit of the majority, there is nothing improper—nay, that there is absolute justice—in making every one who may be benefited, pay his share, whether he accepts the boon derived from the undertaking or not.

"The principle has been carried out in all our great works at home. It would never have been admitted for a moment that, if, for instance, a great Drainage Canal is made across a man's estate, which must enrich him as well as all his neighbours, and if he prefers to leave his land to the occupation of wild ducks and snipes, instead of growing clover and corn, therefore, he is to escape paying his share for a boon by which the whole Country is benefited.

"I believe this principle can, through the agency of our officers, be carried out without the smallest particle of oppression.

Experience shows that if once canal water is taken by the cultivator, the use of it is seldom completely renounced. A compulsory irrigation rate will, simply, render the people more disposed to take the water.

Unless this principle be adopted, there will be future difficulty from the uncertainty as to your security for these vast loans, and as to how and when and by whom such works are to be paid for.

"I rejoice to hear from my Hon'ble Colleagues, the Lieutenant-Governor and Mr. Egerton, that the desire for obtaining water will be so great in the Punjab, that it is probable that a Compulsory Rate will never be necessary.

"I believe that; and I do believe, at the same time, that the value of laying down this principle by an Act in this Legislative Council is so great, that such assurances, however gratifying they may be, ought to have little weight with us. We are quite justified in adopting a general principle of justice and right as a precaution, notwithstanding that it is possible it may never be necessary to carry it into practical effect, but I believe, that the knowledge that this principle is involved in the Bill, and may be enforced, will render the people more disposed to take the water; and we know that experience goes to show that, if once water is taken by the cultivator, the use of it is, seldom, completely renounced.

"I have only to repeat my belief that, if a strict, sound and straightforward system is pursued with regard to these works, they will go on, be self-supporting, and will create no future difficulty for the Government; but I believe, at the same time, that, if you endeavour to adopt the hap-hazard principle by which there is to be any uncertainty as to your security for these vast loans, and as to how, and when, and by whom, such works are to be paid for—if a system of scrambling finance is to be adopted with regard to them—they will become a source of serious difficulty and much damage, and that those who resist such wise and necessary precautions and oppose measures similar to this (though they may have the best intentions), are really obstructing, hindering and possibly endangering, the future success of the most beneficent undertakings that any Government has ever promoted for the welfare of its people.

The Bill having been passed in the Legislative Council, a copy of the Act CHAPTER XIV.  
was transmitted to the Secretary of State for India, with a copy of the following  
Minute by His Excellency the Commander-in-Chief.

*Minute by His Excellency THE COMMANDER-IN-CHIEF, LORD NAPIER OF MAGDALA, dated 24th  
October 1871.*

I object to the 44th Clause of the Bill to regulate the construction and maintenance of Public Works of Irrigation, Navigation and Drainage in the Punjab for the following reasons

2. I believe that this Clause, which provides for levying an Irrigation Rate on lands cultivated but not irrigated, so far from expediting the spread of irrigation, will create a deep sense of injustice, and act seriously as an impediment to the extension of irrigation.

3 Both where the Clause could be widely applied, and where its application is likely to be limited, it opens a door to exaction and oppression by the Canal establishments.

In the early existence of a canal carried through a thinly-peopled and poorly-cultivated country, such a Country as the great Sutlej Canal may possibly pass through in some part of its course, in which a considerable part of the people would be pastoral, having only a sufficient amount of cultivation for their own moderate wants, the imposition of a Compulsory Rate on cultivated land that might be, but is not, irrigated would tend to drive the cultivation away from the canal to places where it would be unmolested.

Water, offered with a threat of a penalty for rejection, would not be looked on as a boon.

An unsettled people, little given to agriculture, require to be led gently to appreciate the benefits to irrigation.

4 In Districts where irrigation has obtained a footing the Clause is unnecessary. The usual condition of the established canals is, that they cannot, in seasons of drought, supply all the water required.

But in such canals, there may be cases in which an owner of land may not desire to take the water, for some reason or another. He may be fairly supplied with wells for irrigation, and be possessed of sufficient cattle and machinery for working them. He may be satisfied with his condition, and not desire to start on an unknown expenditure, for which a debt will hang over his head, for constructing water-courses, or the owner of the land may object to the water-rates and regulations and administration of the canal subordinates who regulate the supply of the water. In this case he loses under the Compulsory Rate the very best safeguard against oppression—the power of refusing water.

The lands which the owner may decline to irrigate, may be low-lying wet lands, liable to be visited by fever under irrigation; still he is subject to the Compulsory Rate.

5. The power of raising a revenue from all the lands within the influence of the canal, whether irrigated or not, removes a powerful incentive to study economy in the execution of the works and rendering the canal acceptable to the people.

6. It is said that the law is so fenced round by restrictions, that it could not be abused; the consent of the Supreme Government and of the Local Government will be necessary; but, after all, the report of the case must rest on the discretion and judgment of a single officer.

7. On the whole, I consider the Compulsory Rate unnecessary and unjust. It is entirely one-sided, because it levies a Compulsory Rate without offering compensation in case there should be a failure of water and consequent loss of crops.

The law places the Government in the position of a merchant offering a commodity for sale, with a penalty for not buying it.

No. 9, dated 14th March, 1872.

*From—Her Majesty's Secretary of State for India,  
To—The Government of India.*

I have to acknowledge the receipt of the despatch of Your Excellency's predecessor dated 13th December, No. 52 of 1871, transmitting an authentic copy of the law noted in the margin, which has been passed by the Council of the Governor General of India, and to which the late Viceroy signified his assent.

2 I regret that I cannot concur with the majority of the Council of the Governor-General assembled to make Laws and Regulations as to the propriety of Section 44 and following Sections. I cannot, after giving my best consideration to the subject, regard the provisions of that Section in any other light than an encroachment on private rights, and I concur generally in the views set forth in the Minute of Lord Napier of Magdala.

3 But, as it might be inconvenient to disallow, suddenly, an Act which has been some months in operation, I desire that you will introduce a new Bill into Council, omitting the Clauses which have challenged objection, and re-enacting the general provisions.

4 You will, probably, find it expedient to include the North-West Provinces within the provisions of the new Measure.

## CHAPTER XIV. IRRIGATION CHARGE AND INDIRECT REVENUE FROM IRRIGATION.

MAJOR GENERAL R.  
STRACHEY, R. E.,  
11th June 1872.  
Indirect revenue  
from irrigation.

6635. *Mr. Ayrton, Chairman* ] What is the next proposal?—The next is, “That in the separate yearly Revenue Accounts of irrigation works, the income should be held to include all increase of land revenue actually obtained on irrigated lands, a corresponding share of the ordinary revenue establishment proportionate to such increase being at the same time shown as a charge.” That is merely to carry out what I have been saying.

6636. *Mr. Fawcett* ] That is at once unfair, is it not, as pointed out by Sir Charles Wingfield? Suppose the land were irrigated from tanks which do not cost the Government anything, you still would get an increased amount of revenue because the land was irrigated, although the irrigation was not carried out at the cost of the Government?—That is a misconception when I talk of land revenue obtained from irrigation, it means irrigated from the works.

The difference between wet and dry rates on land includes revenue which before the land was irrigated from tanks or canals may have been irrigated from wells. If the whole of that difference be credited as irrigation revenue, will not the accounts be fallacious?

6637. But suppose that they had been previously irrigated from tanks or wells, then you would claim all the increase which arose from irrigation, although you would have got a portion of it from the previous irrigation?—All I can say concerning that is, *De minimis non curat lex*. If the disturbance of truth which arises from such a cause is not important, it is not worth while bothering ourselves about it.

6638. You assume the whole case there?—You must allow, I think, that we have no desire to falsify the Public Accounts; and if the conclusion that we arrive at is, that it is not worth while to make the allowance, it need not be made; you must remember that the Revenue Authorities, if we desire to claim credit for more than our irrigation works really are entitled to, will be quite ready to come down and say, “You are not to take credit for that.” In fact that question has been raised.

6639. But, according to that rule, you lay down as a certain principle of Account a principle which, if carried out, must necessarily lead to a fallacious conclusion as to the profit which these irrigation works yield. you say that, after all, it is a question of degree, but, still, you admit that if land, which had been before irrigated by wells and tanks, afterwards became irrigated by such a work as the Ganges Canal, and that instructions which you lay down there were accurately carried out, the result would be to show a fallacious profit?—There would be a certain amount of fallacy, but the element of error is so small, that it may be neglected, I do not think that any Accounts whatever can be considered as absolutely true.

6640. *Sir C. Wingfield.*] Is it not the case that when a settlement officer goes to assess a village, he finds a certain proportion of the land irrigated; he does not enquire whether this land has been irrigated by a canal, or by a well sunk at the expense of the proprietor, but he says, “This being irrigated land, it yields a certain rental.” Therefore, it follows that if the irrigation had been provided by the Natives before you made your canal, no part of the increased revenue on irrigated land is derived from your canal; that is to say, that your canal has not contributed to any increase of the revenue, because the sources existed before, in the irrigation supplied by the people themselves?—Supposing that the rental of the land irrigated from wells was as high actually as that of the land after the canal irrigation had been introduced

6641. But have you not also heard it often said that well water is far better for the land than canal water, because canal water holds in solution a considerable deposit of granite washings?—Yes; but, as a fact, wherever the canal is taken, it drives all the wells out.

6642. That is perfectly true; where a canal is made, most of the native wells are allowed to fall out of repair?—I say, as a fact, that the cultivator prefers the canal to the well; it is much more economical; it is more valuable, in fact.

Sardah canal: People in Oudh do not want water from it.

6643. I will put an illustration. At the present moment you are going to construct canals in Oudh; the great landowners of Oudh have complained strongly against the making of canals in Oudh, and they are going to petition the Secretary of State against them, they say, “We do not want water from canals; we have abundant means of irrigation as it is, the water in the great part of the Province is a few feet below the surface, and a well can be made at a trifling cost, besides which there are natural depressions which hold water, we are satisfied with the means of irrigation that we have, for which we pay nothing; you make your canals and you immediately come and charge us for the use of the water.” In that case, where ample means of irrigation existed before, you cannot credit the Government with the increased assessment on the irrigated land as the result of the construction of your canal?—There has been a great deal of discussion regarding the propriety of carrying out certain projects for canals in Oudh: I am perfectly aware of that; and I think, if the Committee want to ascertain what the facts are on that subject, they had better get the correspondence from the India Office.

6644. Where the land is abundantly irrigated and you make a canal, you cannot claim for any acre that was irrigated before your canal was made, that you have added to the Government revenue on that land?—If there is no increase of revenue in consequence of irrigation, no one in his senses, of course, would think of claiming any increase on account of it. Obviously, before irrigation is introduced, or works are begun, everybody interested has a perfect right to say, “In my opinion there will not be an increase of benefit; and there will not be any increase of revenue; and it is not desirable to spend this money.” That I perfectly understand.



6645. Did not the Government of India pass a Canal Act in which they laid down this provision, that landholders holding land within reach of irrigation from the canal were to pay a certain Rate, even though they did not use the water?—Not absolutely; only that they might be called upon to pay such a Rate.

6646. That was the first Bill?—Yes.

6647. And that Bill was disallowed by the Secretary of State, because he thought it a wrong principle?—I think no Act or Bill has been disallowed; at least I believe I am right in what I am going to say, that he has written to the Government of India to say that he disapproves of that part of it, and requests them to repeal it.

6648. There are two Bills: one was passed two years ago and that was absolute?—No, excuse me; I had charge of the Bill in the Legislative Council of the Governor General; and I drafted it, and know everything about it.

6649. In the papers presented to Parliament, there is a despatch of the Secretary of State disallowing the Bill passed two years ago for the North-West Provinces?—No, excuse me; there has been no Act for the North-West Provinces. A Bill was drafted and a copy sent to the Secretary of State, and he wrote objecting to a part of it; but, at that time, it was under discussion before the Legislative Council.

6650. But there has been a later Act for the Punjab which has just come home now, regarding which I put a question in Parliament the other day to know whether the Secretary of State is going to disallow it, as he disallowed the corresponding one before?—That is a misapprehension. The fact is that a Bill was brought in which was originally intended to apply to the North-West Provinces, Oudh, the Punjab and the Central Provinces; the draft of the Bill was sent to the Secretary of State; and, on that Bill, he made certain objections and certain comments.

6651. He objected to the principle of making a man pay for a thing which he did not use?—That may be.

6652. He used these words, "That to force irrigation on the people would be to make that unpopular which would otherwise be regarded as a blessing"?—He did say that; but he said a good deal more; and if one comes to discuss what the Secretary of State said I think there is something to be said in the other direction as well as in that direction; but the *ipsumsima verba* exist, and the best plan is to refer to them. However, when that despatch of the Secretary of State was written, the Bill was before the Legislative Council under consideration, and, in the course of the discussion which, subsequently, took place in the next year, the conclusion was come to that it was not expedient to pass that Bill for the North-Western Provinces, and that it should be made exclusively applicable to the Punjab, the Lieutenant-Governor of which Province had accepted it as being suitable to the Punjab. There were various points that Sir William Muir did not like.

6653. He objected to that principle?—He did object to that; and a great many other people objected to it; but there were also other points. Then that Act was passed for the Punjab.

6654. Quite recently?—Quite recently.

6655. In which the same principle was affirmed, with some slight modification; the principle that men might be charged for Water-rate who could get water, but did not use it?—Quite so.

6656. And that is now before the Secretary of State?—He has written, as I said before, to the Government of India, as I am informed (I have not seen the despatch), to say that the rest of the Act is excellent, but that that part of it he cannot sanction, and that he requests, therefore, that it shall be repealed. I think you will find that that is the fact.

6657. Does not the making such a provision as that indicate a conviction on the part of the Indian Government, that, if the people are left free to take water or not as they please, canals will not pay?—No, not at all.

6658. Why did you, then, provide that, in the event of your not getting a certain revenue from the regular sale of your water, you shall derive a certain amount from people who do not use it?—It seems to me that it is extremely inconvenient to discuss the provisions of a law the precise form of which is not before the Committee.

6659. And you have admitted the substance?—No, I have not at all; that there is something of the sort I do not deny; but that it follows, necessarily, that the Government is in great fear that irrigation works will not pay on account of the introduction of some such provision, I deny.

6660. Then, how do you explain the introduction of that provision, from which that seems to be the only inference that a person could draw; if you think you could get a profit from the sale of your water, you would be satisfied without such a provision?—Before attempting to discuss or to defend those provisions of the Punjab Canal Act, I should like to have the Act before me.

6661. I do not think it necessary to pursue that; members of the Committee can draw their own inference?—I would merely say, if you please, that whatever are the inferences that the Committee, or any Member of the Committee, chooses to draw from it, this Act was discussed by the Government of India; that it passed with the assent of the late Viceroy (Lord Mayo), Sir John Strachey, Sir Richard Temple, Mr. Ellis, Mr. Stephen, the present Lieutenant-Governor of the Punjab, and Mr. Egerton, the Chief Revenue Authority in the Punjab. Of course, everybody has a perfect right to his own opinion as to the propriety of passing such a Measure, but it really comes to a question of opinion. I do not deny, in the smallest degree,

CHAPTER XIV.

MAJOR-GENERAL R.  
STRACHEY, R. S.,  
11th June 1872Compulsory irri-  
gation cess.Secretary of State  
of a  
disapproved  
compulsory rate for  
irrigation.Does not the Gov-  
ernment's desire for  
a compulsory irri-  
gation rate imply a fear  
that without it some  
irrigation works will  
not pay?

CHAPTER XIV. Sir Charles Wingfield's authority on such matters; but I think that the names that I have mentioned are also to be received as respectable authorities.

MAJOR-GENERAL  
R. STRACHEY, R. S.,  
11th June 1872.

Compulsory irrigation  
rate.

6662. Of course, against that array of names I could set an equally imposing array of Members of the Council, and the Secretary of State at their head. But there is another point: you were saying that the Madras Canals have shown very large returns of profit, but have not those returns been swelled by this circumstance, that, owing to the peculiar land settlement in Madras, where you deal with each individual cultivator, land which, before, was unoccupied because it was not irrigated, a canal having been made, and that land having been irrigated, was immediately let, and then the canal department credited itself with the full rental paid by the man who had taken it; is not that so, that they took credit for the full land revenue?—Well, there have been very extravagant claims made on behalf of the Madras works; but I am not referring to those; what I refer to is the conclusion that I came to myself, after having been these, and having examined the whole of the data, so far as I could obtain them; but I have got the actual figures here, if the Committee cares to hear what they are, as to the grounds on which I say that the returns of the Madras Irrigation Works are very large.

6663. *Chairman.*] Is this all explained in the "Report on Irrigation Works in India; more particularly having reference to the mode of exhibiting their Financial Results. By Colonel H. Strachey, R. S., Inspector General of Irrigation Works," dated the 2nd September 1868?—Yes.

Indirect revenue  
from irrigation

6664. The whole account is at page 46 of the Parliamentary Return, 389 of 1870?—Yes; I should say, briefly, that, according to my estimate, which I believe is tolerably fair, I make out that the approximate return on the Godavery works at the present time is about 22 per cent. on the capital, and the Madras returns claim about double that. For Tanjore I make out that the return may be about 20 or 25 per cent., and the official returns claim 200 per cent.; there is a great deal of difference there.

6665. *Sir C. Wingfield.*] How are those receipts derived, do you know; are they simply from the sale of water?—My calculation was based entirely on the profits of irrigation.

6666. Merely the water rate; are you sure the revenue rate has nothing to do with it?—No, nothing but the irrigation profits; the Madras rates, you know, are very high; the revenue rate upon dry land is about Rs. 2½ or less per acre, and the revenue rate upon irrigated land is about 7; therefore it is very high, you see; equal to a water rate of Rs. 4½ to Rs. 5 per acre.

6667. But is it not the case that the Orissa Canals have been lowering their rates; that they have brought their rates down very low?—Yes.

6668. Something like a rupee and a half, is it not?—I think they are as low as that now.

6669. *Mr. Fawcett.*] You are going through the proposals which you recommended; what I understand is this, that you admit that if the Accounts were carried out in the way in which you wish to see them carried out, it would introduce fallacious conclusions; you say to a small extent; but still it would introduce fallacious conclusions as to the remunerative character of these irrigation works?—I answer that in the negative distinctly.

6670. One time you say it would, and another time you say it would not?—I think that it is unfair to put a question in that form.

6671. The point I want to put to you is this, supposing the Accounts are carried out in the way you wish them to be carried out, the irrigation works should not only be credited with the water charge, but they should also be credited with the increase of revenue between dry land and irrigated land; that is what you wish, is it not?—What I have said is, that in the revenue account of the irrigation works the income should be held to include all increase of land revenue actually obtained.

6672. In consequence of the land being irrigated?—Yes, I say actually obtained.

6673. *Mr. Fawcett.*—Then suppose the land had before been irrigated by a work carried out by the people, by wells and tanks (this is the point I want to get at), if the Accounts were carried out in the way in which you wish, would not they credit the irrigation work of the Government with part of the return which would have been yielded by works carried out by the people; I do not say whether they should or should not do so, but simply ask whether they would?—Not necessarily, certainly not; it would be a question with the Government, whether it would be worth while to go into an elaborate calculation to ascertain what was the precise amount of revenue due to a particular well for instance, supposing that there was one well. It might be worth while, or it might not be worth while; of course if there was one acre of land that had been irrigated before in a million that had not been irrigated, in order to get the account rigorously correct, you ought to make a deduction on account of that one acre that had been irrigated before; I admit that perfectly; but if you ask me whether, on account of introducing the income that had been derived from the irrigation of that one acre when I review the result of the irrigation of 1,000,000 acres, I produce a fallacious result, then I say that no fallacious result is introduced into the Account. Therefore, what I say is this: it does not follow at all that an allowance may not be made for that single well; the question is, whether it is worth while doing it; also, I say, that the responsibility or the power of deciding whether that sum shall be included or shall be excluded is not in the hands of the Public Works Department, or the Department that renders these Accounts; and it would also be, so to speak, the interest or the duty of the Revenue Authorities to see that there was no such confusion in the Public Accounts; that is to say, that they would say, "This revenue is, properly speaking, Land Revenue, and it has nothing to do with your irrigation works; and we will not allow it to be introduced into the Irrigation Accounts."

6674. It would be their duty to do it; but, then, is there any security that that would be done; are there at the present time any specific instructions that that should be done?—There are no instructions on the subject at all, because the arrangement that I have been speaking of, has not been come to. CHAPTER XIV.

6675. Then what I understand you, at the present time, to say is, that the Accounts hitherto of these irrigation works have not been kept in a sufficiently clear and intelligible form for us to arrive at any distinct results as to the amount of profit which they yield over and above the fixed irrigation rate?—The Accounts are not sufficiently clear to admit of your obtaining a precise knowledge. MAJOR GENERAL B. STRACHEY, R.E., 11th June 1872.

6676. And then, without there being any guarantee that they will be made sufficiently clear, the Government of India has recommended, in future years, an expenditure of £40,000,000 upon irrigation works?—I think not. I have no knowledge of the Government of India having recommended an expenditure of £40,000,000. Indirect revenue from irrigation

6677. Has not that been recommended?—Suggested; but that is a different thing from recommended.

6678. It was not only suggested, but advised, was it not?—I think not.

6679. What form did the suggestion take?—The suggestion made by me, for I presume it is a suggestion of mine to which reference is made, was that, so far as I could judge, it might be advisable.

6680. Simply "might be;" "would be," was it not?—Well, I have no particular objection to "would be;" that it would be advisable, so far as my lights went, (of course everything said in that manner is said with that qualification), to spend £30,000,000 or £40,000,000 sterling.

6681. Now, with regard to the Eastern Jumna Canal, you said, last time, in reply to a question that I put to you, that no work of importance had been carried out previous to our taking possession of that canal; that it was only a ditch; and that, in consequence of its being a ditch, it cost us more to put that ditch in order than if we had constructed the work altogether; you stated that, did you not?—I said that that was my belief.

6682. What do you put down in your accounts the cost of the Eastern Jumna Canal to be, £130,000, do not you?—Up to date, £190,000.

6683. The length of the Eastern Jumna Canal, with its tributaries, is 750 miles, is it not?—It is possible; but the length of a canal does not necessarily indicate its value.

6684. But can you show any single instance of a canal, with its tributaries of anything like the same length, being constructed in India at a cost of £190,000?—As I said, the length of a canal does not indicate its irrigating capacity at all.

6685. If the work which was done in the Eastern Jumna Canal, previously to our taking possession of it, rather increased the cost of constructing it to us than diminished it, what special circumstances caused this canal to be carried out for an unprecedentedly small sum?—The physical circumstances under which it was constructed were totally different from those of any of the great canals that we have been constructing since.

6686. Totally different from any of the smaller canals?—What canals?

6687. Any of the smaller canals put down in that return to which I was referring you on the last occasion?—There are some of these smaller works, but they are really hardly worth considering. However, the fact is, that, generally speaking, the reason why the Ganges Canal has cost such a large sum of money is, first, that it is six or seven times as large as the Jumna Canal. The works on the Ganges Canal, in the next place, are, necessarily, of an extremely heavy character, the physical difficulties to be overcome, the engineering difficulties to be overcome, are vastly greater, and the necessary expense also is vastly greater.

6688. But then, allowing for all that, the Ganges Canal cost 15 times as much as the Eastern Jumna?—I do not see myself, considering all things, that the difference is so very striking.

6689. I simply wanted to get at why this Canal cost so little. Would you like to suggest some further recommendations with regard to the form of keeping these canal Accounts?—The last thing on which there was a considerable discussion was, "That the income shall be held to include all increase of land revenue actually obtained on irrigated lands." Then the next proposal is, "That the increase of land revenue should be ascertained simply by deducting from the actual revenue on the irrigated lands from time to time the former revenue received before the irrigation began, or before the improvements charged to the Capital Account were brought into operation."

6690. "Before the irrigation began;" what do you mean, the Government irrigation, or the irrigation of the people themselves?—I mean the irrigation from the works to which this Account refers, of course. The reason for that, and the necessity for it, is that, in Madras, where there is no distinction between the land revenue and the water rate, it is extremely difficult, unless you make some arbitrary rule of that sort, to get any Account at all.

6691. If that instruction of yours were carried out, it is at once obvious to you that you would credit these irrigation works with all increase of revenue from whatever source it arose. It must be obvious to you, for instance, that if the great depreciation in the value of money continues, the price of agricultural produce would proportionately rise, and if it rises, the land revenue would proportionately be able to be raised, but you would credit all that increase in the Land Revenue to the Irrigation Works?—That portion of it which is due to irrigation I should.

## CHAPTER XIV.

MAJOR-GENERAL  
R. STRACHET, R. S.,  
11th June 1872.

If all the increase of land revenue, since an irrigation work began in the district irrigated by the work, be credited to irrigation, the amount will be fallacious.

6692. *Chairman.*] *Pro rata* for the portion, not for the whole?—You have to ascertain what is due to irrigation.

6693. *Mr. Fawcett.*] How can you do that by simply carrying out literally your instructions. Will you read that instruction again?—"That the increase of Land Revenue should be ascertained, simply by deducting from the actual revenue on the irrigated lands from time to time the former revenue received before the irrigation began, or before the improvements charged to the Capital Account were brought into operation."

6694. According to that, it is obvious to you that it would introduce the fallacy which my question points out?—That is perfectly true; and I have given a reason for saying that I recommended that. At the same time I should say that this has not been actually done; that these were only my recommendations.

6695. I do not wish to seem to imply whether these recommendations are good or bad; I simply point out to what result, as a matter of fact, they lead, and I think my conclusion is a just one and a true one, is it not? Have you put any qualification upon that in any subsequent paragraph?—I have explained why I proposed that. I say, at page 27, "If it be said that the increase of Land revenue on irrigated lands which follow the introduction of irrigation is not wholly to be attributed to the irrigation, but will partly depend on that natural increase of value in landed property which has nothing to do with the application of irrigation, the truth of the position may at once be conceded. But, in reply, it must be said that to distinguish this part of the increase of revenue from the other is quite impossible; moreover, that, if it could be done, it would not be worth while doing it. The object of the Government in drawing out Financial Returns of the sort under discussion, is to enable it to arrive at a clear knowledge of the consequences of its outlay of capital on these works in relation to its income after the outlay has been made. The essential thing for the State, in a financial point of view, is, that there shall be, in such cases, an improvement of the revenue immediately consequent on the outlay which shall at least cover the interest on that outlay. If this improvement takes place, never mind by what means, the financial safety of the operation that has been undertaken will be secured. In short, although the fallacy of the argument, *post hoc ergo propter hoc*, may, in this case, be admitted most fully, it must be added that the *post hoc* is here, in fact, all that is important, and that the precise amount of theoretical error introduced into our calculations of the true profits of our irrigation works will be absolutely small, and, for the purposes in view, quite unworthy of notice."

6696. I want now to put this to you; suppose there is a depreciation in the value of money 50 per cent., prices rise proportionately, and that prices double; that is a very likely thing to occur in India; the revenue would, double, and, entirely independent of irrigation works; and you would put down the whole of that increase to the results of irrigation, and justify the expenditure because it would show so large a return, would you not?—Of course, Accounts kept in that form might be so used, and if they were so used, they would be used foolishly.

Where the charge for irrigation is not separate from the land revenue, there is no possible way of ascertaining what increase in the value of land arises from irrigation.

6697. Then you say, do you not, that it is impossible to separate what increase in the value of land arises from irrigation and what arises from other causes independent of irrigation; you admit that?—I do not see any way of doing it. Where the charge for irrigation is not separate from the land revenue, it seems to me that there is no possible way of arriving at any conclusions.

6698. I will not argue the point with you; I understand you; but what you recommend is, that all increase of land revenue, from whatever cause arising, on irrigated land, should be put down to irrigation works, do not you?—That is what I did recommend; but there is a subsequent paper to which I may refer after those original proposals of mine were made; there was a further discussion which took the form of the recommendations of a Committee of the Secretary in the Financial Department, the Secretary in the Home Department, and myself, on this very subject. Perhaps, I might just, briefly, say what that is.

6699. We need not go into that, I think. What is your next recommendation?—I think that it is proper for me to read this, "For the Administrative Accounts, we think," (that is the Committee I spoke of) "that it cannot be doubted that so much of the land revenue as can be distinctly shown to be directly due to canal irrigation should be shown as canal income. The facts, so far as they can be ascertained, should be accepted. Where the land revenue is fixed for a term of years, the canal share of that revenue would be the portion which at the commencement of the term was charged on account of the irrigation, and no addition to the canal share would be justified during the term, or until some actual revision of the land revenue had been made, and then only on the same principle."

6700. Is there any other recommendation that you made with regard to the Forms of keeping the Accounts?—The other had reference to the General Account, "That in the General Annual Account of Revenues and Expenditure, the present Head of Land revenue be divided into two—Land Revenue Ordinary and Land Revenue Irrigated; and that the entire land revenue of irrigated land, together with all direct revenue derived from irrigation works, be credited under the latter Head, and that all the corresponding charges be debited in like manner." The meaning of that is that at present, the General Accounts of the Revenues of India show under the Head of Land Revenue a very large portion of the revenue which is due to irrigation, and under the Head of Public Works there is a small portion of that shown; and my desire was, that the whole of the Revenue which is due to irrigation should be shown together, which, at present, it is not.

3701. Is that all that you wish to say under that subject?—Yes.

6702 *Mr Cave*—I suppose a great portion of the land which is brought under irrigation by the canals would be absolutely unculturable without irrigation?—Well, it might be; but not as a rule

6703 What portion is brought into cultivation by the irrigation works?—I think it is impossible to generalise upon that. In some parts of the Country, for instance, in Sind, without artificial irrigation, cultivation is impossible, because there is no rain, but, in other parts of India, the irrigation merely supplements the natural fall of rain.

6704 In those places where it is not possible, there is no land revenue at all, before the irrigation?—No, you may say that the Land Revenue depends entirely upon the existence of the irrigation, which is the case in Sind.

6705 In such cases, the diminution in the value of money would have no effect whatever upon the revenue of land that is not cultivated at all?—Of course it would not, because there would be none.

6728 *Mr Fawcett*.—With regard to a question which was put to you last time, is not this the fact, that, at the present time, a Punjab Canal Act is in operation, and that Act, which is actually in operation at the present moment, gives you the power to levy Compulsory Irrigation Rates upon people, whether they wish to use the water or not?—Under the circumstances that I mentioned before I began my examination to-day, that I had not expected to have been called, and that I have brought no papers with me, I would rather postpone answering that question, if you will allow me; I am, otherwise, perfectly ready to go into that matter most completely.

6729 I was simply going to ask you not on the policy, but as a matter of fact?—I object to answer a question of that sort, without explaining precisely what are the conditions, which are referred to in the part of the Act which refers to that subject.

6730 And also I should examine you, in regard to that, upon the Compulsory Rating which the Act sanctions, I believe, but I will pass to another part now; has not this been found in carrying out various irrigation works, speaking generally as a matter of fact, that the original estimate for their cost has been, almost invariably, exceeded, and that, in many cases, on the other hand, you have not been able to levy as high irrigation rates as you supposed you would be able to levy?—As regards some of the works that is no doubt true, as regards a great many others it is not.

6731 With regard to the Orissa Canal, is it not the case that the calculations that it would yield a large rate of interest were based on the supposition that you would be able to levy an irrigation rate of Rs 2-8, and that the irrigation rate has already been reduced to Re 1-8?—The Orissa Canals were not executed by the Government, and the designs were not made by officers of the Government, or under its authority, or, so to speak, with its knowledge. The estimates of Revenue on which the shareholders of the Company originally carried out those works were not only not approved by the Government, but were distinctly discredited, in the strongest way. Further, when the Government took over those works, they did it, not in the expectation that there would be any immediate return of revenue from the works, but feeling that, under the peculiar circumstances in which the Company was placed, at the particular time that the works were taken over, which immediately followed the great Famine in Orissa, there was an obligation put upon them to continue to carry out the works in the best way that was possible, and to do all in their power, to spread irrigation in those Districts of Orissa which had suffered so cruelly by reason of the Famine.

6732 But, if the Government actually discredited the Estimates of this particular Canal Company or Irrigation Company, and placed no confidence in them whatever, how came it that they bought the Company at par, giving 400,000*l.* more than the quoted market value of the shares, and, in addition to that, a bonus of 50 per cent?—I think that the reasons which led the Government to that are to be found in a despatch of the Government of India to the Secretary of State, which can be referred to. But, in general terms, the position was simply this; that the Government of India felt that it was essential to do something, and to do something, at once. They had been, for a year or two, lending money to the Company for the purpose of admitting the works being carried on, because the funds of the Company had come to an end, and it was perfectly clear that the Company could not raise any more money. If the Government had not offered to take over the works of the Company on what may be generally called liberal terms, the necessary result must have been that a discussion would have been got up which probably would have extended over years, and, meanwhile, the works in Orissa would not have been carried on; and, under the peculiar circumstances of that Province, the Government of India felt that it was impossible that any further delay should be permitted in giving all possible completeness to the system of irrigation works which the Company had begun.

6992 *Mr. Grant Duff*.—Now, have you anything to say about the Compulsory Rating of the land for irrigation, and about the motives for that proposal?—Yes. This question was put to me at No. 6657. "Does not the making of such a provision as that indicate a conviction on the part of the Indian Government, that, if the people are left free to take water or not, as they please, canals will not pay?" Now, I wish to explain, in consequence of that question, and the turn that the answer to it and the subsequent questions took, what really were the subjects (I need not go very much into the nature of the Clause) of the Government in proposing any such Clauses in that Act, and in giving the general form to the Act that was given to it. It is perfectly evident that, when the Government undertakes irrigation works on a large scale, it becomes most important to see that they shall be made, if possible, financially

## CHAPTER XIV

MAJOR GENERAL  
R STRACHAN, R.E.,  
11th June 1872Indirect revenue  
from irrigation  
works

14th June 1872

The cost of some  
irrigation works  
eventually exceeds,  
and their revenue  
eventually falls short  
of the estimates for  
the projects.18th June 1872  
Compulsory rating  
for irrigation.

## CHAPTER XIV.

MAJOR-GENERAL  
R. STRACHY, R. S.,  
18th June 1872.

An irrigation canal benefits not only the cultivators who use it, but the whole country in which irrigation goes on. The prevention of famine, and of destruction of cattle during drought, is an advantage to the whole district.

satisfactory, and it therefore becomes necessary to ascertain what is the most just way of charging for the use of the water, and for the benefits that will be derived from the irrigation. Now, the degrees of benefit which are produced by irrigation works, are very various. There is no doubt that the person who constantly and directly uses the water is the person who is the most benefited; but I say that a man who has provided for him, in times of difficulty, a canal, which he is able, at any time, to use when a season of drought comes, say once in 10 or once in 15 years, is most distinctly, and in a most important degree, benefited by the existence of the canal, although, for a series of years, he does not make use of the water, it is a benefit in the nature of insurance. Again, not only does an irrigation canal benefit the individual cultivators who, constantly or periodically, use it, but it benefits the whole Country in which the irrigation goes on. The mere fact of finding it in its worst form being impossible in a District which was before liable to it, is, in itself, a very great advantage. And another of the very great contingent advantages of these Irrigation Works which have to be seriously considered in adjusting the payments that are to be made for them, is the fact that they prevent one of the first results of a drought, which is the destruction of the agricultural cattle. By having a permanent stream of water flowing through the Country, and by providing a permanent and unfailing source of fodder for the cattle of the Country, from one end of it to the other, you, practically, are able, under the most unfavorable circumstances, to support cattle in the seasons in which the periodical rains fail. In these various ways, the benefits of a canal extend far beyond those that are given to the actual cultivator who, year by year, irrigates his fields. Whether the Government, in the measures it actually adopted, took the best possible course or not is, of course, a matter which is thoroughly open to discussion, but their intention was to endeavour to put the charge for these new irrigation works, as far as possible on the Districts to which the works would be directly advantageous and profitable. And Lord Mayo expressed himself, most plainly, in this way when these Clauses were discussed in the Legislative Council. He said: "It is perfectly unreasonable that the people of Madras or of Bombay should be made to pay for the benefits, in the shape of irrigation, which are given to the inhabitants of the North-Western Provinces; so far as it is possible, let us apportion the burden among those people who obtain the benefits." It is perfectly open to discussion whether the particular Measure that was proposed was the best possible for arriving at that end; but the intention of the Government of India was a thoroughly honest intention, and, as the Secretary of State, who is supreme in these matters, has expressed his opinion that it is not desirable to maintain the plan, I think that the question has been closed, and that nothing more need be said by me on the subject.

6998 Have you anything more you want to say upon irrigation?—I think that is all I should care to say regarding the irrigation works.

A compulsory rate for irrigation is a sort of insurance against famine.

18th June 1872.

6994 *Mr. J. B. Smith*] You consider that this principle of making the owners of land through which the irrigation river passes pay a certain sum for it is a sort of insurance against famine?—I do, decidedly.

7051. *Mr. Eastwick*.—Mr Geddes says that Orissa would be much benefited by the irrigation works, provided that the cost of the irrigation works was not defrayed by Orissa. I suppose you would admit that, but do you think that those irrigation works would be beneficial, notwithstanding the additional taxation which, of course, they must impose upon Orissa, as upon all India?—I think that there is every reason to suppose that those works will, eventually, be profitable; and, if I may be allowed to take the opportunity, *à propos* of that observation of Mr Geddes, I will read a sentence from a speech that Lord Mayo made on the recent passing of the Canal Act; he said this: "It has occurred to me throughout the whole of this discussion, that a sort of anxiety is apparent that, in an expenditure which is incurred for the sole benefit of a particular class or District, some other class or distant Province ought to partake in the liabilities, and should, under certain circumstances, be made to pay. This puts me in mind of the old saying of Sydney Smith, 'Charity is common to mankind. A sees B. in distress, and he is most anxious that C. should relieve him.'"

7203 *Mr Fawcett*.—You kindly said that you would give me information on two points on which you were not prepared to do so when last I examined you, namely, first, the exact nature of these Punjab Canal Acts. Do I not give a correct description when I say that one Act was passed when you were connected with the Government of India, and was afterwards disallowed by the Secretary of State, containing provisions that, if the canal did not pay seven per cent., the people who did not use the water should be taxed for it or, compelled to use it?—As I stated before to Sir Charles Wingfield, it is a mistake to talk about two Acts, there were not two, only one.

7204. Was not that a clause in the Act?—It was something of that sort.

7205. I am not going to condemn the Act, but simply to get at the facts, and I will draw my own conclusions?—That is what I wish to do too, and therefore I say, as you have not represented the precise form of the Act, I would like to show what it is: here is Section 44 of the Act as it was passed.

7206. Are you referring to the Act that was disallowed by the Secretary of State?—No Act has been disallowed by the Secretary of State.

7207 I took it from your former evidence; you did not deny the existence of two Acts?—Sir Charles Wingfield tried to persuade me that there were two Acts; and I endeavoured to explain that there were not; and I said, quite plainly, that there was one Bill brought in,

that a copy of the draft of that Bill was sent to the Secretary of State; that he objected to certain parts of it; that the discussion continued, and that, eventually, the Bill, which had been brought in as a Bill to apply to the North-Western Provinces, Oudh, the Punjab and the Central Provinces, was passed as applicable only to the Punjab, and the Act which became law, and which is law, in fact, at the present time, is this Act which I have got here; on that being sent to the Secretary of State, he said he continued to object to those parts which he had, before, objected to; but he said that it would be inconvenient to disallow an Act which had already come into operation on such a matter as this, and therefore he requested that the Government of India would repeal that portion of it which he mentioned.

7208. Then it comes to the same thing, that what took place is this: there was a Bill submitted to the Secretary of State, that Bill was altered by him, an important Clause was left out, and the Bill as altered is now the Act in operation; that describes it correctly, does it not?—It describes it incorrectly; the Governor General in Council has the power of passing laws for India, and he passed a law; and this Act, in my hands, is the law at the present time, unless it has been repealed since. The Secretary of State said that he would not disallow the law, which he has the power to do, but asked that the Government of India would repeal this part.

7209. A certain Act was passed by the Governor General in Council in India; that I should call Act No. 1; it was submitted to the Secretary of State, he did not disallow the Act, but suggested or recommended or ordered a certain Clause to be repealed, and the Government of India acting upon that suggestion, that Clause was repealed?—No, it has not been repealed to the best of my belief up to the present time; the Government of India has not had time to do it, but it will be repealed.

7210. Whether it has been repealed, or has not been repealed, there are two Acts which are different; one of them is the Act as it was passed by the Governor General, the other of them is the Act which will be what the Act would be as suggested to be altered by the Secretary of State?—I do not think that I can give any other answer.

7211. What was the Act originally passed by the Government of India on this point? Without troubling the Committee, you can describe it in general terms. I have looked at the Act, and I believe mine is a correct description?—I cannot undertake to give a general description of this part of the Act. I should be extremely sorry to have to describe in general terms to this Committee the substance of the Ballot Bill. I am particular in saying this, because I find that I have been misconceived when I have given answers such as I naturally give off-hand; I am not an orator, I am not practised in public speaking, and not able to put into a few words the substance of a document of this description without any warning or any preparation; I cannot do it; and the result will be, if I attempt to do it short, of that, I shall be misconceived.

7212. Will you read the paragraph, then?—“At any time not less than five years after the commencement of irrigation from any canal, the Local Government may order an inquiry to be made, by an officer appointed for that purpose, into the condition of such canal, and the irrigation therefrom. If, upon the report of such officer, the Local Government is satisfied that the owners or occupiers of lands irrigable by such canal have not made reasonable use of the canal for purposes of irrigation, the Local Government may, with the previous sanction of the Governor General in Council, issue a Notification in the official Gazette, declaring that the owners of such lands, within local limits to be specified in the Notification, shall be charged with a Special Rate, according to the provisions hereinafter contained.” That is Section 44.

7213. Now, I ask you, is it not a fair interpretation of that, that if the people do not make what the Local Government define as reasonable use of the water, they shall be compelled to use it or to pay for it?—I think not; there is no reference whatever to compelling them to make use of the water.

7214. They are to pay for it?—That is a totally different thing.

7215. What is there to modify that interpretation; anything in the subsequent provisions?—“No such Special Rate shall exceed one rupee per half-year per acre of land in respect of which the rate is charged. No such Special Rate shall be charged in respect of any land, if, during the year or half-year, (as the case may be) in respect to which such yearly or half-yearly rate might otherwise be claimed, water sufficient for the irrigation of such land has not been supplied when required by the owner or occupier thereof. For the purposes of Section 44, land shall be deemed irrigable by a canal when the following conditions are complied with in respect thereto: (a) That it is cultivated, and not irrigated, (b) that the net annual value of the produce of the land, or the productive powers thereof, will be increased by the irrigation thereof by canal water, after deducting all necessary charge in cultivating the same, conveying the water thereto, and paying all Government charges in respect of such irrigation, (c) that the Divisional Canal Officer shall have tendered to the Occupier or Owner thereof a supply of canal water sufficient for the irrigation thereof in the manner customary in the irrigation of land from a canal; (d) that the Divisional Canal Officer shall have offered to the said Occupier or Owner to construct the works necessary for conveying the water to the said land under Section 16; or (if the said Occupier or Owner shall so prefer) to apply the provisions of Sections 21, 22 and 23 for the construction or transfer of a water-course, or shall have tendered an advance of money sufficient to provide for the construction of the said works, such advance to be repayable in conformity with the Rules for recovering advances made under the Act for the time being in force, as to advances for improvements in land.”

7216. None of those provisions alter the interpretation that I have placed on the Act?—That, I suppose, everybody has a right to judge for himself

CHAPTER XIV.

MAJOR GENERAL  
R. STRACHAN, R. E.,  
21st June 1872.

## CHAPTER XIV.

MASON-GENERAL  
R. STRACHT, B.A.,  
21st June 1872.

7217. Do you think they do yourself?—I am not prepared to say what your interpretation is. If you desire me to answer the question whether I could apply specifically to this part of the Act, the words that you have applied to it, I should say, No.

7218. Does the Act distinctly contemplate, under certain circumstances, that, if people do not use the water, they shall be charged a rate?—Certainly.

7219. Was not a provision passed in this Act (I will try to be accurate), or was it not in this Act, that gave the Government the power of obtaining compulsory labor?—In this Act there is what, no doubt, you refer to. I can say further that the Secretary of State, with the advice of his Council, has allowed that part of the Act to stand; and also that, in writing to the Government of India, he has recommended that the Act, with the exception of the parts which I have read, Sections 44 to 49, shall be made applicable to the North-Western Provinces.

Compulsory labor.

7220. So that the only point on which I was not correct is, that this Compulsory Labour will have a wider application than I supposed?—But I should add that "Compulsory Labour," the expression you used, is a very vague term; and therefore, I had better read the part of the Act which refers to it, because, while, in one sense, it is Compulsory Labour, in another sense it is not so. There is an obligation to labour, but it is only that, or what I should call a Statutory Obligation. The words of the Act are as follows: "For the purposes referred to in this part, the word 'labourer' includes persons who exercise any handicraft which shall be specified in rules to be made in that behalf by the Local Government. In any District in which a canal or drainage work is projected, constructed or maintained by Government, the Local Government may, if it thinks fit, direct the Deputy Commissioner to ascertain the proprietors, sub-proprietors or farmers, whose villages or estates are, or will be, in the judgment of the Deputy Commissioner, benefited by such canal or drainage work, and to set down in a List, having due regard to the circumstances of the District and of the several proprietors, sub-proprietors, or farmers, the number of labourers which shall be furnished by any of the said persons, jointly or severally, from any such village or estate, for employment on any such canal or drainage work when required as hereinafter, provided. The Deputy Commissioner may, from time to time, add to or alter such List or any part thereof. When it appears to a Divisional Canal Officer duly authorized by the Local Government, that, unless some work is immediately executed, serious injury will happen to any Canal or Drainage Work, whereby the proper operation of such Canal or Drainage Work will be stopped, or so much interfered with as to prevent the established course of irrigation or drainage being continued, or to cause sudden and extensive public injury, and that the labourers necessary for the proper execution thereof, cannot be obtained, in the ordinary manner, within the time that can be allowed for the execution of such work so as to avoid such consequences, the said Officer may require any person named in such List to furnish so many labourers (not exceeding the number which, according to the said List, he is liable to supply), as to the said Officer seems necessary for the immediate execution of such work. Every requisition so made shall be in writing, and shall state the nature and locality of the work to be done; the number of labourers to be supplied by the person upon whom the requisition is made; the approximate time for which, and the day on which the labourers will be required, and a copy thereof shall be immediately sent to the Superintending Canal Officer for the information of the Local Government. The rates to be paid to any such labourers, in excess of the highest rates paid in the neighbourhood for similar work, shall be fixed by the Local Government, and the payment shall extend to the whole period during which any such labourer is absent from his ordinary home. The Local Government may direct that the provisions of this part shall be applicable to any District, or part of a District, for the purpose of effecting necessary annual silt clearances. When any requisition has been made on any such person, every labourer ordinarily resident within the village or estate of such person shall be liable to supply, and to continue to supply, his labour, for the purposes aforesaid." And then, under the head of Offences and Penalties, there is this enactment: "Whoever, without proper authority, and voluntarily, violates any Rule made under this Act, for breach whereof a penalty may be incurred, shall be liable, on conviction before any Magistrate, to a fine not exceeding fifty rupees, or to imprisonment not exceeding one month, or to both."

7221. You correctly describe that as, under certain circumstances, a statutory obligation to labour?—Yes, I think so.

A compulsory rate for irrigation would exaggerate the profits from irrigation works

7222. Now with reference to these Accounts, which in future years will be made up if this Punjab Act is in operation, a part of the receipts will be receipts for water which has been voluntarily taken, and part of the receipts will be virtually a tax; I do not say whether properly or improperly, but virtually, a tax levied upon people who did not make use of the water. I want to know whether the receipts for water used, and from this tax, will be both lumped together and be quoted to show the net profits of the work?—As I have told you, that part of the Act is going to be repealed, and will not come into operation.

7223. The Government of India, however, wished it to be done as I have described it?—Of course, such receipts if realised would have appeared as Canal Revenue, certainly.

7224. A tax?—You may call it a Tax if you like; I call it a Rate; I do not know exactly what you mean by a Tax.

7225. I mean a payment levied by the Government against persons' wishes?—Is a Water rate a Tax?

7226. But they use the water?—But in many towns, if I am not misinformed, there are rates put upon people who do not use the water.

7227. A rate is another form of a tax?—If it is, then it is a Tax in this case.



## COMPULSORY RATES ON IRRIGATION WORKS.

5558 *Lord Lawrence* ]—But you have expressed an opinion that you would not compel the people to take water unless they liked; you object strongly to the policy of imposing a Compulsory Irrigation Rate; and you are probably aware that the Government of India are so extremely doubtful, at the present time, of many of their irrigation works paying (and some of them undoubtedly have not paid), that they actually inserted a Clause, in an Irrigation Bill lately so little was their confidence in their success, saying that if the scheme did not produce 7 per cent., the people should pay for the water, whether they took it or not. If it is necessary to resort to such Compulsory Powers as that, is it certain that the people would take the water; and if they did not take it, would it prove a great financial success?—I have no doubt, in my own mind, that they would take the water; but what I do admit, which I have already said in a previous examination, is that it takes time for them to take the water as they ought to do, and as they would do when they appreciate it; when they see the great value of the water, they gradually learn to appreciate its value, they see that their crops are doubled, trebled, and perhaps quadrupled, and that, instead of being only able to grow inferior crops, they can grow very valuable crops; in that way, the advantages of irrigation become apparent to them, and then, in course of time, they take the water very extensively. I do not think that it was fair to argue that because the Government adopted an erroneous policy in the way that you have described, therefore that is an evidence that irrigation would not pay; I am convinced in my own mind, not from theory, but from experience, that irrigation from canals would pay, and largely, where it is conducted in a proper economical way.

5559. I am not quoting this law or this proposition of imposing a Compulsory Rate, whether the people use the water or not, as a proof that the irrigation works would not pay, but I think that it affords evidence that, at any rate, the Government thought they would not pay, because, otherwise, they would not gratuitously have ever inserted such a Clause in the proposed Act?—Of course, there is a great deal in what you say on this point, but I am inclined to think that Government came to that conclusion in something like this way: they felt that there was a strong party disinclined and adverse to the construction of these Canals; and they thought it was so important for the good of the Country, that canals, in many places, should be constructed, that rather than run the risk of the system of extending canals through the country being put a stop to, they preferred enacting that law. They came to that conclusion; but I think it was an erroneous conclusion. It was suggested, in my time, to do the very same thing; and I fully considered it and talked it over with men of ability and experience in India, and who thoroughly understood the subject, and they agreed with me in thinking that it was not necessary.

CHAPTER XIV.

LORD LAWRENCE.  
27TH JUNE 1873A compulsory rate  
for irrigation works  
is not necessary nor  
expedient.

## CHAPTER XV.

### ROAD AND EDUCATIONAL CESS IN BENGAL.

PAPERS RELATING TO THE LEVY OF A ROAD AND EDUCATIONAL CESS IN BENGAL.

(HOME DEPARTMENT.—EDUCATION.—No. 17 of 1869)

To His Grace the Right Honourable the Duke of Argyll, K. T., Her Majesty's Secretary of State for India, Fort William, 31st December 1868.

CHAPTER XV.  
Education, to Secretary of State, No 7, dated 2nd June 1868, No 3, dated 9th June 1868

MY LORD DUKE,—With our despatches noted on the margin, we transmitted to Her Majesty's Government a copy of correspondence with the Government of Bengal on the subject of providing from local sources the means of extending elementary education among the masses of Bengal, and of constructing and maintaining roads and other works of public utility. We were assured by the Lieutenant-Governor, that\* His Honor would apply himself to the consideration of the measures necessary for the imposition of the proposed Local Taxation, and the correspondence terminated with the expression of our hope† that no delay would be allowed to take place in the adoption of the requisite Legislative Proceedings in the Council of the Lieutenant-Governor.

2. Sir Stafford Northcote, in his despatch of the 28th October 1868, No. 22, expressed his full approval of the proceedings of the Government of India, as reported in the despatches above mentioned, and added that he would await with interest, our further communications on the subject.

3. We now transmit for your Grace's information a copy of further correspondence‡ with the Government of Bengal.

4. In our original letter to the Government of Bengal, No. 237, dated the 25th April 1868, we declared that we declined to discuss, any further, the question of the necessity of providing elementary instruction for the masses of Bengal, or whether the charge ought, or ought not, to fall upon the Imperial Revenues, and we stated that, while we would always be ready to view in the most liberal spirit all questions that might arise, and to afford every help that the Government could reasonably be expected to give, we would “decline, in future, to listen to any proposition the effect of which would be to throw upon the State the main burden of the cost of educating the people of Bengal.” We believed, on receipt of the letter No. 1520, dated 13th May 1868, that the Lieutenant-Governor had fully accepted the policy thus laid down by the Government of India; but we have now learned, with extreme regret, that this belief was incorrect.

5. The letter of the Government of Bengal of the 30th April last, in which the whole question of the policy of imposing a Local Cess on lands is discussed, and the objections of the Lieutenant-Governor to such a Cess stated, must be read with its enclosures. The conclusion arrived at by His Honor (paragraph 33) is “that a Separate Tax for Education in the Permanently-settled Districts is very inadvisable.” At the same time, His Honor observes (Paragraph 38) that he “is prepared to admit the necessity of a Local Tax upon land for the maintenance and construction of Local Roads.”

6. It was deemed expedient to dispose of the latter question, separately and at once. We have accordingly requested§ the Lieutenant-Governor to take the necessary steps for imposing a Local Cess upon the land for the maintenance

\* Letter from Officiating Secretary to Government of Bengal, No 1520, dated 13th May 1868.

† Letter to Bengal, No 311, dated 6th June 1868.

‡ From Bengal, No 1768A, dated 30th April 1869, and enclosures.

§ To Bengal, No 586, dated 30th September 1869, and endorsements thereon to Public Works and Financial Departments, Nos. 587 and 538.

¶ Letter to Bengal, No. 536, dated 30th September 1869

and construction of Roads. We have been moved to adopt this course by the following considerations. We entirely maintain the determination expressed in our letter to the Government of Bengal of the 25th April 1868, No. 237, not to discuss the question of Local Taxation any further. Nothing, in our opinion, would be gained by replying, in detail, to the letter now received from the Bengal Government: the only result to be anticipated is further delay. Considering, moreover, that nothing can be done in this matter without legislation, the Government of India is placed in a difficult position. We cannot force the Bengal Council to legislate; and it would be hardly expedient to legislate on such a purely local matter in the Council of the Governor General, and in opposition to the views of the Local Administration. This last difficulty, however, will be greatly diminished, if not altogether removed, after the Local Council has passed a measure imposing a Cess on the land for the construction of roads. When this has been done, a mere addition, to the rate of the Cess will, possibly, give everything that is required for educational purposes.

7. We have informed the Lieutenant-Governor that he will be again addressed in regard to the Educational Cess; but that we adhere in all respects to the views expressed in our letter of the 25th April 1868 on the subject. We have postponed making any further immediate communication with the view of, first, distinctly ascertaining the views of Her Majesty's Government.

8. In our Educational despatch No. 14, dated the 18th October last, we have, very fully, reviewed the general subject of the educational expenditure, and the educational policy, of the Government of India. Your Grace will learn from that despatch, that we contemplate considerable reductions in the former, especially in the matter of higher education; and that, for financial reasons, it is more than ever imperative that the cost of primary vernacular education should be defrayed from Local Resources. If this principle is to be thoroughly adopted, it is essential that no exception should be made in favor of any single Province.

9. We feel compelled, moreover, to differ largely from the views expressed in the letter of the Government of Bengal of the 30th April 1869, as to the propriety and possibility of levying a Tax for Local Purposes in the Province of Bengal.

10. The Lieutenant-Governor's arguments as regards the unfairness of taxing the land for the education of that small percentage of the non-agricultural community which is included in the rural population need not be discussed here. This point has not been found to involve any practical difficulties in Provinces in which the Cess is already imposed; and, even if it were otherwise in Bengal, means might easily be devised of levying a small additional payment from the Non-agricultural Community who will benefit by the village schools.

11. In any case, the children of forty millions of the people of a great Province, nine-tenths of whom are supposed to belong to the agricultural classes, require to be educated, roads have to be made, and, by sanitary measures, life has to be saved. The real question, therefore, is, are we justified in levying a Cess and making it mainly chargeable on the landed property of the Province?

12. The Lieutenant-Governor argues (paragraphs 7 to 10) that, although the Cess has been imposed voluntarily on the landowners of the Permanently-settled Districts of Benares, yet it would be quite futile to attempt to levy the same tax as a voluntary measure in Bengal. We do not wish to deduce any argument from the Cess levied in Benares. We are quite of opinion, however, that voluntary taxation cannot be relied on to support a sound system of popular education. This conclusion was arrived at in 1859, and has been confirmed by all subsequent experience, and notably in Madras, where the experiment of relying on voluntary efforts has had a full trial.

13. But, while holding the opinion abovementioned, and while calling special attention to the ill effects of "compromising the dignity of Government by placing Government servants in the light of unfortunate and often unsuccessful applicants for pecuniary contributions for objects which the Government is, confessedly, very anxious to promote," the Lieutenant-Governor (paragraph 37) nevertheless states that, if the Compulsory Cess be abandoned (as he urges), "he is fully prepared, on his part, to do all in his power to reduce the

CHAPTER XV.

GOVERNMENT OF  
INDIA  
31st December 1866.

After a local cess shall have been imposed in Lower Bengal for the construction of roads, a mere addition to the rate of the cess would give everything that is required for educational purposes

The children of forty millions of the people of a great province, nine-tenths of whom are supposed to belong to the agricultural classes, require to be educated, roads have to be made, and by sanitary measures life has to be saved. The real question, therefore, is, are we justified in levying a cess and making it mainly chargeable on the landed property of the province?

CHAPTER XV. Imperial contributions by calling upon private munificence to bear a continually increasing share of the expenses of higher education." We are unable to reconcile these apparently opposite conclusions.

GOVERNMENT OF  
INDIA  
31st December 1869.

14. The objections urged in paragraphs 10 to 19 of the letter are not to the principle of a Cess on the landholders for the education of the agricultural population; but are based on the difficulties of detail in apportioning that Cess fairly. No doubt there are great difficulties. Many persons deriving profits from land not inherited since the Permanent Settlement, have possibly paid the market price for the land under an impression that the Permanent Settlement rendered any further Imperial impost on the land impossible. To such persons the proposed Cess may appear as an additional and special taxation; and the question is whether the terms of the Permanent Settlement really bar such taxation? We think that Article VII\* of the Permanent Settlement not only does not bar such taxation, but may fairly be interpreted to contemplate it, always having regard to the fact that such special and additional taxation be not for Imperial purposes, but for the benefit of the Agricultural Classes only.

15. But the answer to the general objections as to the right to impose a Cess and the means of levying it is to be found at the close of the letter of 30th April, wherein it is said "that his Honor is prepared to admit the necessity of a Local Tax upon land for the maintenance and construction of Local Roads." This tax, it is clear, must be paid by the very persons whom it is considered unjust to tax for education, and on whom the apportionment of the rate of charge is, owing to the complexity of Tenures and sub-tenures, thought to be such an insuperable difficulty.

16. We now proceed to notice the objections raised in paragraphs 20 to 25 of the letter. The Lieutenant-Governor lays great stress on an argument, drawn from the works of Mr. Mill, that the land revenue in India is not taxation at all, but is a portion of the rent reserved, from the beginning, by the State; (2) that the Government demand on the land can be increased in other parts of India, because there the State "has never waived the right of retaining to itself such portions as it may think proper of the increase of rent," and that, on this account, the so-called Cesses in Northern and Western India are really not taxation proper at all, but only portions of the Imperial demand, which the Government might have taken entirely to itself, but which it has preferred to set aside for local purposes; (3) that, as the Imperial demand in Bengal has been fixed and determined by law, any Cess now imposed would differ from the Cesses in Northern India, and be taxation proper on the land, whereas, according to Mr. Mill, the Permanent Settlement exactly places the Government of India, by express stipulation, in the very position which the Government of England is placed, by mere desuetude of the exercise of its right, owing to the land tax in England not having varied since the beginning of the last century; that is to say, the land tax in England cannot (according to Mr. Mill) be raised, because the Government has not raised it for 150 years, still less, in Bengal, can it be raised, not only because it has not been raised for nearly 80 years, but, also, because the Government, nearly 80 years ago, specially agreed not to raise it; (4) finally, Mr. Wilson and Sir B. Peacock are quoted to show that the landowners in Bengal cannot be subjected to any Special Taxation, but only to "a general tax that applies to all others."

17. The quotation from Mr. Mill appears to us to have no kind of application to the point at issue. His remarks, as the context shows, relate entirely to Imperial Taxation for Imperial Purposes; whereas the Cess proposed to be raised in Bengal is purely a Local Cess for Local Purposes, and will not come into the Imperial Exchequer at all. Indeed, the main drift of the argument is that the land *should* bear some of the burdens of the increasing requirements of the progress of society, because the landlords "grow richer, as it were, in their sleep, without working, risking, or economising;" and this is exactly the view

\* Article VII.—To prevent any misconception of the foregoing Articles, the Governor General in Council thinks it necessary to make the following declarations to the Zemindars, independent Talookdars, and other actual proprietors of land—

It being the duty of the Ruling Power to protect all classes of people, and, more particularly, those who, from their situation, are most helpless, the Governor General in Council will, whenever he may deem it proper, enact such Regular taxations as he may think necessary for the protection and welfare of the dependent talookdars, ryots, and other cultivators of the soil, and no Zemindar, independent Talookdar, or other actual proprietor of land, shall be entitled, on this account, to make any objection to the discharge of the fixed assessment which they have respectively agreed to pay.

of the Government of India. Moreover, as noticed above, all these objections to the levy, on the land, of a Cess for Education apply equally to the levy of a Cess for Roads, and the Lieutenant-Governor agrees to levy a Cess for Roads.

CHAPTER XV.  
GOVERNMENT OF  
INDIA  
31st December 1869.

18. The first position taken up by the Lieutenant-Governor it is unnecessary to discuss; for it is immaterial to his argument.

19. The gist of that argument is, that, the Cesses being in reality a mere portion of the land revenue, and the amount of that land revenue having been limited in Bengal, it is not competent to Government to impose them. On the other hand, it is argued that no limitation on the amount of land revenue has been, elsewhere, imposed, and that, therefore, their imposition, elsewhere, is justifiable. But the fallacy of this argument is two-fold,—it is not accurate to say that Government has not, temporarily or permanently, waived its right anywhere out of Bengal to its share of the rent beyond certain limits, neither are the Cesses really part of the land revenue.

20. For example, in the Circular regarding the Seharunpore Settlement issued by the late Lieutenant-Governor of the North-Western Provinces, Mr. Colvin, in 1854,\* it was avowed that the Government share of the assets, taken as land revenue, would be limited to 50 per cent., and the settlements of the Central Provinces and of Oudh, as well as the Settlements in progress in the North-Western Provinces, have been, confessedly, conducted on the same basis, and yet, as may be seen from the Circular of 14th July 1866, explaining and modifying the former Circular, the entire amount of the Cesses is taken from the landlord's share of the Cess in excess of the Government share of 50 per cent.

21. And, in truth, the Government has been justified in following that course. For the second error in the Lieutenant-Governor's argument is, that he assumes the identity of the Cesses with the land revenue. Their true nature has, however, been already pointed out to the Government of Bengal in paragraphs 5 to 9 of our letter to that Government of the 28th October 1867, No. 5876. We annex an extract† of these paragraphs for ready reference. The letter itself will be found recorded as No. 39 of our Educational Proceedings of October 1867.

It is an error to assume the identity of the cesses with the land revenue.

22. The Government has not waived its right in Bengal, or anywhere else, to impose Local Cesses. In fact, it may be rather said that by the tenor of the Regulations which made the Decennial Settlement, the right was especially reserved; for the main stipulation was that Government should take a portion of the assets as clear Net Revenue, and it carefully threw upon the zemindar the burden of all local requirements (see Regulation VIII. of 1793, Sections 72 and 96)‡ In fact, as regards Police Dawks, § &c., &c., the zemindars have, ever since, borne this burden; and, if it be shown, as can easily be shown, first, that education, at any rate, Primary Local Education, was not, when the Permanent Settlement was made, acknowledged as a fair charge on Imperial Revenues, and that it never has been, since, so acknowledged; and, secondly, that it is, in its nature one fairly to be borne by a Local Cess, the argument from the Perpetual Settlement falls to the ground.

The Government has not waived its right in Bengal or anywhere else to impose local cesses.

The permanent settlement does not exempt the zemindars in Bengal from charges which are thrown upon the land in other parts of British India.

\* See Appendix XX, Directions to Settlement Officers

† Para 6. As a matter of fact, the State has never undertaken to provide funds for the education of the mass of the people.

‡ Consequently, as was originally the case in Bengal, so in the North-Western Provinces, the proportion of the rent taken as revenue by Government has been fixed on calculations into which the element of a provision for the general education of the people did not enter.

§ In the recent settlements in Upper India, the limit of the Imperial demand has been fixed at 50 per cent. of the net assets, and this would have been its limit, even if no further provision by a distinct Cess had been expedient for educational purposes.

¶ The Educational Cess, on the other hand, varies in amount according to Local Requirements, and is, accordingly, clearly taken from the proprietors of the soil as a separate tax for Special Local purposes. It is, no doubt, a true tax; for it is not voluntary, although, in the Upper Provinces of Bengal, from the circumstances under which it has been levied, the objects to which and the manner in which it is applied, it is probably not unpopular.

§ But it is altogether separate from the Imperial Revenue, and if it became impossible for any special reasons, to apply its proceeds to the purposes for which it is designed, it would not be levied at all.

‡ Extracts from Regulation VIII of 1793 —

Section 72 —The settlement is to be made, as far as possible, in one net sum, free from any charges of moshara, zemindary, amlah, poolbund, cutcherry charges, or others of a similar nature, it being intended that all charges incidental to the receipt of the rents of the lands, and independent of the allowances of the officers of Government and expenses attending the collection of the public revenue, shall be defrayed by the proprietors from the produce of their lands.

Section 96 —The settlement is to be made, as far as possible, in one net sum, free from any charges of moshara, zemindary, amlah, poolbund, cutcherry, or other charges of a similar nature, it being intended that all charges incidental to the receipt of the rents of the lands, independent of the allowances of the officers of Government and expenses attending the collection of the public revenue, shall be defrayed by the proprietors from the produce of their lands.

§ This is now defrayed by a Cess of the exact nature of that which it is proposed to levy for Roads, Education, &c.

CHAPTER XV.  
GOVERNMENT OF  
INDIA  
31st December 1869.

23. In reply to the third argument, it may be urged that as it is admitted that the Permanent Settlement "does not entitle the zemindar to evade his just share of the Taxation of the Country," and, as the Government intends to adopt, as a general principle, what has already been widely acted upon,\* namely, that the land of India should defray the cost of the education of the agricultural population, there is no reason why the real property of Bengal should, alone, evade this burden.

24. As to the quotations from the speeches of Mr. Wilson and Sir B. Peacock, it is only necessary to say, generally, that there is nothing in them against the levy of a *Local Cess* on the land, always provided that the Cess be devoted to the agricultural population, that it be no more than is levied on landholders in other parts of India, and that it be *general* on towns and villages. On the contrary, in the very same speech to which allusion is made, Mr. Wilson went on to say—

"I am aware that much discussion has taken place, from time to time, as to the right to tax the zemindars and other intermediate proprietors under the Perpetual Land Settlement. Sir, the Government have given their most attentive consideration to this claim of exemption, and I must say, the more I have looked into it, the more I am convinced that a more illusive claim could not be set up

"The only nobility which India now has, or is likely to have, must, chiefly, be these wealthy owners of Permanently-settled Estates, the whole improved value of which must go exclusively to them; while, in all other parts of India, the Government on the part of the public will share it. Well, but, Sir, are we to base a future policy upon the exemption from taxation of the richest and only privileged class in India?"

25. The Lieutenant-Governor further urges (in paragraphs 26 and 27 of his letter) that Bengal already pays more taxes than any other Province; and that, on this account, its inhabitants should be exempted from any special burden, and further that, if fresh taxation is necessary, it should be Imperial and not Local. The taxation of one Province, however, cannot be compared with that of another. The only comparison upon which any argument can possibly be founded must be the average incidence of taxation per head of the population. Looked at in this light, it is believed Bengal has no claim to exemption from a Local Tax which is being levied in other Provinces.

26. The Lieutenant-Governor protests (paragraphs 29 and 30) against the entire charge of Primary Education being thrown on the land. But this protest, as above shown, is directed against paragraph 12 of the Government of India's letter of October 1867, and will doubtless be withdrawn when the Lieutenant-Governor is informed that the Government of India wishes that the land should provide for the requirements of the Agricultural population only, and considers that a similar but separate Cess should be levied in urban Districts.

27. It is urged that the levy of a small Local Charge would turn the current of popular feeling against education altogether. In answer to this, it can be shown that in Provinces, where Compulsory Contributions have been raised for these purposes, such results as have been anticipated have not occurred. The Voluntary Contributions towards educational purposes made in the North-Western Provinces and Oudh are larger, in proportion, than those in Bengal or Madras, where Local Taxation has not yet been in force for those objects.

28. We admit that the Government of India, in May 1859, were (as stated in the Lieutenant-Governor's 31st and 32nd paragraphs) of opinion that a Cess could not be imposed in Bengal; but a reference to the records of that date has shown us that the true nature of the charge levied in the North-Western Provinces was not, then, fully understood. In fact, when the Governor General expressed his opinion that a Cess was impracticable in Bengal, he ordered, in the same Note, an inquiry to be made in the Punjab and North-Western Provinces as to what had been done in those Provinces. In any case, although the Government of that day expressed an opinion adverse to the introduction of a Cess into Bengal, such an opinion can hardly be considered binding on the present Government, which sees before it what funds raised in this manner, are effecting and are likely to effect, in other Provinces.

29. In paragraphs 33 to 35, the Lieutenant-Governor defines what he means by Mass Education, and we accept the definition given in the latter portion of the 33rd paragraph; that is to say, that its object is to raise the intellectual status

\* Except in Bengal and Madras, cesses exist all over India, and the Madras Government has been moved to raise one.

of the masses who will remain, as before, Agriculturists, Labourers, or Artizans, but with a fair knowledge of reading, writing, and elementary arithmetic. This is the object that Mr. Thomason had in view when he established the Cess in the North-Western Provinces; and it seems to fulfil what is generally considered to be the duty of Government in the matter of Primary Education, and exactly meets the requirements of the Educational Despatch of 1854. But we do not admit that this object in Bengal alone should be left "to work itself out by the gradual progress of time." The argument now put forward is precisely what Sir Frederick Halliday urged 10 years ago; and the Government of that day refused to accept it.

CHAPTER XV.  
GOVERNMENT OF  
INDIA.  
31st December 1869

30. If it was thought defective, then, it is still more so now, when fundamental truths with regard to the duties of Government in respect to the instruction of the people are far more generally recognised than they were. It will therefore be perceived by your Grace that we dissent from the opinions expressed in 1859, which seem to have been, then, concurred in by the Governor General in Council, "that a Cess for the encouragement of education cannot be imposed in Bengal;" and we still more widely dissent from the sentiments expressed in the *Minute* quoted in the foot-note to the 35th paragraph of the letter of the Government of Bengal.

31. The tendency of many of these opinions is that education either should not or cannot be extended, because such extension might have the effect of placing a small charge on property, and might interfere with the present relations between capital and labour.

32. We have already endeavoured to show that the first line of argument is fallacious. The latter is one which it is not necessary to refute, further than to say that it is opposed to all modern feeling and experience. In dealing with these questions we should act on the broad principle that it is our duty to extend, by every legitimate means, to all over whom we have influence, the opportunity of acquiring the elements of knowledge. Political or economical expediency has long ceased to form an element in the consideration of this question. Feeling, strongly, that it is our duty to place within the easy reach of all our fellow subjects, as far as our power goes, the opportunity of developing the intelligence which has been given to man, we think it sufficient to remark that the time has, happily, for ever, passed away for such discussions.

33. We fully admit the magnitude of the problem to be solved; and concur in the view that the present generation may possibly pass away before the masses of the population of Bengal may, even under the most fortunate circumstances, experience, from the efforts that we now make, any complete or general result. But we cannot admit that plans of enlightenment and intellectual improvement for the Masses in this, or any other, Country are Utopian, or that we have not at our disposal means and resources sufficient, at all events, to begin the performance of what, in this respect, we believe to be a national duty.

34. The commencement of this great work can be only, momentarily, postponed. The Imperial Resources of the Empire are unable to provide the large sums necessary for such purposes as this. If we are to make Roads, to educate the people of Bengal, and keep them healthy and clean, it can only be done by imposing on Local Resources such a burden as they can conveniently bear. We are, therefore, decidedly of opinion that it is the duty of the Government of India to insist on their gradual imposition; and, if we have refrained from taking immediate steps for this latter object, it, mainly, is because we wish, as we have already observed, to be informed, in the first instance, whether our conclusions are accepted by Her Majesty's Government, it being of much importance that we should be fully assured of their support in any Measures that we may take to give effect to our intentions.

We have, &c.,

MAYO.  
W. R. MANSFIELD.  
G. N. TAYLOR.  
H. M. DURAND.  
J. STRACHEY.  
R. TEMPLE.  
J. F. STEPHEN.

CHAPTER XV. *From H. L. DAMPIER, Esq., Secretary to the Government of Bengal, to the Secretary to the Government of India, Home Department, (Revenue,—No. 1868 A.), Fort William, 30th April 1869.*

No 5876, of 28th  
October 1867.  
No 237, of 25th  
April 1868  
No 244, of 27th  
April 1868, and  
enclosures

I AM now directed to reply to the letters marginally noted, on the subject of the extension of Lower Class Vernacular Education in Bengal, and of the source from which the requisite funds for the purpose should be obtained.

2. In the first of these letters, the Governor General in Council has expressed his belief that what is called the improved Patschala Scheme in Bengal, has worked successfully, has promised it a fair trial, and stated that no interference with it is, at present, contemplated. The letter, however, goes on to point out that the Imperial Revenues cannot be charged with the expenditure required for the extension of this Scheme; it is laid down that "there is no part of India in which the Imperial Revenue can, with less fairness, be called upon to contribute to local objects" than Bengal; as there can be no doubt that "the share of the income of the proprietors of the soil which the Permanent Settlement originally gave to Government, is now far less than in other Provinces." It is accordingly declared to be the opinion of the Governor General in Council that "the main burden of Vernacular Education in Bengal should fall not on the Imperial Revenues, but, as elsewhere, on the proprietors of the land." A voluntary Cess, similar to that said to be levied in the Benares Division, is recommended, failing which "his Excellency in Council is of opinion that legislation may justly be employed for the imposition of a General Local Cess of such amount as may be necessary. And it is suggested that, regard being had to the circumstances of the Country, a Cess of at least 2 per cent. on the Imperial Revenue might fairly be imposed."

Finally, the Lieutenant-Governor is directed "to reconsider the entire subject with reference to the above remarks, and to submit such a modified scheme for extending Vernacular Education as may, on further examination, seem to be practicable." A letter from Mr. Long on the subject is also forwarded for an expression of opinion.

3. The letter of the 25th April is in continuation of that just referred to, and modifies the opinions expressed in it, on some important points. The provision of funds from Local Sources for the construction and maintenance of Roads and other works of public utility is pointed out as of parallel urgency with the question of meeting, in the same manner, the expenditure required for extending Elementary Education in Bengal. Bengal is declared to present a "striking contrast" to other Provinces in respect to Lower Class Education. The encouragement which has been given to the Higher Branches of Education in Bengal is stated to have been sufficient, if indeed the Government has not done too much, but it is added that the "reproach that almost nothing has been done for the education of the people of Bengal," should not be borne any longer; at the same time, that "it is altogether out of the question that the Government (meaning the Government of India) can provide the funds without which the removal of that reproach is impossible." The Lieutenant-Governor is accordingly informed "that the Governor General in Council thinks that it is now desirable to declare, distinctly, that this is a subject which, in future, the Government will not consent even to discuss. He will decline, in future, to listen to any proposition, the effect of which would be to throw upon the State the main burden of the cost of educating the people of Bengal." And, after referring to the Educational Cesses in Bombay, the North-West Provinces, Oudh, the Central Provinces, and the Punjab, it is again stated that "not only can there be no reason why a similar tax should not be imposed for similar purposes in Bengal, but, in the opinion of the Governor General in Council, there is no part of India in which the proprietors of the land can be so justly expected to bear local burdens of this nature."

4. The letter then proceeds to sketch out the nature of the Cess which should be levied. The former proposition of a percentage on the Government demand is now admitted to be inexpedient, as "it would, in the eyes of those who were not well acquainted with the true state of the case, have very much the appearance of an enhancement of the assessment imposed upon the land at the time of the Permanent Settlement," and also unjust in its incidence, as "it is well known that, in Bengal, the amount of the Government Revenue has ceased to be any index whatever to the actual annual value of estates." It is then pointed out that the Rate to be levied should be calculated for the purpose of roads also, for this purpose the proprietors of land, in Bengal, it is said, pay nothing, "although there is no part of India in which the means of the Landholders are so large; in which the construction of roads and other works of local improvement is more urgently needed; or in which such works have hitherto made so little progress." Details of the proposed Rate are left for the consideration of the Local Government, with this reservation, "there is only one remark on this part of the subject which the Governor General in Council thinks it necessary now to make. The reasons have been stated which appear to render it undesirable that the proposed tax should be imposed as a percentage on the Government Land Revenue. Taking into consideration the great urgency of the objects in view, and the wealth of the classes on whom the tax will fall, the Governor General in Council is of opinion that the amount levied ought not to be less than two per cent on the net assets or gross rental of the land."

5. The letter No 224, of the 27th April, forwards for information, two Resolutions of the Financial Department, both dated 31st March, in the latter of which it is stated that "increase of the existing budget provision" for the Education of the Masses should be prohibited, and, in the former, "that expenditure for this purpose, beyond the amount of the Budget Grant for 1868-69, will not be allowed, hereafter, unless, meanwhile, a scheme



be devised and carried into effect for ensuring that the main burden of the expenditure for Vernacular Schools shall fall not on the Imperial Revenues, but on the proprietors of the land.”

6 The questions raised in these letters have received the Lieutenant-Governor's most careful and anxious consideration.

7 On receipt of the first letter, reports were called for from all the Commissioners of Divisions “on the expediency and feasibility of raising an Educational Cess in Bengal, similar to that now paid in those Districts of the North-Western Provinces where the Permanent Settlement is in force.” The Director of Public Instruction was also asked to report on Mr Long's proposals, and, on receipt of your further letter of the 25th April, the accompanying\* letter (not printed here) was addressed to the British Indian Association, inviting their suggestions as to the best means of levying a Cess, and a copy was forwarded to the Landholders and Commercial Association, who were also asked to favour the Lieutenant-Governor with an expression of their views on the points mentioned in the 5th paragraph of that letter. An endeavour was likewise made to obtain from the Government of the North-Western Provinces copies of the more essential correspondence connected with the levy of the Voluntary Cess in the Permanently Settled Districts of the Province, but it was unsuccessful, “partly because a portion of it was lost in the mutinies, but chiefly because it was, in great measure, demi-official, and not placed upon record.” This is not, however, of much importance, as all persons consulted agree in reporting the impossibility of collecting a Voluntary Cess for education in Bengal, and the Lieutenant-Governor considers this alternative to be so obviously impracticable, that it will not be necessary to consider it any further. The following remarks made by Lord Stanley, in the Despatch of April 1859, when rejecting the system of reliance on local efforts supplemented by Grants-in-aid, as unsuited to the supply of Vernacular Education to the masses of the population, are of even more weight at the present day than when they were written—

“But apart from the difficulty, and in many cases the impossibility, of obtaining the local support required for the establishment of a school under the grant-in-aid system, it cannot be denied that the mere requisitions made for the purpose by the officers of the Education Department may have a tendency not only to create a prejudice against education, but also to render the Government itself unpopular. And, besides the unpopularity likely to arise from the demands on the poorer members of the community, made in the way either of persuasion, or of authority, there can be no doubt that the dignity of the Government is compromised by its officers appearing in the light of importunate, and often unsuccessful, applicants for pecuniary contributions for objects which the Government is confessedly very anxious to promote.”

8. A largely attended meeting of the British Indian Association was held on the 2nd September last, to the Printed Report of which the Committee have referred the Lieutenant-Governor for a detailed expression of the views of the Association. It was resolved at that meeting to petition the Governor General in Council, praying for a reconsideration of the subject. The Lieutenant-Governor, does not therefore think it necessary to enclose a copy of the Report of the meeting, but the Report of the Landowners and Commercial Association is forwarded as an enclosure to this letter, as also are the Reports of the Commissioners of the Cooch Behar, Bhaugulpore, Burdwan and Presidency Divisions, the latter containing a very interesting letter from Baboo Rajendrolall Mittra, and that of the Commissioner of Bhaugulpore a valuable enclosure from the Principal Sudder-Ameen of that District.

9. The orders of the Government of India require the Lieutenant-Governor to restrict his reply exclusively to the details of the proposed Cess, but the information which has been obtained on the subject, leads His Honor to the conviction that, in any case, a considerable modification in the nature of the Cess to be levied is absolutely necessary, and that the Governor General in Council is, in some respects, under misapprehension in regard to the position of the Zemindars of the Lower Provinces. His Honor, accordingly, requests permission, to deal with the entire question which has been raised, and to report upon it fully, in all its aspects.

10 It is important in the first place to understand clearly the exact extent of the class which the Government of India meant to include in the terms “Proprietors of the land,” “Proprietors of the soil,” “Landholders,” from whom it is directed that the proposed tax should be levied. A careful perusal of the “Resolutions of the Financial Department,” and of the letters Nos 237 and 244 of the Home Department, seems to place it beyond doubt that, by this description, it was intended to indicate the Zemindars and others who are under direct engagement with Government for the payment of the land revenue. In the first letter a Cess proportioned to the Land Revenue had been proposed, and apparently this was to be paid by the persons who were responsible for the payment of that revenue. In the subsequent letter, though this method of rating the Cess is abandoned, it does not appear that the Governor General in Council altered his opinion as to the persons who should be called upon to pay it; the Lieutenant-Governor, therefore, infers that the design of the Supreme Government was to impose a tax at the rate of 2 per cent on the net assets, or gross rental received by the Zemindars and Talookdars under direct engagement with Government. In that case, the rate would obviously be paid from the Imperial Revenues as regards Assam, in which Province the State is the Zemindar, and is, at the present moment, materially increasing its demands. It would also be more or less inapplicable to Oussa, where the Permanent Settlement has not been introduced. The Governor General in Council would, probably, not wish to impose a Special Cess in that Province during the currency of the existing settlement; and, as the basis of that Settlement is that

\* No 1521, of the 13th May 1868.

CHAPTER XV.  
BENGAL GOVERNMENT  
80th April 1869.

nearly two-thirds of the estimated proceeds belong to Government, the assessment here is, evidently, so far as this basis is correct, higher than that of other Provinces, inclusive of the Cesses for specific purposes.

11. Even as regards Bengal Proper, the Lieutenant-Governor feels bound to draw attention to certain misconceptions under which, as it seems to him, the Governor General in Council is labouring in respect to the proprietors of the soil. It appears that the full measure of the disadvantages (if such they are to be considered) under which the Government placed itself by creating a Permanent Settlement, has not been completely realised. In paragraph 11 of your letter of the 28th October 1867, an argument for calling on the Proprietors of the land to defray the expenses of education is based on the fact that, owing to increased area of cultivation and increased prices, the gross assets of the proprietors have probably increased four or five fold, if not more. This argument, however, can only hold good as far as it can be shown—

- (1) That the increased profits from the extended area of cultivation and enhanced prices of produce ultimately reach the class on whom it is proposed to impose the tax, *i. e.*, the Zemindars and others who are under direct engagements with the Government for the payment of revenue; and
- (2) That the persons who are now in receipt of such increased profits have derived them by inheritance from those with whom the Government originally made the settlement, and are not enjoying them merely as the proceeds of an investment of capital.

12. It will be found on examination that, generally speaking, the existing state of things fulfils neither of these conditions.

13. The increased profits from extended area of cultivation and enhanced prices of produce do not reach the Zemindars and others who are under direct revenue engagements with the Government; for, in a large number of cases, in Lower Bengal, the Zemindar has long ago made arrangements which reduce him to the position of an annuitant on the estate. He has created perpetual tenures at fixed rents, which effectually deprive him of all further participation in any increase of profits from the estate. Nor does the alienation of profits end here. The holder of the tenure of the first degree, has, generally, in the same way, created subordinate tenures of the second degree; and the holder of the tenure of the second degree, has created tenures of the third degree. The effect of every such transaction is to secure, in perpetuity, to the lessor of each degree a certain profit, after deducting the rent which he has bound himself to pay, in perpetuity, for his tenure; and, while freeing him from all risks and uncertainties, to debar him from all participation in future increase of profits.

14. Hence, instead of reaching the Zemindar, the increase of profits which has accrued since the Permanent Settlement was made between the State and the zemindar, is now often found to be divided among numerous classes of sub-tenants, who are known as Putneedars, Durputneedars, Seputneedars, Talookdars, Ousut Talookdars, Nim Ousut Talookdars, Hawaladars, Durhawaladars, Ganteedars, Mokurrureedars, and by many other names, until the cultivating tenant is reached who has some beneficial interest in his holding.

And, where such a chain of tenures exists, the proportion of the present profits which each tenant enjoys will depend on the period at which his tenure was created (assuming the increase of profits from the estate to have been gradual and regular), for the zemindar who gave his estate in Putnee five years ago, when it was yielding a rental of Rs. 2,000, will certainly have reserved to himself a higher amount of rent, in perpetuity, than he would have reserved if he had created the Putnee 40 years ago, when the estate was yielding a rental of Rs. 1,000 only.

15. To pass to the second point: not only are the increased profits, generally, thus divided; but whatever portion of the increase which has accrued since the Settlement, does, under existing arrangements, still reach the zemindar, it is not, generally speaking, now enjoyed by persons who are the Representatives, by inheritance, of those with whom the Contract of Settlement was, originally, made by the State. Since the Settlement, estates have, to a very great extent, changed hands by sale, and the purchaser has paid the full market value of the estate calculated on its profits and prospects at time of the purchase. However much these may have increased since the date of the Settlement, neither the recent purchaser nor his ancestors have reaped the benefit.

Such a purchaser receives no more than the annual return for the capital which he has invested in the land; and yet it is on this very purchaser, that it is now proposed to impose a tax on the specific ground that he enjoys an undue proportion of the profits from the land, as compared with that which the State derives. It is clear that, whatever may be the proportion which he does enjoy, he has paid for it, once for all, at its full, value with capital acquired from other sources; and though such payment was not made to the State, the transaction was of a class which has been fully recognised and tacitly approved by the Government of the Country. In the policy which the Government has hitherto followed, there has been nothing from which the most cautious investor could have derived an indication that the value of this particular kind of investment was liable to be suddenly depreciated, with special reference to the conditions of a Contract which was, finally, executed between the State and the Zemindar more than 70 years ago, to which neither the purchaser nor his ancestors were parties, and from which he has never derived any benefit.

16. It will presently be seen that, in treating of a Country in which such expectations that the State will not appropriate a larger proportion of the rents, are founded merely on its abstinence hitherto from the exercise of that original right, even a writer with such pro-

nounced views as Mr. J. S. Mill could only propose that "the future increment of rent should be liable to special taxation," "the present market value of their land being secured to them" (the landholders). The proposal of the Government of India goes beyond this. It would suddenly, and without warning, tax the increment which has already accrued, and that in a Country in which immunity from such special taxation of rents for general purposes is guaranteed by specific contract

17 All those considerations apply to the present holders of the subordinate tenures as well as to the Zemindars. The recent purchaser of a Putnee tenure which was created long ago, and may, therefore, pay but a small rent, has paid for it a price calculated on the full value of the present and prospective profits.

18. While, on the one hand, then, there is little or no identity between the persons who have benefited by the increased value of land and those whom it is now proposed to tax, the Lieutenant-Governor, on the other hand, believes that the impression of the wealthiness of the latter which is more than once referred to in the letters under acknowledgment, is very erroneous. There are, no doubt, in Bengal, a few, but a very few, really wealthy landholders; property in land is so split up that His Honor is confident that the bulk of the proprietors of the soil are far from wealthy, and that such wealth as many of them possess is not mainly derived from their zemindaries. Several officers, in reporting to Government on this question, have expressed doubts as to the wealthiness of the class of landed proprietors as a whole. The Commissioner of the Presidency Division, Mr. Chapman, speaks confidently to this effect in his 9th paragraph, and the figures given in paragraph 21 of the enclosure by Baboo Rajendrolal Mitra seem to place it beyond question that but a very small fraction of the entire number of zemindars in Bengal can be rich. Out of 206,576 zemindaries in 1852-3, 190,975 paid less than 250 rupees per annum to Government, and, considering the very large number of undertenures which have been created, it is evident that but a very small portion of the talookdars under direct engagement with the Government can be in receipt of large incomes from land.\*

19 The inference which the Lieutenant-Governor draws from these considerations is that a Cess on the proprietors of land, that is the zemindars only, which he understands to have been the proposal of the Government of India, is out of the question in Bengal, and cannot be defended. This class has long since shared the benefits of the Permanent Settlement with numerous other under-tenants intermediate between themselves and the ryots, and whatever burden can be fairly thrown upon the profits of land should therefore be divided rateably among all those classes who participate in these profits. In this view the Lieutenant-Governor, in addressing the British Indian Association, invited them to consider the manner in which a Local Tax for education, if levied, might be spread over all classes possessing a beneficial interest in the soil. At the same time this, evidently, increases very materially the difficulties of the problem, and also seems to destroy all parallel between Bengal and any other Province in which the Cess has been, hitherto, levied.

20. This, however, rather concerns the practical difficulties of the case. A still more serious difficulty of principle exists, and as the question is of the highest importance and deserves the fullest consideration, the Lieutenant-Governor would beg permission to discuss it carefully. It is a very common misconception, and one which might seem to derive support from many expressions in the letters of the Government of India under acknowledgment, (1) that the Government revenue derived from land is a true form of taxation, and (2), as a corollary to that opinion, that Bengal is more lightly taxed than other portions of the Empire. The extent to which these views are, in the Lieutenant-Governor's opinion, erroneous, can be very clearly gathered from the writings of Mr. Mill. For convenience of reference, I am directed to subjoin the following extracts from Chapter II., Book V., of his "Principles of Political Economy."

"Before leaving the subject of equality of taxation, I must remark that there are cases in which exceptions may be made to it, consistently with that equal justice which is the ground-work of the rule. Suppose that there is a kind of income which, constantly, tends to increase without any exertion or sacrifice on the part of the owners, those owners constituting a Class in the Community whom the natural course of things progressively enriches, consistently with complete passiveness on their own part; in such a case, it would be no violation of the principles on which private property is grounded, if the State should appropriate this increase of wealth or part of it as it arises. This would not properly be taking anything from anybody; it would merely be applying an accession of wealth, created by circumstances, to the benefit of society, instead of allowing it to become an unearned appendage to the riches of a particular class.

"Now, this is actually the case with rent. The ordinary progress of a society which increases in wealth is, at all times, tending to augment the incomes of landlords, to give them both a greater amount and a greater proportion of the wealth of the community, independently of any trouble or outlay incurred by themselves. They grow richer as it were in their sleep, without working, risking, or economising. What claim have they, on the general principle of social justice, to this accession of riches? In what would they have been wronged

\* The Lieutenant Governor read the other day, in a letter from a Commissioner of Revenue, the following passage:

"The fact is, the zemindars are very poor at the best of times, and, having but little to expect this year from their ryots, have been obliged to make use of their credit to borrow money at heavy interest."

If it would not be accurate to point to this as a picture of the condition of the bulk of the landholders in the Lower Provinces, it is certainly far less warrantable, in selecting them as special objects of taxation, to talk of "the wealth of the Classes" whom it is thus proposed to tax. (See Mr. Secretary Bayley's letter No. 237, dated 25th April 1868, paragraph 14).

There is little or no identity between the persons who have benefited by the increased value of land, and those whom it is now proposed to tax

By a cess on the proprietors of land, the Lieutenant Governor understands a cess on the zemindars only.

CHAPTER XV  
BENGAL GOVERN-  
MENT  
30th April 1869

if Society had, from the beginning, secured the right of taxing the spontaneous increase of rent to the highest amount required by financial exigencies? \* \* \* \* But, though there could be no question as to the justice of taxing the increase of rent if Society had avowedly reserved the right, has not Society waived that right by not exercising it? In England, for example, have not all who bought land for the last century or more given value not only for the existing income, but for the prospects of increase under an implied assurance of being only taxed in the same proportion with other incomes? This objection, in so far as valid, has a different degree of validity in different Countries, depending on the degree of desuetude into which Society has allowed a right to fall which, as no one can doubt it, once fully possessed. In most Countries of Europe the right to take by taxation, as exigency might require, an indefinite portion of the rent of land, has never been allowed to slumber. In several parts of the Continent the land tax forms a large proportion of the Public Revenues, and has, always, been, confessedly, liable to be raised or lowered without reference to other taxes. In these Countries no one can pretend to have become the owner of the land on the faith of never being called upon to pay an increased land tax. In England, the land tax has not varied since the early part of the last century. The last Act of the Legislature in relation to its amount was to diminish it, and though the subsequent increase in the rental of the Country has been immense, not only from agriculture, but from the growth of towns and increase of buildings, the ascendancy of Landholders in the Legislature has prevented any tax from being imposed, as it so justly might, upon the very large portion of this increase which was unearned, and, as it were, accidental. For the expectations thus raised it appears to me that an amply sufficient allowance is made, if the whole increase of income which has accrued during this long period, from a mere natural law without exaction or sacrifice, is held sacred from any peculiar taxation. From the present date, or any subsequent time at which the Legislature may think fit to assert the principle, I see no objection to declaring that *the future increment of rent should be liable to special taxation*; in doing which all injustice to the landlords would be obviated if the present market price of their land were secured to them, since that includes the present value of all future expectations. With reference to such a tax, perhaps, a safer criterion than either a rise of rents or a rise of the price of corn would be a general rise in the price of land. It would be easy to keep the tax within the amount which would reduce the market value of land below the original valuation, and, up to that point, whatever the amount of the tax might be, no injustice would be done to the proprietors.

"But, whatever may be thought of the legitimacy of making the State a sharer in all future increase of rent from natural causes, the existing Land Tax (which in this Country, unfortunately, is very small) ought not to be regarded as a tax, but as a rent charged in favour of the public, a portion of the rent reserved, from the beginning, by the State, which has never belonged to, or formed part of, the income of the landlords, and should not, therefore, be counted to them as part of their taxation, so as to exempt them from their fair share of every other tax. As well might the tithe be regarded as a tax on the landlords, as well, in Bengal—where the State, though entitled to the whole rent of the land, gave away one-tenth of it to individuals, retaining the other nine-tenths—might those other nine-tenths be considered as an unequal or unjust tax on the grantees of the tenth \* \* \* But wherever, and in so far as, income derived from land is prescriptively subject to a deduction for public purposes beyond the rate of taxation levied on other incomes, *the surplus is not property taxation, but a share in the property of the soil reserved by the State.* In this Country (and this is still more true of India) there are no peculiar taxes on other Classes, corresponding to, or intended to countervail, the land tax. *The whole of it, therefore, is not taxation, but a rent charge, and is as if the State had retained not a portion of the rent, but a portion of the land. It is no more a burthen on the landlord than the share of one joint tenant is a burthen on the other. The landlords are entitled to no compensation for it; nor have they any claim to its being allowed as part of their taxes. Its continuance, on the existing footing, is no infringement of the principle of equal taxation."*

21. The right which Mr. Mill here shows belongs to the State, namely, to appropriate, without injustice to any one, that portion of the increase in the value of the rent of land which is over and above the increase in the value of money, and the increase due to the expenditure of labour and capital, is indefinitely strengthened in all those parts of India where, there being no Permanent Settlement, the State is the actual owner of the land. In such cases it is evident that an increase in the land revenue, or a Cess added to the land revenue, is not, properly, a tax of any kind whatsoever, provided the amount thus added is not greater than the increase in the rent of the land accruing without any exertion or sacrifice on the part of the Zemindars. Mr. Mill here assumes, and has, elsewhere, shown (Chapter III, Book IV) that, in a society which is in a state of progress, natural causes tend to augment the value of the rent of land to the Proprietors, and it cannot be questioned that, practically, this has been taking place over India generally, both in Bengal and elsewhere. It may be admitted, that, even in other parts of India, prescription has given a kind of right to other persons besides Government to derive an income from the rent of land; but it is quite certain that, generally, out of Bengal, the State has never waived the right of retaining to itself such portion as it may think proper of the increase of rent; on the contrary, it has, avowedly, reserved and exercised this right, and, therefore, the conditions of the very strongest case of the justice of increasing the Government demand, insisted on by Mr. Mill, are completely fulfilled.

22. And, as was to be expected, the time chosen for readjusting the proportion of rents to be retained by the State with advergence to its increasing duties connected with the education, has generally been that at which a Contract of Settlement was to be made or renewed between the State and the Zemindars. In the Punjab, an order was issued that, where the settlement had not been completed, 1 per cent on the revenue should be levied for the maintenance of village schools, and that, in other cases, District Officers should endeavour to induce the people voluntarily to subscribe to the Cess, the conclusion of the settlement contract being apparently looked upon as conclusive against the levy of this Special Compulsory Cess from the settlement holder. "The Oude Educational Cess was levied, for the first time, at the commencement of the Regular Settlement which is now in progress." In the "Central Provinces, owing to the incomplete state of the settlement operations, no Cess was levied until the year 1862-63." In these Provinces "the Government of India was of opinion, that, as the Government demand has been reduced from an average of two-thirds of the rental to one-half, and that other Cesses had been reduced which, in the aggregate, used to amount up to 8 and 10 per cent, the enhanced rate (2 per cent.) would not press at all heavily on the landowners." The North-Western Provinces had enjoyed the exceptional advantage of having half the Cess defrayed by the State. In the new settlements which are now in progress, however, the Cess is being consolidated in the share of the net assets of the land taken by the State, so that henceforth, to quote the order of the Local Government, "*the whole of the Local cesses will, in future, be defrayed not by the landowner, but out of the share of the rent which has always been the admitted right of the State, and therefore no claim to any control of management of the funds, on the part of the zemindars, could, for a moment, be sustained.*"

Resolution of Government, North-Western Provinces, dated 14th February 1866, paragraph 5

23. The Lieutenant-Governor submits, therefore, that the light thrown upon the actual facts of the case by the principles so clearly analysed by Mr Mill, shows, beyond question, that what has been done throughout the greater part of India, has been simply this: The value of the rent of land has, owing to the operation of natural causes, risen very greatly, even were the State not a proprietor of the soil, it might, without any injustice and without taxation of any kind, in the proper sense of the word, have appropriated all that (the greater) portion of the increase which has not been due to the expenditure of labour or capital, or the rise in the purchasing power of money. *A fortiori*, being supreme proprietor of the soil, it could, still more equitably, have appropriated these profits. As a matter of fact, however, it has not done so; it has, hitherto, allowed the subordinate landlords to share the fruits of the increase in the value of land which the progressive state of Society has brought about, and even to do more than share it by reducing the *proportionate* amount of the Government demand. Latterly, however, in the case of these Cesses, it has curtailed somewhat its generosity; the value of land has continued to increase, but the State, by imposing Cesses, bearing a smaller or greater proportion to the share of rent taken by it, has appropriated a larger part, but still only a part, of the later increases of which it might, on sound principles, have taken nearly the whole. The landlords have, it may safely be assumed, never been absolute losers by new settlements at which Cesses have been imposed; that is, they have not found their profits less than they were at the previous settlements; they have only derived a somewhat less advantage than they would have done if no Cess had been imposed.

24. That the instincts of the people of this Country recognize this radical distinction between the reservation to itself by the State of such a share of the Rents as it requires, and the imposition of a Tax, that is, the taking from individuals, for State purposes, a certain portion of what is undoubtedly their property, appears to the Lieutenant-Governor to be clear, from the willingness with which they have acquiesced in arrangements of the first kind at the settlements, as contrasted with the dissatisfaction which is evinced at taxation generally, and especially at the tax which it has now been proposed to impose on the Landholders of Lower Bengal. The so-called Cess in most other Provinces, having been shown to be merely the reservation of a portion of the increased profits from land which belongs to no private persons, it is no less certain that the impost which it is proposed to levy on Lower Bengal would be a tax, that is, the withdrawal by the State of a portion of property which has, undoubtedly, become vested in individuals. There can be no doubt that, in the Districts in which the Permanent Settlement is in force, the increase in the profits from land, due to national progress, has been at least as great as elsewhere; but there is the very important difference which arises from the deliberate action of the State in regard to these increased profits. As Mr. Mill says, the objection that the State has waived its right to an increased amount from the rent has a different degree of validity in different Countries; and it is hard to see where it could have a greater degree of validity than in Bengal. The Governor General in Council may fully rely on the Lieutenant-Governor to give no encouragement to any notions that the Permanent Settlement entitles the zemindar to evade his just share in the taxation of the Country; but, on the other hand, His Honor is confident that the Government of India will never, deliberately, contemplate any step which, in the judgment of disinterested and well-informed economists, would amount to a real breach of faith with the Zemindars. Now, it seems to the Lieutenant-Governor that, in the present instance, Government is placed in the following dilemma;—if the Cess is to be regarded as analogous to the Cesses which have been levied for similar purposes in other parts of the Empire, that is, as a reduction of the share of rents which is left to the zemindars, it will be a most distinct breach of the Permanent Settlement; but if, on the other hand, it is to be regarded as new taxation, then it must be judged by the general principles of the equality of taxation, and, so judged, it will be clear that Bengal is called upon to submit to Special Taxation on what has been formally assigned to indi-

CHAPTER XV  
BENGAL GOVERNMENT  
30th April 1865

CHAPTER XV,  
—  
BENGAL GOVERN-  
MENT  
30th April 1869.

viduals as their property, a taxation on property which the so-called Cesses, elsewhere, are not. The Lieutenant-Governor has no doubt that the true principle by which the Permanent Settlement should be interpreted is that quoted in the 16th paragraph of Mr. Money's letter from Mr. Wilson's speech of 1860. "I hold him (the Bengal zemindar) to be exempt from any special charge upon his land; but to be liable to any general tax that applies to all others." Sir Barnes Peacock, on the same occasion, upheld the same view. In a Minute, written some years before, with reference to a proposal for a Special Tax on the zemindars, he had objected to the proposal in the following terms: "It is clear that, according to the engagement entered into at the time of the Permanent Settlement, the jumma then fixed cannot be altered."

\* \* \* \* \*  
"The same principle which prevents an augmentation of the assessment, equally precludes taxation of the owners in respect of the rent or produce of their estates."

Referring to this Minute in the Debate of 1860, he said—

"That \* \* \* \* \* was an exceptional measure, while the Income Tax is a General Tax affecting the whole Country. The question then was as to taxing the zemindars alone; and I certainly think that, in so doing, the Government would be violating the promise made at the time of the Permanent Settlement; \* \* \* \* \* but, having looked into the case carefully, I think the landholders under the Permanent Settlement are justly liable to the Income Tax." The arguments of Mr. Mill (the more valuable as they exactly meet the case in point, while, at the same time, they were written without any possible reference to it) seem to the Lieutenant-Governor to place the rationale of this exemption of the Bengal Zemindar from any special charge upon his land, in the clearest light. The Permanent Settlement exactly places the Government of this Country, by express stipulation, in the very position in which the Government of England has placed itself, according to Mr. Mill, by mere desuetude, in the exercise of a right, owing to the land tax not having varied since the beginning of the last century. It is probable that the Indian Government of the day did not fully realise the extent of the sacrifice it was making; the fact that, in a progressive state, the increase in the value of land, from circumstances independent of the landowner, would be far greater than that due to the expenditure of his care and capital upon it, probably escaped the attention which it would now attract; but, be that as it may, it cannot be questioned that the very thing that the State gave away was the right, which Mr. Mill has shown to be, otherwise, inherent in it, of appropriating what may be termed the spontaneous increase in the value of land, while, on the other hand, the State as clearly did not give away the right to tax the profits of land equally with profits and income from other sources.

25. The authority, therefore, of Mr. Mill, and, still more than his authority, the arguments on which he bases his opinions, seem to the Lieutenant-Governor to show, first, that the Educational and Road Cesses in other parts of India have partaken in no way of the nature of Taxation Proper, and that the persons who pay those Cesses are entitled to no compensation for them, nor have they any claim to those Cesses being allowed for, as part of their taxes; second, that any Cess which may be levied in Bengal cannot be imposed on the same principle, but must be treated as Taxation Proper, and fixed in accordance with the equitable principle of equality of taxation. And this leads directly to the very important question, whether Bengal can, as matters now stand, justly be called upon to submit to increased taxation, as compared with other portions of the Empire. The Report of the proceedings at the meeting of the British Indian Association, already referred to, will show that, next to the argument drawn from the Permanent Settlement, the argument that Bengal has been, and is, unjustly treated in matters of Imperial Finance was the one most frequently relied upon.\* The Lieutenant-Governor is aware that the question is one of some

\* It must not be supposed that this opinion is now put forward by the British Indian Association merely to serve the occasion. They have high authority for the position they assert. At the end of 1861, Sir J. P. Grant thus expressed himself, as Lieutenant-Governor of Bengal, in a letter written to the Association—

"The Lieutenant-Governor is sure that the Association is fully alive to the crying wants of these Provinces in Roads, Bridges, Canals, Water-works, Public Buildings, and Public Works of every description, and he thinks it probable that they have a general knowledge that there is no part of India which is nearly so backward, in these respects, as are the Bengal Provinces; whilst there is no other part of India which responds to any outlay upon public works, great or small, so promptly, so surely, and so effectively, as these Provinces do, by reason of their great natural resources. But, perhaps, it is not always borne in mind that the Provincial Expenditure upon public works, petty district works excepted, is limited by the Supreme Authority, and that the allotment made to Bengal by that Authority from the General Revenues has always been, systematically, less, in an excessive degree, (probably it would be safe to say by at least two thirds) than what an allotment would amount to should that be framed on the principle of a share proportionate either to the revenue, or to the population, or to the geographical extent of the Bengal Provinces, or to all these together, as compared with the other Provinces of India. The result of this system, continued for a long series of years, has been such, in a comparative view, as those only who have seen many different parts of India, or whose duties have made them cognizant of what has been done from Imperial funds for all parts of the Empire, severally, are thoroughly aware of. At this moment, there is only one really good road of any considerable extent complete in all Bengal, Behar, Orissa, Cho's Nagpore, Assam, and Cachar, namely the Grand Trunk Road, and it is not too much to say that this single work would not have existed if it had not been, by geographical necessity, an inseparable part of the Line through the North-West Provinces."

Now, though it is true that Bengal has been, since, treated with a little more justice than it had been up to the time at which Sir John Grant wrote, yet it will still appear that the Assignments to the Bengal Government for Civil Public Works have continued to be very much below the Assignments made to other Governments, having regard to the revenues and geographical extent of the Bengal Provinces compared with other Provinces.

intricacy; but, in justice to the people committed to his trust, he is bound to say something on the value of this widespread opinion, and it seems to His Honor that, with the question cleared as it is by the distinction between land revenue and taxation, it is not difficult to show that Bengal has strong reason to ask for consideration at the hands of the Imperial Government.

26. The land revenue, which is so commonly thrown in the teeth of Bengal, has been shown to be no tax at all, to be taking nothing from anybody, and to be merely a refusal by the State to part with a portion of its property in favor of those who have no right to it. On the other hand, the income of Bengal,\* from the Opium of the Behar Agency, may, perhaps, be regarded as exceptional, though it is, in fact, simply a variable export duty levied on an article *produced and manufactured within the Province*; it is difficult also to say what share of the Customs dues collected in Calcutta and Bombay are really paid by those Presidencies or by the inhabitants of other Provinces. But the Lieutenant-Governor will waive all these, and, only taking the receipts of Taxation proper, *viz.*, Abkaree, Assessed Taxes, Salt, and Stamps, will compare these receipts of the several Governments with the grants for Local Administrative purposes. A Volume of Statistics of the Finance of India for the period from May 1861 to March 1867 has lately been compiled in the Financial Department of the Government of India, which enables the Lieutenant-Governor to institute the comparison for those six years. Though some of the Salt, which pays duty in Bengal, is consumed in Oudh or the North-Western Provinces, it is reasonable to assume that at least three-fourths of it is consumed in the Lower Provinces, this portion, therefore, of the net profits is credited to Bengal, and the remaining one-fourth added to the receipts in the North-Western Provinces, the total thus obtained being rateably divided between the North-Western Provinces and Oude, according to population. This method will, it is believed, secure approximate accuracy. As regards the administrative cost of each Province, the Heads of Administration and Public Departments, Law and Justice, Police, Education, and Public Works are of course taken. The charges for collecting taxes are deducted from the proceeds of those taxes, and only net results shown. Similarly, the receipts for Law and Justice, &c., are deducted from the charges, and only net charges shown. The charges under the Head of Land Revenue are almost entirely made up of Collectors and their establishments; and, as these officers carry on an important part of the work of administration, it is hardly fair to omit them. But, as their inclusion makes the comparison much more favourable to Bengal, an additional column is given showing the cost of administration exclusive of charges against Land Revenue and also of Allowances to District and Village Officers, which latter forms so heavy an item against Bombay. Allowances, Refunds, and Drawbacks should, properly, be deducted from the Receipts under each head; but, out of Bengal, details are not given, and it is impossible to say what amount should be allowed for Customs. No practical inaccuracy arises from their omission. Marine is omitted for the same reason as Customs;—and Ecclesiastical charges are not included. The officers of the Medical Services, however, take so important a part in administration that this head has been introduced. Military public works have been deducted from the Public Works total.

The result is shown in the accompanying Table:—

NET RECEIPTS from Taxation from 1st May 1861 to 31st March 1867.

	Abkaree	Assessed Taxes.	Salt	Stamps.	TOTAL.
	£	£	£	£	£
Bengal ... ..	3,110,310	2,177,580	*10,665,973	3,348,604	19,302,467
North-Western Provinces ... ..	1,197,173	1,049,142	74,720,095	1,357,872	8,394,282
Punjab ... ..	400,170	333,623	4,833,933	239,534	5,807,860
Madras ... ..	2,244,876	875,108	5,025,243	1,541,365	9,686,592
Bombay ... ..	1,788,533	1,746,684	2,649,283	2,367,559	8,452,059

\* Three-fourths of 14,207,964

† Being 78 per cent. of 2,510,896†, *viz.*, net proceeds in North-Western Provinces, plus 3,541,991†, being one-fourth of net proceeds in Bengal, the population of North-Western Provinces and Oude being in the proportions of 78 to 22. The Charges in Oude exceed the Receipts

NET COST of Local Administration for same period.

	Charges against Land Revenue.	Allowances to the Collectors and Village Officers	Administration and Public Department	Law and Justice.	Police.	Education.	Medical	Electricity and Printing	Public Works Department	TOTAL.	Total Charges against Land Revenue, Allowances to Collectors, District and Village Officers.
	£	£	£	£	£	£	£	£	£	£	£
Bengal ... ..	1,689,336	789,639	3,530,304	3,221,060	748,752	356,373	337,220	3,821,019	13,061,600	11,462,244	
N W Provinces ... ..	1,834,264	33,733	663,546	1,568,613	1,942,883	403,685	186,639	212,866	2,365,047	9,134,369	7,366,369
Punjab ... ..	1,003,844	11,729	660,969	629,341	1,650,715	237,773	37,044	2,262,108	5,526,284	5,510,716	
Madras ... ..	3,361,214	130,369	753,019	1,264,146	3,060,536	806,631	275,995	196,09	4,340,664	12,407,662	9,967,439
Bombay ... ..	1,955,776	2,168,213	891,524	1,678,466	3,077,531	403,063	313,367	113,348	4,494,189	14,076,787	10,063,798

\* The Net Revenue realised from Behar Opium may be stated at from two to two and a half millions

CHAPTER XV.  
BENGAL GOVERNMENT  
30th April 1869.

In these figures are included the income and expenditure of Assam and other portions of the Lower Provinces, to which the Permanent Settlement has not been extended; and it cannot be doubted that, if the balance could be struck for the Permanently-settled Districts only, the results would be still more favourable to Bengal\*.

27. When, therefore, it is proposed that Bengal should submit to additional special taxation, such as it is not proposed to impose on any other Province, because, 70 years ago, the State in this part of the Empire gave away a large portion of the property which belonged to it, the Lieutenant-Governor cannot feel justified in abstaining from calling attention to the fact that the Lower Provinces alone, of all the provinces of the Empire, pay for their local administration entirely from the proceeds of the taxation proper, levied from the inhabitants, and are able to resign entirely, for Imperial purposes, the whole of the revenue which the State derives from sources which are either not taxation at all, or not taxation to any one in India, *viz.* Land Revenue and Opium, as well as the Customs Receipts, which are, properly, taxation. No doubt it is partly owing to the wealth which Government resigned to the landowners that the taxes are so productive, and it is also owing to the simplification of the machinery of which that Settlement admitted, that the Local Administration is so inexpensive compared with other Provinces, having regard to its much greater extent and much larger revenue. But, as the Lieutenant-Governor has already pointed out, and as, indeed, follows from the first principles of the economical laws of land rent, that resignation of property vested in the State was no gift to the people at large. It was only a gift to certain individuals, generally though not necessarily, resident in the Lower Provinces; and neither can these persons, for the most part, now be identified, nor can the shares of the increased rental appropriated respectively by them and by their successors or assigns, be ascertained. Even, therefore, if it would not be a breach of the Permanent Settlement, it is now impossible to trace out the persons who are in actual enjoyment of the profits which have accrued from the Permanent Settlement, in order to recover from them, in the form of a Cess, similar to Cesses elsewhere, a portion of the profits which fell into their hands; and, however a new tax may be imposed, it will, by the force of circumstances, fall chiefly upon those who have derived no benefit from the Permanent Settlement. Indeed, if the almost universal opinion of the officers of Government is correct, that local habits, customs and traditions, will, in spite of the ordinary laws of political economy, enable the landowners and superior tenants to throw the tax upon the ryots, then it will fall on a class which, it is notorious, have derived no pecuniary benefit at all from the Permanent Settlement.

28. It has, then, the Lieutenant Governor submits, been shown that (observing the distinction which Mill points out between rent and taxation) the Cesses in other Provinces are of the nature of rent; that in Bengal it would be a breach of the Permanent Settlement if a Cess precisely of the same nature, could be levied, but that as, owing to the land having changed hands, this practically cannot be, all that can be proposed for Bengal is fresh taxation proper; that, as regards taxation, Bengal already pays as high rates for Assessed Taxes, Customs, Stamps, and it is believed, Abkaree, as other Provinces, while it pays far more for Salt than Bombay or Madras, and four annas more per maund than any other part of India, though, perhaps, owing to special circumstances, the Salt Tax may press more heavily on some parts of Oude and the North-Western Provinces than on Bengal, that, while the rates of taxation are, thus, higher, in Bengal, than elsewhere, the proceeds of taxation are still more in its favour, being such as (without Customs) do more than cover the whole of the charges of the Local Administration. If, therefore, fresh taxation is necessary, the Lieutenant Governor cannot but urge that it ought to be Imperial and not Provincial, seeing that, in the words of Mill, the whole of the land revenue, up to the limits to which, including Cesses, it has been raised, is, both within the Permanently and Temporarily Settled Provinces, not taxation but "a rent charge, and is as if the State had retained not a portion of the rent, but a portion of the land. It is no more a burthen on the landlord (and *a fortiori* on the Province) than the share of one joint tenant is a burthen on the others. The landlords are entitled to no compensation for it, nor have they any claim to its being allowed for, as part of their taxes."

29. Assuming, however, that the Government of India should maintain the position that Bengal is to be specially taxed, the Lieutenant-Governor would still urge that the general principle of the equality of taxation should not be lost sight of within the Province itself. On what ground can a special tax upon land only be justified? Previous to the Income Tax Act of the present year, it might have been, perhaps, argued that, industry and trade, being specially taxed by the License Tax, a special tax on land would only restore the equilibrium of taxation; but this plea can be urged no longer. The only grounds which can, in the Lieutenant-Governor's opinion, fairly be urged in behalf of a special tax upon land are (1) that the land will derive special advantages from the expenditure proposed from the tax; 2) that the obligation in question was definitely reserved as a charge upon the land at the Permanent Settlement, so that each landowner has, unquestionably, obtained his land, by purchase or otherwise, subject to this charge. This points to a marked distinction between the two objects for which the Cess has been proposed. It may be argued, perhaps, that Local Roads will have a decided tendency to increase the value of the land

\* The case may be represented in an equally striking manner as respects Bengal, the North-Western Provinces, and the Punjab, by referring to the figures of the Budget Estimates for 1867-68. These figures show that while the net receipts in Bengal from Abkaree, Assessed Taxes, Salt, and Stamps were more than twice the receipts from the same sources of the North-Western Provinces, and nearly three and a half times those from the Punjab, the net sums allotted to the three Governments, respectively, for expenditure on Public Works Ordinary, Administration and Public Departments, Law and Justice, Police and Education, were, approximately, as 100 to Bengal, 73 to the North-Western Provinces, and 50 to the Punjab.



near which they pass, but it cannot surely be urged that the education of the masses was contemplated, at the time of the Permanent Settlement, as a charge upon land. Indeed, taking a narrow view of the interests of the Landowners, it might be argued that, for some time at any rate, the spread of lower class education would be against their interests, inasmuch as it would tend to reduce the irregular power which they are now able to wield, and to raise the price of labour, from the cause referred to by the Landholders' and Commercial Association, *viz*; that men of the pen will not, in many Districts, have anything to say to manual labour, and that, therefore, the more they increase in number, the greater becomes the daily increasing difficulty, in many parts of the Lower Provinces, in procuring labour.

30. If any tax is to be imposed for the education of the lower classes, the Lieutenant-Governor can only, in the interests of justice, recommend that it be general. It seems as clear, from the arguments enumerated by Mill, that the principle of equal taxation would be violated by a Special Educational Cess on land only, in the Permanently-settled Districts, as it is that it has not been in any way violated by the Special Cesses elsewhere. This being the conclusion at which the Lieutenant-Governor has arrived, he would, notwithstanding the decisive tone of the letters of the Governor General in Council, earnestly entreat a reconsideration of the question. He has further to urge that it is impossible to conceive any measure that would make education more unpopular than a Special Tax for its maintenance. The Government of India is, no doubt, aware that large Endowments are frequently made in Bengal for educational purposes. A reference to the last Report of the Director of Public Instruction will show that, besides many minor donations, Baboo Doorga Churn Laha gave, during the year reviewed by it, half a lakh of rupees for educational purposes, while Mr. Williamson bequeathed a lakh of rupees for schools in Assam. Since then, two wealthy gentlemen, who have been lost to the Community, the late Baboo Prosono Coomar Tagore, *c s r*, and Baboo Saroda Persad Roy, Zemindar of Chuckdighee, have made liberal bequests to education, and there is every reason to believe that the good example will be, more and more generally, followed if things remain as they are. On the other hand, if a tax be imposed, it will, almost certainly, turn the current of feeling strongly against education.

31. Were the Lieutenant-Governor the only advocate of this view, he would feel more reserve in pressing it upon the Government of India, but he may, perhaps, be permitted to remark that, while the Governor General in Council has very strongly insisted on the necessity of a Cess for educational purposes, in the letters under reply, the conflicting proposals which these letters contain, as well as the impracticability of all of them, show clearly that the difficulties of the question had not been fully perceived. On the other hand, the proposal to levy a Cess has been laid, on previous occasions, before various Authorities, and the conclusion hitherto invariably arrived at, has been adverse to the expediency of it. In a letter, No 267, of the 21st January 1859, the Government of India raised the question of providing for Lower Class Vernacular Education by other agency than the Grant-in-aid rules, and the then Lieutenant-Governor, Sir F. Halliday, in his Minute of the 24th March 1859, wrote, "If, then, the suggestion for the establishment of similar schools in these Provinces implies that they are to be, like the Hulkabundee Schools in the North-Western Provinces, founded on a Compulsory Cess, I should desire to dissent from the proposition on the ground of the doubtful policy of attempting such a levy. In answering that letter, the Governor General in Council wrote 'As regards the establishment of Hulkabundee Schools, His Excellency in Council quite

No 1020 of the 19th May 1859  
 agrees with Mr. Halliday that a Cess for the encouragement of Education cannot be imposed in Bengal."

32. Before, however, this correspondence had reached England, the then Secretary of State, Lord Stanley, had raised the question in his despatch of the 7th April 1859. In the 52nd paragraph of that Despatch His Lordship wrote "The several existing Inspectors of Schools in Bengal are of opinion that an Education Rate might, without difficulty, be introduced into that Presidency, and it seems not improbable that the levy of such a Rate, under the direct authority of the Government, would be acquiesced in with far more readiness and with less dislike than a nominally Voluntary Rate proposed by the Local Officers." The Report of the Government of Sir John Peter Grant on this Despatch is dated the 19th October 1860. In it he proposed the Scheme of Vernacular Education which has, with certain important modifications, become the present improved Patshala system. In paragraph 21 it is said—"Considering the new schemes of taxation now being, everywhere, introduced, the Lieutenant-Governor is opposed to any attempt to impose any Special Cess for any educational purpose. By the present system, the people pay for the chief cost of vernacular schools. The aid to be given by Government may fairly come from the General Revenues." In reply (21st September 1861) the Government of India directed the next year's budget to be prepared in accordance with Sir J. P. Grant's Scheme, and though the possibility of a difficulty in providing all the requisite funds was referred to, the general tenor of the letter shows that the then Government of India agreed with the Lieutenant-Governor as to the inadvisability of a Special Cess. It thus appears that two Lieutenant-Governors have already given their attention to this question, and that they have been both opposed to the levy of a Cess, while the Government of India has, once categorically, and once in general terms, concurred with their views.

33. Fortified with this weight of authority, the Lieutenant-Governor feels justified in expressing his conviction that a Special Tax for education in the Permanently-settled Districts is very inadvisable. His Honor cannot but think that the broad distinction which is often drawn between the forward state of higher and middle class education in Bengal, and the backwardness of mass education, does not rest on any clear and well-defined basis. If

CHAPTER XV.  
BENGAL GOVERNMENT  
MEET  
30th April 1859.

is very important that a clear idea should be formed of what is meant by the term Education for the Masses. If it is meant that an *opening* should be afforded, even to the very lowest classes, to rise in the social scale and reach an honorable and lucrative position, the Lieutenant-Governor must maintain that this opening already exists. There are very many schools at which an elementary education can be obtained at almost, and in some schools at absolutely, no cost whatsoever, and to these Elementary Schools vernacular scholarships are open, leaving it quite possible to a successful candidate to rise from one form of scholarship to another, and, by that means, to obtain the very highest education. This, however, is not the meaning which His Honor supposes to attach to education of the masses. He presumes that all such education as is based upon the reasonable and probable expectation of obtaining a living by the pen, or by what is commonly, though not very correctly, described as intellectual, opposed to manual labour, would not, however elementary in its character, be regarded as education of the masses, since whatever may be the actual status of the recipients, their object is to use their education as a means to separate themselves from the masses and rise above them. The term "mass education" is doubtless meant to be applied to instruction which the Lower Classes can be prevailed upon to receive, not with a view (except, perhaps, an exceedingly remote and possible hope) of leaving the masses, but of improving their intellectual status in the masses, of remaining agriculturists, labourers, or artizans as before, but with some knowledge of reading and writing and elementary arithmetic. Whatever view is adopted, however, the distinction between the two possible meanings of Education of the Masses is a very clear one, and, if it is kept in mind, the Lieutenant-Governor believes that the inexpediency and inutilty of a Cess for effecting the education of the masses in either sense, may be shown.

34. If the first sense is adopted, it is evident that the Education of the Masses in Bengal, and, it is believed, in other parts of India too, cannot be extended beyond a very small percentage of the entire population. In an Agricultural Country like Bengal, intellectual labour (using the word intellectual in its popular rather than in its strict meaning) cannot afford a living to more than a very small percentage of the population, leaving the vast majority to obtain a livelihood, as hitherto, from manual labour. The hope and prospect of being within the successful circle would, no doubt, operate to widen somewhat the area of education directed to this end, but the ordinary laws of supply and demand must assert themselves, in the long run, and it is clear that education, built upon such a motive as this, must always be unsuccessful in penetrating beyond a small fraction of the population. The Lieutenant-Governor is by no means certain that this point has not been already reached, in many parts of Bengal. There is reason to believe that all the avenues to intellectual employment are already filled full, while many cannot obtain the employment for which their education qualifies them. With only 1 in 328 of the population at school, as shown in Mr Howell's Note, this may appear open to question; but, in that computation, no account is taken, not only of the very numerous indigenous schools and toles scattered over the Country, but even of the private schools unconnected with Government, taught more or less on the European method. The indigenous schools were estimated by Sir J. P. Grant on Mr Long's calculation to be 30,000 in number, and if only 10 pupils be allowed to each this would raise the percentage of education to over 1 per cent., that is, nearly 10 per cent. of boys of an age to be at school. The Governor General in Council will, it is hoped, observe the testimony of a missionary, referred to in paragraph 16 of Mr. Chapman's letter, enclosed herewith, that his experience shows more readers among the masses in Bengal than in the North-Western Provinces, though, according to Mr Howell's paper, education to that extent should be much more extended in the North-Western Provinces. The Lieutenant-Governor believes that the missionary is correct; and that the fact is due to the far greater extension of indigenous schools in this part of India. No doubt these schools might be improved, and many of them could be brought under Government control by the agency of a Cess, but the Lieutenant-Governor must represent that, to levy a special educational tax for the purpose of improving a certain number of indigenous patshalas, or supplanting them with new patshalas, would be extremely inexpedient. If, then, this view of mass education be taken, the Lieutenant-Governor believes that no more remains to be done in Bengal in this direction than in other parts of India, and that such improvements as are needed, will work themselves out by the gradual progress of time.

35. If, however, the other view of Mass Education be taken, the Lieutenant-Governor, while he admits freely that there is little or none of such education in Bengal,\* must beg leave to doubt whether there is more of it in other parts of India, and, in any case, he feels

\* The Lieutenant-Governor cannot refrain from quoting here a *liberally* expressed, and in his judgment a very true, passage from a Minute recorded by one of his predecessors.

"I have avoided in this Minute the use of the expression 'the Masses,' although I might have quoted for it the authority of the Education Despatch of 1854. But I think it has, in some quarters, led to misunderstanding, and may cause consequent disappointment. Some have understood from it that the Government contemplated the immediate instruction in, at all events, the arts of reading and writing and the rudiments of learning, of all the poorest people of India, the brewers of wood and drawers of water over all this Continent, and, by persons so understanding it, plans have been expected which were to provide for this vast purpose, and occasional peevish censures have been uttered because of the delay to enter upon a work supposed to be essentially and indispensably required.

"To me all this appears absolutely visionary. It is more than has yet been attained in England, and is more than the social and economical condition of India could, for many a season, permit us to attain here, even if the Government had yet men and means to attempt it. We must feel our way and go as low as we can, educating, or showing how to educate, where there seems to be a call for education, and stimulating and encouraging the production of such a call, but not forcing education upon our subjects against their present wishes, and against the very necessities of their existing condition. After all we can do, there will remain millions of our subjects to whom, and to whose children and children's children, education is, and will be, a thing hopelessly incompatible with the stern and pressing needs of a precarious and precarious existence. And these are in fact 'the Masses' for whom we are expected to propose Utopian plans of enlightenment and intellectual elevation."

confident that a cess such as that proposed, will entirely fail to accomplish it. The largest percentage exhibited by any Presidency in the table prefixed to Mr Howell's note is that of Bombay, where only one in 139 of the population is at school. This evidently, by itself, does not indicate the existence of Mass Education in the second sense of the word. Judging from this part of India, it seems likely that the passion for employment is the most probable mainspring of this education; and, considering the commercial wealth of the Bombay Presidency, there is nothing to prevent it supporting, from intellectual labour, a sufficient percentage of the population to encourage this extent of education. But, in any case, a Cess of the kind proposed is quite inadequate to support Mass Education, taking the word in the second sense. No Cess upon the land in the Permanently-settled Districts that can reasonably be contemplated would realise, at an extreme computation, more than 10 lakhs. If half of this were devoted to Education, it would only multiply three or four-fold the number of Primary Schools now in existence, and, as indigenous schools already occupy this field, and would gradually disappear as the others advanced, the result would probably be nothing more than the substitution of the European, for the indigenous, method of Primary Education, while the masses would remain practically untouched.

86 The Lieutenant-Governor cannot but think that the difference which exists between the state of education in Bengal and other parts of the Empire is due far more to the circumstances of the Provinces than to any Educational Cess. Owing to the operation of the Permanent Settlement, Bengal contains, scattered throughout the different classes of its population, many persons who have acquired more or less of an independence, from the profits of the land surrendered by Government in that measure. Assuming that, in the Permanently-settled Districts of the Lower Provinces the share of the rents which is received as Revenue by Government is not more than 25 per cent, and that if those Districts were now open to Settlement the Government would take 50 per cent of the rents, the State is annually losing about 2½ crores of rupees, which would come into its coffers if Behar and Bengal Proper were not Permanently Settled. As already pointed out, this wealth cannot be now traced, but it exists, and the results of taxation in Bengal, as contrasted with other Provinces, show it. The persons thus raised to comparatively easy circumstances, readily appreciate the advantages of an English education, and insensibly draw all the efforts of Government into that channel, as soon as their aspirations rise above the level of the Indigenous Schools. Hence, Higher Class Education has in Bengal a strength of its own which has yet been found in no other part of India; and this consideration, if the cause of it is rightly inferred, seems to the Lieutenant-Governor to afford an indication of what the State is entitled to expect from those who have profited by the Permanent Settlement. As higher education, in Bengal, owing to the existence of this class, and to the greater progress of trade and civilisation, is more required, it should be more conceded, but the economy in higher education resulting from the appropriation, by the class demanding it, of the increased value of the land since the Permanent Settlement, should, to some extent, compensate for the greater expense in Lower Class Education, which is, unavoidably, owing to Government having abandoned those profits and being unable to increase its rent-charge. It will be found that, hitherto, this condition has been well fulfilled. Contrasting with one another the five principal Governments, the expenditure on education for the 11 months of 1866-67 is as follows —

1	2	3	4	5
1866-67	From Imperial Funds	From Cesses, private sources, and Fees	TOTAL.	Percentage of Column 3 to Column 4.
	Rs.	Rs.	Rs.	
North-Western Provinces	7,74,009	4,57,286	12,31,295	37.1
Punjab	5,62,654	3,86,409	9,49,063	40.7
Bombay	9,16,678	6,01,629	15,18,307	39.6
	From Imperial Funds	From Private Sources and Fees	TOTAL.	Percentage of Column 3 to Column 4.
	Rs.	Rs.	Rs.	
Bengal ...	13,85,762	9,04,929	22,90,691	39.5
Madras*	6,16,074	1,16,090	7,32,164	15.8

This shows that, up to the present time, the proportion which local expenditure bears to State expenditure on education of all kinds, is as great in Bengal as elsewhere, and, if allowance be made for private colleges and schools, indigenous schools, and tolls to which the State contributes nothing, and which are believed to be, proportionately, more numerous in Bengal than elsewhere, the comparison will be still more favorable.

\* It is believed that there is no Compulsory Cess in Madras.

CHAPTER XV.  
 BENGAL GOVERNMENT.  
 30th April 1869

37. The Lieutenant-Governor therefore earnestly hopes that the orders of the Government of India to impose a Special Tax for Education in Bengal may be re-considered, and the Grant sanctioned on the same footing as heretofore. His Honor has no doubt that a moderate annual increase to that Grant will be required to enable the present scheme for establishing improved patahalas to be extended, but, on the other hand, he is fully prepared, on his part, to do all in his power to reduce that increase by calling upon private munificence to bear a continually increasing share in the expenses of higher education.

The Lieutenant-Governor admits the necessity of a local tax upon land for the maintenance and construction of roads

38. The case of Roads is, in many respects, different. There is no doubt that Bengal has not been treated as liberally as other parts of the Empire in respect to civil public works, in proportion to its area, population and income, but, looking at the financial exigencies of the State, and at his earnest protest against an Educational Tax, His Honor is prepared to admit the necessity of a Local Tax upon land for the maintenance and construction of Local Roads. Such roads may be expected, directly, to benefit the land which will be taxed for their construction, and, therefore, in selecting it specially for taxation, no breach is committed of the equitable principle of equality of taxation. As already pointed out, the tax must be imposed on all persons who share in what is understood under the ordinary acceptation of the term "rent of the lands," in Political Economy. Any form of tax, however, which would require a complete scrutiny or survey would defeat its own object by the expense which it would involve, and of all the suggestions which have been made, the Lieutenant-Governor is inclined towards the plan discussed in Mr. Chapman's letter, *viz.*, a uniform acreage tax (notwithstanding the extreme difficulty of arranging the details of such a tax with any approximation to equality). It might be necessary to exempt, or assess at a diminished rate, large tracts of permanently-settled jungle, such as are to be found in Bancoorah, Mymensingh, and elsewhere; but where jungle or bad land forms only an inconsiderable part of an estate, the inequalities of incidence would tend to correct each other, and the rate would be so low as to render such inequalities as remained of secondary importance. It would be desirable to expend in each District, or at least in each Division, the amount raised in it; and, as the benefit of roads is so tangible that all can appreciate it, the Lieutenant-Governor hopes that a Cess for this purpose would be far less unpopular than one for Education. It would probably be possible to remove all Tolls (though it might not be advisable to remove Ferries), which are undoubtedly a source of great extortion and inconvenience in many places, and this would tend to reconcile people to the new tax. The tax must be entirely payable by the immediate payers of revenue, who should be entitled by law to collect a somewhat reduced amount from Subordinate Proprietors

39. Until the Lieutenant-Governor knows whether this proposal meets with the approval of the Governor General in Council, it is unnecessary to consider the details further

No. 5, dated 12th May, 1870.

From—The Secretary of State for India,  
 To—The Government of India.

I have had under my consideration in Council Your Excellency's despatch, No. 17, of the 31st December 1869, with a copy of further correspondence with the Government of Bengal "on the subject of providing from Local Sources the means of extending Elementary Education among the masses of Bengal, and of constructing and maintaining Roads and other works of public utility." In the concluding paragraph of your despatch under consideration, you declare that the "Imperial Resources of the Empire are unable to provide the large sums necessary for such purposes as these," and you add, "if we are to make roads, to educate the people of Bengal and keep them clean and healthy, it can only be done by imposing on Local Resources such a burden as they can conveniently bear. We are, therefore, decidedly of opinion that it is the duty of the Government of India to insist on their gradual imposition; and, if we have refrained from taking immediate steps for this latter object, it mainly is because we wish to be informed, in the first instance, whether our conclusions are accepted by Her Majesty's Government; it being of much importance that we should be fully assured of their support in any measures that we may take to give effect to our intentions."

2. I do not understand the question now referred for my decision to be the question whether a Local Cess, if levied at all, can justly be levied from the zemindars alone, or whether all other classes which have acquired beneficial interests in the soil must equally contribute to the rate. The Lieutenant-Governor of Bengal understood the letter of Sir J. Lawrence, of 28th October 1867, No. 5876, as a proposal to levy Rates from the Zemindars alone. This impression does not seem to have been removed by the further letter from Sir J. Lawrence's Government, dated 25th April 1868, No. 237. This last letter modifies, on several points, the opinions which had been indicated in the previ-

ous letter of 1867. These modifications the Lieutenant-Governor, in his letter of 30th April 1869, No. 1763A., refers to as important; but he does not accept them as sufficient. In particular, he points out (para. 10) that whilst the method of rating the Cess originally suggested (namely, in proportion to the land revenue) is abandoned, "it does not appear that the Governor General in Council has altered his opinion as to the persons who should be called upon to pay it." Accordingly, the Lieutenant-Governor proceeds to state some most important facts, which had not, probably, received adequate attention when the levying of rates was first suggested:—that since the Permanent Settlement was made, the condition of landed tenures has entirely changed, and a great variety of derivative interests have arisen between the original Zemindars and the actual Cultivators of the soil. So complete is this change, that the Lieutenant-Governor represents (para. 27) the Permanent Settlement as having been "only a gift to certain individuals, and, neither, can these persons, for the most part, now be identified, nor can the share of the increased rental appropriated by them and their successors or assigns, be ascertained." In the despatch under reply the bearing of these facts on the incidence of rates is fully acknowledged; and, in view of them, it would clearly be unjust, irrespective even of the promises given under the Permanent Settlement, to levy Cesses or Rates solely upon the Zemindars. Looking, however, to this correspondence as a whole, I gather, even from the letter of the 28th October 1867, more clearly, from the letter of 25th April 1868, and, most clearly of all, from Your Excellency's despatch now under reply, that neither the method of levying the rate, nor the distribution of its incidence among different Classes, were questions to which chief importance was attached by the Government of India. The one point on which Sir J. Lawrence insisted, and on which Your Excellency now insists, is that the expense of Roads, Education, &c., in Lower Bengal cannot be borne by the Imperial Exchequer out of its existing Revenue; and that it must be met by Special Rates levied Locally for the purpose. The method of levying the rate and the distribution of it were matters to be carefully considered, in communication with the Lieutenant-Governor of Bengal. His Honor, in his letter of 30th April 1869, finally accepts a Rate for Roads to be levied upon land; but only in consideration of the urgency of your Government, and the obvious utility of the purpose in view. His Honor also seems prepared to admit that it might be legitimate, though not expedient, to levy a rate for education, provided it were converted into a general tax affecting all incomes from whatever source. But, in principle, I understand His Honor to contend, and a great part of his letter to be directed to establish, that, whether for Roads or for Education, it is not just to levy in Bengal any merely Provincial Tax whatever, and especially any Rate or Cess, the main burden of which must be laid on land held under the terms of the Permanent Settlement of 1793.

3. The question thus raised for the decision of Her Majesty's Government has immediate reference to Lower Bengal; but the arguments used, on both sides in the correspondence involve, both directly and by implication, the whole subject of the conditions and the circumstances under which the Government of India can be justified in imposing on the people Special Rates or Taxes in order to effect improvements which the existing Revenue is insufficient to provide for.

4. The importance of this subject, in a financial point of view, can hardly be exaggerated. It may be stated, broadly, that the General or Imperial Revenues of India are barely sufficient to meet the demands which are, at present, made upon them by the Civil, Political, and Military Administration of the Empire, together with the Interest on Debt and the interest on great Public Works which have not yet become remunerative. But, whilst these exhaust the means at the disposal of the Government, they do not exhaust the obligations which are thrown upon it by the condition of the people. The Government does, and it ought to do, in India, much which, in Europe, is undertaken by private enterprise, or by Municipal and other Local Bodies. In India it may be said, with substantial truth, that private enterprise does not exist, and that the machinery for local taxation and expenditure is yet but imperfectly developed. In the Department of Public Works, both "Ordinary" and "Extraordinary," there is a large expenditure by the Government which, in Europe, would be met, either by individuals or by Companies, or would be

CHAPTER XV.  
SECRETARY OF STATE  
FOR INDIA  
12th May 1876

It may be stated broadly that the general or Imperial revenues of India are barely sufficient to meet the demands which are at present made upon them by the civil, political and military administration of the Empire, together with the interest on great Public Works which have not yet become remunerative. Hence, unless the country is to remain without drainage, without roads and without education, local rates must be established for the purpose.

CHAPTER XV.  
 SECRETARY OF STATE  
 FOR INDIA.  
 12th May 1876.

defrayed by assessment. But there is still much absolutely requiring to be done, if the condition of the people is to be improved, which the Government cannot overtake out of the Imperial Funds. It cannot, out of the means now remaining at its disposal, make and maintain the Roads and By-roads required for developing the resources of a Country so vast as India. If, therefore, this work is to be done at all, it must be done by the help of Rates established for the purpose. In like manner, it has been assumed, in all the discussions, which have arisen during recent years upon this subject, that the expenditure which may be required for the vernacular education of the people, and for sanitary improvements, cannot be afforded by the Imperial Revenue, and must be met, in the main, out of the same additional resources. There appears, indeed, to be no alternative, unless it be the alternative of allowing the Country to remain without Drainage, and without Roads, and without Education.

5. Accordingly, this conviction has been now, for many years, forced upon the Administrations of some of the most important Provinces in India, upon the Supreme Government, and upon several successive Secretaries of State. Local rates for meeting the necessities of Local Improvement have been levied, over and above the land revenue, in the Punjab, in the North-West Provinces, in Central India, in Oude, in Scinde, and throughout the Presidency of Bombay. I shall, presently, advert to the distinction which has been drawn between the circumstances and conditions under which these Rates have been imposed, and the circumstances which affect the question of imposing them in Bengal. I am now only recording the fact that such Rates have been raised in the Provinces above named. In the 53rd paragraph of the Educational Despatch of the 7th April 1859, Lord Stanley called special attention to the question of the expediency of imposing a Special Rate to repay the expense of Schools for the rural population. Sir Charles Wood, in his despatch of the 25th May 1861 to the Government of Bombay, whilst recounting all the difficulties and objections which had been felt upon the subject of Cesses in addition to the Land Revenue, spoke of the obligation to keep up Roads of internal communication as a liability, everywhere, attaching, both by reason and by custom, to the owners and occupiers of land. In respect to Education he referred to the probable necessity of dealing with the question by a Specific Legislative Enactment. Accordingly, such an Enactment, under conditions to which I shall afterwards refer, has, actually, been adopted in Bombay. Lastly, my predecessor, Sir Stafford Northcote, in Council, in his despatch of the 28th of October 1868, No. 22, approved of these proceedings of your Government in which the proposal was made to levy a Rate for this purpose in Bengal.

6. I come, then, to the specific objection to this proposal that the Government of India is precluded from imposing Special Rates in Lower Bengal, because of the binding promises made to the landowners of that Province under the terms of the Permanent Settlement. In considering this question, I put aside, for the moment, every argument which turns upon the purposes to which the proposed Rates or Taxes are to be applied. On this point, there seems to be some doubtful reasoning used, on both sides, in the Correspondence before me. Your Government, repeatedly, asserts the right of imposing Local Cesses for Local Purposes, implying that the purpose to which such a tax is devoted affects the question of the right of the Government to impose it. Assuming the right to impose any given tax, the purpose to which it is applied may make all the difference in these two most important things: first, the reasonableness, or even the justice of imposing the tax; and secondly, the possibility of making that reasonableness and justice plain to the people who are to pay it. But, if the right to impose the tax be absolutely denied, on the ground of a binding promise that no such tax should be imposed, then the purposes to which we may intend to devote the money, can have no bearing on the question of our right to raise it.

7. But the question whether the Government of India has, or has not, the right to impose taxes upon land in Bengal, even for the general purposes of the Empire, has been ruled, and decided, in the case of the Income Tax. And yet that ruling was not and could not be arrived at, by any mere construing of the words in which the promises of the Permanent Settlement were made. Those words did not contemplate such a case; and, to reach the general principles on which that case was ruled, it was necessary to go outside altogether of the four corners of the document in which the Permanent Settlement is recorded.

8. Your Excellency has, indeed, referred to Article VII of that Regulation, as indicating the reservation of a power large enough to include that which is now disputed. I am bound to say, however, that this argument does not appear to me to be satisfactory. It is true, indeed, that, under that Article, the Government of India retained a right of enacting such Regulations as it might think necessary for the "protection and welfare" of the various Agricultural Classes. It is true also that we may argue, in all good conscience, that the support of Roads and of Vernacular Education are necessary for the "welfare" of those Classes. But the whole context of the passage indicates, in my opinion, that the power intended to be reserved under that Article was the power of regulating and limiting the power of the Zemindars over their Tenantry. It is, indeed, obvious that, in the exercise of such a right, the revenues of those zemindars might have been affected to a far greater extent than they can be affected by rates for the making and maintenance of Roads or of Schools. But, if the question be whether the right to levy such rates, in addition to the "jumma," was contemplated, or thought of, at the time, I am compelled to believe that no such idea was in the mind of the Government of Lord Cornwallis, in 1793.

CHAPTER XV.  
SECRETARY OF STATE  
FOR INDIA  
12th May 1876.

9. But if the words of the Permanent Settlement do not rule the case in favour of the power now claimed by your Government, neither do they rule it in a sense adverse to that claim. The great object and purpose of that Settlement, as clearly defined and described in Article VI, should govern our interpretation of its terms. That object was, as this Article explains at length, to put an end, for ever, to the practice of all former Governments of altering and raising the Land Tax "from time to time," so that the landholder was never sure, for any definite period, what proportion of the total produce of the soil might be exacted by the State. This uncertainty was to be set at rest for ever. The "Public Demand" was to be Fixed and Permanent. Such was the promise; and its scope and object were clearly explained in the concluding exhortation addressed to the landowners, that "they would exert themselves in the cultivation of their lands, under the certainty that they would enjoy, exclusively, the fruits of their own good management; and that no demand would, ever, be made upon them, or their heirs and successors, by the present or any future Government, for an augmentation of the public assessment in consequence of the improvement of their respective estates."

10. These last words illustrate the whole force of the argument which has been admitted to be just, in the case of the Income-tax. It must be remembered that none of the pleas which, in the correspondence before me, are urged in favour of the right of the Government to levy Rates for Roads or for Education, could have been put forward in favour of the right to impose an Income Tax on the landholders of Bengal. The Income-tax was not "Local" in any sense. It was not applied to special purposes intended for the immediate benefit of the Agricultural Classes. It was, in the fullest sense of the words, a "Public Demand," levied over and above the Public Demand which, under the Permanent Settlement, had been fixed "for ever." It went directly into the Imperial Exchequer, and was applied precisely as the Land Revenue, and all the Imperial Taxes, were applied. But there is one thing which that tax was not: it was not an increase of the public demand levied upon the zemindars "in consequence of the improvement of their estates." It was levied upon a wholly different principle; and in respect of a wholly different kind of liability. One index and proof of this difference lay in the fact, that although this "Public Demand" was made upon those to whom the promises of the Permanent Settlement had been given, it was made upon them only in company with other classes of the Community, and with no exclusive reference to the source from which their income was derived.

11. But, when the principle of this distinction is clearly apprehended, it becomes obvious that an Income Tax is not the only form of "public demand" to which that principle applies: The same essential distinction may be established between the original assessment which was fixed "for ever," and every kind of Tax, or Cess, or Rate, which is levied, irrespective of the increased value or produce of land, and with no view to a readjustment of the proportions in which the produce of the soil is divided between the State and the owners of land

CHAPTER XV.  
 SECRETARY OF STATE  
 FOR INDIA  
 12th May 1876.

holding under it. The best method of marking this distinction, and of making it clear, is to provide that such Cesses should be laid upon the owners of land only in common with other owners of property which is of a kind to be accessible to the Rate.

12. It has been contended that the Rates levied in other Provinces of India, are essentially distinct in principle from the Rates which it is proposed to levy in Bengal. The argument appears to be, that in other Provinces of India, the Local Rates are simply so much addition to the ordinary Land Revenue—an addition which is, there, legitimate, because the Government had not in those Provinces debarred itself by positive engagements from increasing the Land Assessment. This appears to be only another form of stating the argument already dealt with, which is founded on the terms of the Permanent Settlement. But the distinction thus drawn between the character of such Rates when levied in Bengal, and the character of similar rates when levied elsewhere, is a distinction which I concur with your Excellency, in considering to be unsound. Whatever character may be assigned to these Rates as a matter of mere verbal definition, they were, unquestionably, intended by the Government, in all the Provinces in which they have been raised, to be in addition to the land revenue, and not a part of it. This separation was expressly defined and marked in the proceedings of the Government of Bombay before any Special Legislation had been passed upon the matter. In the Resolution of that Government, dated 9th March 1860, the Superintendents of Survey were directed, “after fixing the assessment of a District,” to add the rate “over and above the amount which, on other considerations, they may deem appropriate.” Although incorporated with the land revenue in respect to the mode of levy, as being the most convenient, it is, again, in the same sentence, explained to be “calculated over and above the ordinary assessment;” and Sir Charles Wood, in his Despatch of 25th May 1861, in which he dealt with the proposal, speaks of it as a proposal “for the imposition of a School Rate and Road Cess in addition to the revised rates of land assessment which have been, and still are, in course of introduction.”

13. Her Majesty's Government are, therefore, of opinion that it cannot be said, with justice, that to impose Rates in Bengal would be to impose a Special Tax on that Province which is not imposed on other parts of India.

14. It is true that, in making some of the more recent land settlements, in various Provinces of India, the Government has given notice that, in fixing the assessment of land revenue for 20 or 30 years it retained the power of imposing some additional Rates for Local Expenditure. In the Bombay Act of 1865,\* a Notice to this effect has been made permanent, by law. But this Notice, so far from indicating that such Rates are to be considered as part of the Land Revenue, is, on the contrary, a distinct indication that they are to be considered separate. The Notice was issued, because the Government was warned, by the misunderstanding which had arisen in Bengal, and because it knew that precisely the same misunderstanding might arise under any Settlement; the misunderstanding, namely, that, during the term for which such Settlement might be made, the Government absolutely surrendered all power of additional taxation upon the land. But, although, under these circumstances, it was expedient to prevent such misunderstanding in future by a warning explanation to all with whom new settlements might be made, Her Majesty's Government do not admit that, where no such Notice has been given, no Rates can be levied in addition to the assessment. This, indeed, would involve a result in direct antagonism with the principle laid down in this Despatch, and sanctioned in the case of the Income-tax. That principle is, that any extra Taxation or Rating levied from the Agricultural Classes over and above the land revenue, must be imposed as equally as possible upon all holders of property accessible to the impost. But, if those holders of landed property are to be free from the Tax, to whom Notice was not given at the time of Settlement, the rates cannot be imposed equally, but, on the contrary, there must be an extensive system of exemptions. And those exemptions must especially include the holders of Inams, of alienated villages, and all Permanent Tenures either rent-free or at small fixed quit-rents. The guarantee under which these persons hold their lands, free from any increase of the land assessment, is a guarantee quite as binding, as the promise given to any holder in Bengal. But



the practical injustice of exempting Inamdars, or the owners of alienated villages, is as apparent as the departure it involves from the principle of making Rates equal and general in their incidence. It must always be remembered, in matters of taxation, that when a given work is to be done, and a given amount of expenditure is required to do it, the exemption of any class is simply an aggravation of the burden on all other classes who are not exempt. And, in this case, those would be the exempted Classes who have been, otherwise, most favoured by the State; and those would be the classes bearing an aggravated burden who, already, contribute most to the public expenditure. Moreover, the holders of property thus exempted would derive equal, or indeed greater, benefit from the Rates than the holders of property, who, alone, would be called upon to pay them. On these grounds, Her Majesty's Government feel that, in rejecting any claim to exemption from Rates on the part of those who did not expect to pay them at the time of the land settlements, or on the part of those who hold under permanent tenures whether of one kind or another, they are not adopting any mere verbal plea in order to justify a foregone conclusion which, otherwise, might be difficult of defence. They are satisfied, on the contrary, that they are rejecting a claim founded solely on a mistaken interpretation of the mere wording of a particular document, and which, if admitted, would lead to results at once anomalous and unjust.

15. It is the more important that a final decision on this matter should be arrived at, because it must be admitted that the misunderstanding on which such claims to exemption are founded, is a misunderstanding which has been long prevalent, and has imparted a character of doubt and hesitation to the language and to the acts of the Government, both in India and at Home. There has been, on the one hand, a feeling and a conviction, of the essential distinction between the ordinary Land Revenue and the rates which it was desired to levy, whilst, on the other hand, there has been a difficulty in defining that distinction, and a fear lest it should be found to be incapable of explanation to the people. Hence there has been a variety of suggestions for evading the difficulty, by raising the required amount of money through a House Tax, or a License Tax, or some other tax which could not be confounded with the land revenue, and respecting which, therefore, there could be no doubt of the right of the Government to impose it. But all these suggestions have, for various sufficient reasons, been rejected. The Despatch of Sir J. Lawrence, of 22nd February 1867 (No. 9, Revenue Department), exhibits the embarrassment felt by the Government of India in this condition of affairs, and its anxiety lest rates on landed property should appear to the people to be a breach of faith. It is injurious alike to the Government and to the people, that this condition of things should continue. The Government has nothing to conceal, and the people have nothing to fear or lose in the re-affirmation of the same principle as regards rating, which has already been affirmed as regards the Income Tax.

16. An important step in the practical decision of this question has been taken in the passing of the Bombay Act, No. III. of 1869. The special object of that Act is to raise "funds for expenditure on objects of local public utility and improvement," and, for this purpose, it imposes Rates upon all holders of land, without making any distinction between those who received, and those who did not receive, a Notice at the time of settlement. No exemption of any class of landholder is admitted. On the contrary, the holders of rent-free, of alienated villages, and of other permanent tenures, are, expressly, subjected to the rates.

17. In view, therefore, of these various facts and considerations, Her Majesty's Government have now to intimate to your Excellency the conclusion to which they have come, after a careful consideration of a controversy which has now been going on for a long course of years. This conclusion is that Rating for Local Expenditure is to be regarded, as it has hitherto been regarded in all the Provinces of the Empire, as taxation separate and distinct from the ordinary land revenue; that the levying of such Rates upon the holders of land, irrespective of the amount of their land assessment, involves no breach of faith on the part of the Government, whether as regards holders of permanent or of temporary tenures; and that, where such Rates are levied at all, they ought, as far as may be possible, to be levied equally, without distinction and without exemption, upon all the holders of property accessible to the rate.

CHAPTER XV.  
 SECRETARY OF STATE  
 FOR INDIA  
 12th May 1876

18. So far I have been dealing only with the right of the Government to levy Rates, and with the argument that this right had been parted with for ever under the terms of the Permanent Settlement in Bengal. I now proceed to consider the further question, which ought to be kept entirely separate, namely, the expediency and policy of exercising the legitimate power of the Government in imposing such rates in Bengal. Many arguments, which are entirely irrelevant in the discussion of right, become arguments of first importance on the question of policy. (1) The proportion which the existing land tax bears to the whole resources of the people on whom we propose to place new taxes; (2) The mode of levying them, so as to reach fairly the different interests in the property to be assessed; (3) The machinery through which the levy is to be made; (4) The persons to whom the expenditure is to be entrusted; and (5) The special purposes to which Rates are to be applied. All these are most important elements in the question of policy, perhaps, even, of justice. They cannot therefore be too carefully considered.

19. Adverting, then, to these matters in the order in which I have now enumerated them: (1) It cannot be maintained that the people of Bengal are less able to afford such Rates than the people of other Provinces of India. In so far as the Permanent Settlement makes any difference in their case, it is a difference in their favour with respect to the other demands, made upon them by the State. A large portion of the produce of the soil, which, even, at the most moderate assessment made, elsewhere, in India, would have been appropriated by the State, has been left in the hands of the various Classes connected with agriculture, and has contributed to increase the general wealth and resources of the Province. The case, on this point, for the Government cannot be better stated than in paragraph 86 of the Lieutenant-Governor's letter to your Government, dated 30th April 1869. "Owing to the operation of the Permanent Settlement, Bengal contains, scattered throughout the different classes of its population, many persons who have acquired more or less of an independence from the profits of the land surrendered by the Government in that Measure." It is true that, in the greater fruitfulness of indirect taxation and of some Direct Taxes in Bengal, as compared with other Provinces, the Government recovers some portion of the revenue which it has sacrificed in the form of land assessment. But this very fact testifies to the greater wealth of the people, and is a conclusive proof that they can bear, at least as well as the people of other Provinces, such Special Taxes as may be required for Drainage, Roads, and Schools.

20. On the next point, (2) The mode of levying Rates so as to reach fairly the different interests in the property to be assessed, I understand you to be fully impressed with the justice of providing that they should be levied as equally as possible, not only on all kinds of rateable property, but, as equally as possible, also upon the various Classes who have various interests in that property. I observe that you contemplate the extension of the Cess to towns and villages (para. 24). There is, indeed, no reason why the burden either of Roads or of Education should be thrown exclusively upon the Agricultural Classes, where other Classes are equally interested in the expenditure, and have property of a kind which can be made accessible to Rates. How all this can best be done is a question which must be locally decided. The knowledge and ability possessed by the Lieutenant-Governor of Bengal, which are eminently displayed in this Correspondence, give me confidence that, when the decision of Her Majesty's Government is announced, the measures consequent upon that decision will be directed with a careful regard to all the peculiar circumstances of the Province which is under his Administration.

21. As regards (3) the machinery through which the levy of Rates is to be made, and (4) the persons to whom the expenditure of them is to be entrusted, it would indeed be most desirable if the local character of these Rates could be emphatically marked by committing both the assessing of them and the application of them to Local Bodies. If the people were farther advanced in the knowledge and appreciation of those advantages which we desire to confer upon them, there would be no need of interposing the authority of the Imperial Government in regard to such matters as the making and maintenance of Roads, of Schools, and of Sanitary Improvements. In this case, we might entrust the initiative in all such things to the people themselves. But, speaking generally, it may be

said that the people have, as yet, neither the knowledge, nor the desire, nor the organisation which could, alone, render it possible to rely, exclusively, upon their voluntary action. Nevertheless, when the authority of the Supreme Government has been exerted to prescribe, as an obligation, the performance of certain duties, it may be possible, and, if possible, it will, certainly, be desirable, to carry the people along with us through their natural Native Leaders, both in the assessment and in the expenditure of Local Rates. The importance of doing so has been acknowledged in the measures adopted for regulating the management of similar Rates in other Provinces of India; and it would be, in the belief and hope of Her Majesty's Government, an undeserved reproach to the many wealthy and intelligent Native Gentlemen of Bengal, to suppose that a similar course may not be successfully pursued as regards the people of that Province.

22. Closely connected with the local character which may belong to Rates arising out of the mode of assessment and of administration, comes (5) the local character which depends on the purposes to which they are to be exclusively applied. I have already pointed out that the purposes to which a tax may be applied cannot be considered as affecting the abstract right of the Government to exact it. But, assuming this right, everything as regards the policy, and even the justice, of the rates now in question, turns upon the manner in which they are to be expended. It is, of course, essential that the Government of India should be, itself, satisfied that it is breaking no faith in any measure it may take; but, next to the necessity of this assurance, is the necessity, or, at least, the great importance, of making the same conclusion plain to the apprehensions of the people. For this purpose, it is, above all things, requisite that the benefits to be derived from the Rates should be brought home to their doors—that these benefits should be palpable, direct, immediate.

23. The making and improving of Wells, Tanks, and other works of Irrigation, affecting comparatively small areas of land, are the operations which probably best comply with these Conditions. But Roads are a first requisite in the improvement of every Country; and, although, as yet, they may not be equally valued by the people, it is the duty of the Government to think for them in this matter; and the benefits they must derive will yearly become more apparent to themselves. It is due, probably, to these considerations that the Lieutenant-Governor of Bengal has waived his objection to Local Rating in Bengal for making and maintaining Roads (admitting, indeed, that, for this purpose, a Cess upon landed property is necessary), although, as regards the argument founded on the Permanent Settlement, no clear distinction has been drawn between the right of the Government to levy Rates for Roads and its right to levy Rates for Education. Her Majesty's Government can have no doubt that, as elsewhere, so in Bengal, the expenditure required for the education of the people ought to be mainly defrayed out of Local Resources. This, however, is precisely the application of Rates which the present condition of the people may render them least able to appreciate. I approve, therefore, of your Excellency proceeding with great caution in this matter. The circumstances which have just compelled you, for the general purposes of the Empire, to increase the tax upon Incomes would appear to render such caution more necessary at the present moment. I do not construe the concluding words of the 6th paragraph of your despatch as suggesting that rates nominally levied for one purpose should afterwards be applied to another, because I am sure that your Excellency must be as fully alive as Her Majesty's Government to the necessity of maintaining perfect openness in our dealings with the people of India, especially as regards imposts which are comparatively new, and which seem to be so much contested. I do not doubt, therefore, that, in the paragraph referred to, you intended only to suggest, that until the system, machinery, and incidence of Local Rating in Bengal has been satisfactorily established, so much only should, in the first instance, be raised as is required for Roads. Her Majesty's Government approves of this precaution, and they are of opinion that any addition to the Cess should be duly and separately notified to the people, with a full explanation of the special purposes to which it is to be applied.

24. I have now communicated to your Excellency the views of Her Majesty's Government on the matter which you have referred for their decision. Of the great importance of the subject in a financial point of view I have already spoken. If it were indeed true that, in the land revenue raised from the

CHAPTER XV.

SECRETARY OF STATE  
FOR INDIA.  
12th May 1876

CHAPTER XV.  
 SECRETARY OF STATE  
 FOR INDIA.  
 12th May 1878.

agricultural classes the Government of India took so much from the resources of the people as to leave them unable to bear any additional burdens, then, indeed, it would be as impolitic to impose "Local Rates" as to impose any new Imperial tax. In this point of view, it matters nothing whether the land revenue be in the nature of a "Rent" or in the nature of a "Tax." So far as regards the ability of a people to bear fresh burdens, it is the same thing whether they be over-rented or over-taxed. But Her Majesty's Government are satisfied that this is not the condition of things with which we have to deal. It is notorious that the direction in which the Government of India has been proceeding in its land assessments has been the direction of making those assessments more moderate, and of eliminating, altogether, the element of uncertainty, of arbitrary variation, which, more than anything else, impeded the progress of agricultural improvement. The whole discussion, which is now before me, has arisen out of the fact that, in Bengal, the Government went so far in giving effect to this policy as to declare the land assessment to be "fixed for ever." The same principle is involved, and the same policy is expressed, in the long and definite periods of time for which, in other parts of India, the assessments are now equally fixed, and during which they cannot be readjusted in favor of the State. This policy is a wise one, even though the Treasury should appear, in the first instance, to be a loser by it. The true wealth of a wise and just Government lies in the growing wealth of its people; and the fiscal system which most encourages the accumulation and enjoyment of capital in private hands, must, in the long run, be the most profitable to the State. But there is one condition attaching to this argument, without which it ceases to be applicable to a people situated as the people of India now are. The growing wealth of the Country must be made accessible to such demands as arise from time to time out of the duty and the necessity of our applying to its condition the knowledge which belongs to a more advanced civilisation than its own. We are spending the Imperial Revenues of India, conscientiously, for the good of its people. If there are some great improvements in their condition which we cannot afford to undertake, we must not be precluded from throwing the cost of such improvements upon those growing resources, of which we heartily desire to see that people in the enjoyment, but which are due, in a great measure, to the government we provide.

25. There is yet one other aspect in which the question of Local Rating for Special Purposes must be regarded—an aspect in which it assumes an interest and importance distinct altogether from its bearing on finance. Local Rating, although it may be imposed, in the first instance, by Imperial Authority, must become a powerful means of further educating the people in an intelligent management of their own affairs. I approve entirely of the anxiety shown by the Government of Bombay in its first action in this matter, and expressed also by the Supreme Government, under Sir J. Lawrence, that, as far as possible, the assent and concurrence of the Rate-payers should be secured, both in the levy and in the management of the rates. I commend this wise policy to your careful consideration, in communication with the Lieutenant-Governor of Bengal and the subordinate Branches of his Administration.

I have, &c.,

(Signed) ARGYLL.

*Dissent by MR. MACNAUGHTEN.*

I dissent from the dispatch which passed Council on Thursday last on the subject of the Education Question:

1st. Because I consider that the tax, if levied at all, ought to be general in its application, and, irrespective of the amount of land revenue under the Permanent Settlement, should be imposed upon the holders of all property, real and personal, of whatever description,

2nd. Because I consider that the mode, suggested in the Despatch, of providing the means of extending elementary education among the Masses of Bengal, would involve the injustice and absurdity of abstracting from the Agricultural Population alone, the means of providing not only for the education

of their own families and dependants, but also for the education of the families and dependants of their more wealthy neighbours, the fundholders and the capitalists generally.

14th May 1870.

(Signed) E. MACNAUGHTEN.

CHAPTER XV.  
SECRETARY OF STATE  
FOR INDIA  
12th May 1876

*Dissent by* SIR E. PERRY.

The questions at issue between the Supreme Government of India and the Government of Bengal, are,

1st. Whether it is a breach of the engagements made by Government at the time of the Permanent Settlement, to subject the Zemindars of Bengal to Special Taxation in addition to the General Taxation that may be imposed upon them in common with the rest of the community.

2nd. Whether it is expedient to impose on the Landholders of Bengal a Special Cess for education, assuming it to be just to impose a Local Tax on them for any special object.

I object to the Despatch of the Secretary of State, because, even in its modified form, it seems to decide, and, I believe, does decide, that there is nothing in the language or promises of Government in 1793 to preclude the present Government from levying Local Taxes in Bengal for Local Objects.

I have come, reluctantly, to the conclusion, after many struggles and attempts to draw fine distinctions in support of a different view, that the language and acts of Lord Cornwallis, and of the Members of Government of his day, were so distinct, solemn, and unambiguous, that it would be a direct violation of British faith to impose Special Taxes in the manner proposed.

At the time of the Permanent Settlement one-third of Bengal was said to be a desert inhabited only by wild beasts, and the great policy of Lord Cornwallis was, by fixing the public demand on the Landowners for ever, to create such a valuable property in land as should induce them to lay out their capital, and so increase the national wealth.

The foundation of the Settlement was that Landowners should pay to Government ten-elevenths of the rack-rent or land assessment, and should retain the one-eleventh, and also anything over and above which they could get out of the land as the fruit of their own good management and industry, which they were to enjoy, exclusively, for themselves.

The ten-elevenths so taken by Government was, as has continually proved to be the case under the British rule, a larger amount than the land could bear; and it stands on record that the majority of the Zemindars soon after the Settlement, were sold up as paupers.

Any proposition, therefore, to tax the Zemindars for local objects soon after the Permanent Settlement, would have been scouted by all, as impossible, and, if it is attempted now, 80 years after the Settlement, the idea has only arisen in the mind of Government, because the Zemindars, by their capital, their "good management and their industry," have reclaimed the jungles of Bengal, and made it one of the most fertile and productive Provinces on God's earth.

At the time that these distinct promises were made to the Bengal zemindars, it was foreseen that a period might arrive when the embarrassments of Government would require further sacrifices from the Landowners of Bengal to the Imperial Treasury; and Mr. Law, brother to the first Lord Ellenborough, proposed that provision should be made for such contingency; but it was unhesitatingly rejected by Lord Cornwallis's Government as fatal to the object of the whole Settlement.

These views as to the meaning and sanctity of the Permanent Settlement, have been universal in Bengal, up to the present day. If any one will read the speeches of the Bengal Zemindars at their meeting to denounce a compulsory Education Cess for Bengal (speeches, I may observe, which, though delivered in a foreign language, would have done credit both for good sense and good feeling, to any meeting of Country Gentlemen in England), he will find they are unanimous in considering that public faith will be broken if Local Cesses are imposed by Government.

So far as I can ascertain, the Bengal Government represents the opinion of all Bengal officials in support of the same view.

## CHAPTER XV.

SIR E. PERRY.  
14th May 1870.

In 1854, Lord Dalhousie, a man of no weak will, was most desirous to impose a Local Tax in Bengal for the maintenance of an improved police; but after reading Sir Barnes Peacock's masterly exposition of the pledges which Government had entered into in 1791-93, the great Proconsul was compelled to accede to the soundness of the Chief Justice's argument, and, most reluctantly, abandoned his projects.

Here, then, we have the plain language of Government, the *contemporanea expositio* of its framers, the unanimous conviction of the people, and the declared acquiescence of the State in the justice of the popular interpretation during a period of 80 years.

What is the answer attempted to this state of facts?

The Government of India allege that the language of the Permanent Settlement itself, in Act VII of Lord Cornwallis, Proclamation, is large enough to enable them to impose the taxes in question; but this argument, on close examination, proves so utterly unsound that the Secretary of State abandons it.

Two other arguments are brought forward: *1st.* That the imposition of the Income Tax proves that taxes, additional to what zemindars pay as land assessment, may be imposed on them; *2nd.* That Educational Cesses have been imposed over most parts of India, in addition to the land assessment, and that Bengal is as well able, is, in fact, better able, to pay this increased Cess than any other Province in the Empire.

As to the Income Tax, it cannot be considered sound logic when the meaning of particular pledges is in question, to argue that, because a despotic Government has, on one occasion, without consulting the people, construed these pledges in its own sense, that act of the Government is a proof that their construction is right and just. But argument on this head may be withheld, because I understand that both the Bengal Government and the *zemindars* acquiesce in the proposition that, in any great emergency, they are justly subject to all General Taxation which is imposed on the rest of the Community.

With respect to Cesses additional to land revenue having been imposed in other parts of India, I am compelled to observe, that, in my opinion, the Secretary of State has not interpreted the facts correctly, and that the exposition of the Lieutenant-Governor of Bengal is the true one.

All questions connected with the Land Revenue of India are so complicated, and so much local knowledge is required to discriminate the various systems in force, that I could not establish my views without going into much greater details than would be here suitable.

I will content myself with saying that I believe the true explanation of Local Cesses for education to be this; wherever they have been levied, they have been so either where Settlements for terms of years were under discussion, and when the "higgling of the market" between the Revenue Officer and the Landowner was going on, or, if the settlement was already made, the Cess was imposed with the acquiescence of the landholder.

I read in Council during the late discussion, the statement of an Official, that when such a Cess was imposed in the four Permanently Settled Districts of Benares, it was so with the distinct assent of the Landowners; I do not believe it has been attempted in any other Permanently Settled District in India.

The Bombay Act of 1869 is much relied on as a procedure for imposing a Compulsory Cess on lands under settlement, and for imposing it on persons who could, possibly, have had no previous notice of the intentions of Government, such as Inamdars, or the Grantees of Government lands.

With respect to the Landowners under settlement in Bombay, I consider that they fall completely under the two heads I have before mentioned. Ever since 1837, new settlements for a term of 30 years of a most beneficial character to the cultivator have been in the course of formation; the intentions of Government to add something to the assessment for local purposes have been made known; and the acquiescence of the people has been obtained.

As to the grantees of Government lands, who, of course, would not have had any such notice, I never before heard it alleged by any one, that such grantees could claim greater immunity from taxation, whether General or Local, than the Dukes of Bedford and Grafton, or other grantees of Crown lands in England; and I conceive that there is no real analogy between such inamdars and cultivators who have settled with Government for a certain fixed rent or jumna.

On the question of the expediency of imposing an Education Cess on the land in Bombay, I will only say, as an old educationist, (having been at the head of the Bombay Board of Education for 11 years), that I believe that progress will be much greater, and more pecuniary support will be obtained from the Zemindars by continuing the present system, than by laying on them an Education Cess.

CHAPTER XV.

SIR E. PERRY  
14th May 1870*The 14th May 1870.*

(Signed) E. PERRY.

*Dissent by SIR F. CURRIE.*

I dissent from the despatch which finally passed Council on Thursday last, the subject of which I consider by far the most important that has ever come under the consideration of the Secretary of State in Council, and the decision that has been come to, likely to be attended by the most serious results. I concur with Sir Erskine Perry in the observations recorded in his Dissent, both as to the conclusion, and the value of many of the arguments by which that conclusion is supported. The fact that the Zemindars of the North-Western Provinces, the Punjab, Oudh, &c., voluntarily agreed to a Cess above the land assessment, at the time that the engagements for that settlement were concluded, and when the Government was making a very large remission of its legal and constitutional demands in their favour (which circumstance was urged upon them to induce them to agree to the Cess) is surely not a precedent which can justify the Government in imposing a compulsory "public Demand" on the holders of the land in another Province in which the Settlement was concluded 80 years ago, with no such remissions, and when a solemn Act of the Legislature promised and declared that no public demand in addition to that Settlement should be made on them, as an incident to their holding that land for ever.

Again, the argument drawn from the imposition of the Income Tax by Lord Canning's Government is brought forward, in many parts of the despatch, as establishing the legality of imposing a tax on the holders of land in Bengal. Whereas the Income Tax was not laid on these landholders as an incident of their holdings; it was an universal tax on all classes and all persons possessing incomes; and it was, as is stated in this despatch (para. 4), "made upon them" (the zemindars) 'only in company with the rest of the Community, and with no exclusive reference to the source from which their income was derived.' Surely, this is no sound and valid argument for the legality and justice of imposing a public demand on landholders alone, as an incidence of their holdings—a measure which para. 19 decides to be legal, and no breach of the Permanent or any other settlement engagement.

Sufficient attention has not been paid in the discussion of this question, to the peculiar and exceptional relation in which the Government of India stands to the land in India. There is little or no analogy, as I pointed out in a paper which I recorded on the Punjab Tenancy Act, between the zemindar, lambar-dar, malik, or talookdar, or whatever the person who engages for the Government revenue may be called, and the holder of a freehold estate in England or elsewhere. It is stated in this despatch, as a plea for levying Cesses for roads, education, &c., on the zemindar, that certain obligations and liabilities attach to the possession and enjoyment of land everywhere. This I entirely admit; but this involves at once the consideration of who is really in the possession and enjoyment of the land in India. Now, in every estate and holding of every kind in India, there are two parties interested; one, the Government, entitled by the law and constitution of the Country to 90 per cent. of the net produce or rental of the whole land; the other, the hereditary zemindar, entitled to the remaining 10 per cent., which includes the cost of management and collection of the rents (upon this basis the Decennial Settlement was made in 1783 which Settlement was declared Permanent and Fixed for ever in 1793). Now, the question arises, to which of these two parties do the obligations of the landholder attach? To the former, who enjoys 90 per cent. of the produce; or to the latter, who receive 10 per cent.? The answer, I think, must be, to the 90 per cent. receiver, not to the 10 per cent. manager. To this argument, when adduced by me in Council, no answer was suggested. In fact, though the general argument of the despatch endeavours to fix these

CHAPTER XV. territorial obligations on the zemindar, it seems to be admitted in para. 4 that they do really attach to the Government, and the plea that they cannot be met by the "Imperial Revenue" is that those Revenues of which they ought to be provided are exhausted in our State expenditure. This latter fact I do not dispute: it is a very cogent one for inquiry, the adoption of retrenchment and economy, and strenuous endeavours to ameliorate our financial condition by legitimate means; but it cannot justify our laying a Special Tax exclusively on the Zemindars of Bengal, to do which Sir Erskine Perry's paper shows conclusively would be a breach of faith and the violation of the positive statutory engagement made with those zemindars at the Permanent Settlement.

*The 16th May 1870.*

F. CURRIE.

*Dissent by SIR H. E. MONTGOMERY.*

I am unable to concur in the despatch which passed Council on the 12th instant, replying to that of the 31st December 1869 from the Government of India.

Without admitting the claim of the Zemindars of Bengal holding under the Permanent Settlement to exemption from taxation, to which all other classes of the community are liable, it cannot be denied that, with the promises given at the time of that Settlement, and subsequent declarations made to them, some grounds exist for the claims advanced.

A Government should not, in my opinion, voluntarily place itself in a position laying it open to be charged with a breach of faith. It should rather avoid any measure which would be so held in the estimation of its subjects specially interested.

But, irrespective of this important point, I look upon the imposition of an Educational Rate in Bengal as a retrogressive step in the cause of education.

Without the hearty co-operation of the Zemindars, any attempt to force education on the masses would, I believe, be futile.

To promote the great object we all have at heart, we must carry the people with us; we must not place them in antagonism at the very commencement of our measures, and we must not forget that it is now proposed to introduce into Bengal a measure not yet actually in force in enlightened England.

The advance of education in Bengal since 1854 has been greater than was ever anticipated, and the Lieutenant-Governor of Bengal states that a large voluntary contribution towards its further extension could be raised, exceeding probably what a forced rate would yield.

Sound policy would seem to point out this as the course to be pursued, that carrying the Landholders and their dependants with us must be more efficacious than meeting their opposition at every turn, and fostering in their minds the idea (however well or ill founded) that their Rulers are breaking faith with them, under the specious plea of doing what they assert to be for their ultimate good.

It has been urged that the objections to an Educational Cess are equally applicable to a Cess for Roads; but the formation and repair of roads, such as they have hitherto been, has always been a recognised duty on the part of the holders and cultivators of land. The burthen on these people is not new; the benefits to them of Improved Communications are immediately apparent and willingly provided for, while in the case of Education the benefits would be remote, and are not, as yet sufficiently appreciated by the people to induce assent to extra payment for its maintenance. It would, I submit, be wiser and safer to look, with some degree of reasonable patience, to the advance of education with existing means, and to stimulate the voluntary exertions of the Heads of Native Society in that direction, in place of drying up all voluntary sources and proclaiming the right of the Government to exercise a questioned power (arbitrarily declared by itself) of enforcing taxation, which will certainly cause distrust in our rule, and, in all probability, defeat the object in view, by creating opposition on the part of those without whose aid really successful results will not be attained.

*The 18th May 1870.*

H. E. MONTGOMERY.



*Dissent by H. T. PRINSEP, Esq.*

Dissent from the despatch passed on May 14th, on the subject of the levy of Rates for Education, and for Roads on the holders of property in land, in Bengal, Behar and Orissa.

CHAPTER XV.  
MR. H. T. PRINSEP  
19th May 1870

I have never felt so deeply grieved and disappointed at a decision given in opposition to my expressed opinions, as when it was determined by a casting-vote to approve and forward the despatch referred to at the head of this paper; for I regard the principles laid down in that despatch, to be erroneous; and the avowal of them to be unwise, while the policy inaugurated, and the measures sanctioned, will, if attempted to be carried out, alienate the entire population of India from the Government, and shake the confidence hitherto felt universally in its honesty and good faith.

The question before the Council may be thus briefly stated.

The public officers and authorities of India have, within these last few years, sought to levy a Rate for Roads and for Education, to be collected along with the Land Revenue. In several new settlements of the Punjab, the Western and Central Provinces, and more especially in Bombay, the condition of the payment of such a rate in excess of the jumma on Land Revenue was made part of the engagements entered into with zemindars, and this was not disapproved when the settlements came to the Council of India for confirmation; but, when a desire was shown to extend this system by levying a similar Cess in Districts, and upon estates which had been already settled, and the engagements for which contained no stipulation to the effect, nor notice of any intention to levy such a Cess hereafter, it was distinctly declared more than once, both by the Government of India and by the Secretary of State in Council, that such a levy would not be warranted, and would be inconsistent with such engagements; nevertheless, the Local Authorities in several instances, especially in Bombay, by the exercise of influence, procured rates of the kind to be submitted to, even when not included in the Settlement Engagements; and encouraged by this, the Bombay Government, in the course of the past year, passed a Local Act empowering it to enforce such a levy as well upon the holders of revenue lands as upon Inamdars and other holders of rent-free lands, whenever, and wheresoever, it might deem it expedient to do so. This Act was submitted, in the usual course, for the sanction of the Secretary of State in Council, and was allowed to pass into operation, no special reference having been made on the subject of it, and to the fact of its being in contravention of the instructions before issued, and of the principles laid down on the subject, by the Home and Indian Authorities. The fact, therefore, of this Act having been so allowed to pass is no evidence of any change of opinion on our part.

But the Government of India had, evidently, changed its views. In the beginning of this year, it was suggested to the Lieutenant-Governor of Bengal that a levy of 2 per cent. should be made along with the Land Revenue, and in excess of it, upon all the malgoozars of Bengal, Behar and Orissa, for the purpose of providing funds for the Education of the Mass of the population, and likewise to provide Roads of Communication through the Country. The Lieutenant-Governor protested against this measure, pointing out that such an extra levy would be in direct violation of the pledges and promises given in the Proclamation of Lord Cornwallis issued in 1790, which declared the Settlement made in the previous year to be perpetual, and subject to no increase whatever, on any account. The Government of India, admitting apparently the force of this objection, directed that the Cess should be levied as a 2 per cent. rate upon every class of persons who derived an income from land. The Lieutenant-Governor had stated that roads stood on a somewhat different footing from a general scheme of education, and that the parties connected with land might, perhaps, be brought to submit to a scheme to provide for them by a Local Rate. The Government of India, therefore, directed this part of their original order to be, forthwith, carried out, and the correspondence has been referred to us with a specific request of the Viceroy in Council to be informed whether we coincide with them in opinion, "that it is the duty of the Government of India to insist on the levy of Special Rates and Cesses for purposes as well of general education as for providing roads in the settled as well as in the unsettled portions of British India, the pledges and promises made to the zemindars at the time when the settlement of Bengal was declared perpetual, notwithstanding."

CHAPTER XV.  
 MR. H. T. PRINSEP  
 19th May 1870.

To this reference the despatch passed at the last meeting of Council replies, "That rating for local expenditure is to be regarded in all the Provinces of the Empire as taxation separate and distinct from the ordinary Land Revenue; that the levying of such Rates upon the holders of land, irrespective of the amount of their land assessment, involves no breach of faith on the part of the Government, whether as regards holders of permanent or of temporary tenures; and that, where such rates are levied at all, they ought, as far as may be possible, to be levied, equally, without distinction and without exemption, upon all the holders of property accessible to the rate."

There is but one meaning that can be attached to the words above quoted, and that is, that the malgoozars of the Perpetual Settlement, and all other persons drawing a revenue from land, that is to say, their under-tenants, down to the jumabundee ryots, are all liable to any rate whatsoever that the Government may think it expedient to impose for any purpose that it may deem beneficial. The use of the word Local Rating might lead the unwary to suppose that it was only a scheme of Rating for Local Purposes, such as prevail so generally in England to meet the requirements of a County or Municipality; that is to say, that those who lived upon the land were to assess themselves, levy the rates assessed by their own officers, and manage likewise the expenditure. But this is far from what is intended, as is evident, as well from the correspondence, as from the tenor of other parts of this despatch. In para. 26, for instance, it is stated "that the growing wealth of the Country must be made accessible to such demands as arise, from time to time, out of the duty and the necessity of our applying to its condition the knowledge which belongs to a more advanced civilization than its own." And, again, "we are spending the Imperial Revenues of India, conscientiously, for the good of its people. If there are some great improvements in their condition which we cannot afford to undertake, we must not be precluded from throwing the cost of such improvements upon those growing resources of which we heartily desire to see that people in the enjoyment, but which are due in a great measure to the Government we provide."

The proposition we have before us is, to levy, generally, a tax of 2 per cent. upon all incomes derived from land in Bengal, Behar and Orissa, to assess this tax by the officers of Government, to collect it afterwards into the public treasury through them, and to hold it applicable to such purposes and in such manner as the Government may direct, without any reference to the wishes or ideas of the population. Direct taxation of any kind is nothing more than a forced contribution. The exigencies of the State may be so great as to compel resort to such a means of supplying its Treasury. If a Government does so by legislation, no one can deny the legality of the Act, or escape the penalties by an argument to prove that the exigency was not such as to warrant the levy. But there are limits to what a Government may do, even by legislation. It might pass a law that outrages common sense and runs counter to all the established ideas and principles which prevail as to what a Government may, and ought, to do. Every Government, for the sake of its own interest, if for no other reason, is bound to avoid the risk of people, beginning to consider whether it is not their duty to resist. It is on this ground that I would urge the Secretary of State and the Council to consider how far it is proper to proclaim a policy of unlimited direct taxation, at the arbitrary will of the Government, for any purposes it may consider beneficial. The Income Tax imposed by Mr. Wilson in 1861 is not a precedent to encourage the belief that the Government may, safely, exercise this arbitrary power. In that case, Mr. Wilson made a statement of the extraordinary emergency created by the exertions and expenditure required to suppress the Mutiny of the Bengal Army. Everybody, throughout India, was sensible that the case was one entitling Government to an extra aid from its subjects to meet it. He only asked for the tax for five years; and it encountered only the passive resistance of people habitually unwilling to part with their money. But here is an aid required for Education and another for Roads. Where is the limit to which expenditure may go on both these objects? Trunk Roads may include bridges over such rivers as the Hooghly and the Ganges. The principle would include railroads that prove not remunerative. It is proposed by the Government of India to extend the same principle of a forced levy to extravagantly expensive canals, in tracts where the people are not prepared to recognise the urgency of their want.

I protest, therefore, against the assertion of any such claim to the right of arbitrary taxation by direct taxes which, as I have said, are in the nature of a forced contribution, and will be sure to be so regarded by the population.

But whether or not it would be justifiable to levy a general tax on the community for the purposes of Education and Road-making, the levy of such a tax arbitrarily, under the name of a Local Rate, upon all who derive an income from land in Bengal, Behar and Orissa, and there only, is objectionable on other and yet stronger grounds.

In order to make such a levy, you must make a new survey and detailed inquiry into the condition and holding of every acre in the Country; for you have no materials in any public office or institution upon which to lay the assessment. The expense of such a survey and investigation would eat up at least ten years of the 2 per cent. levy. And could such a survey be instituted without the Zemindars regarding it as preparatory to a distinct addition to the rent or jumma settled with them, for ever, as the amount to be taken by Government for its purposes? To them the Rate or Cess, call it by what name you will, would be an *abdul* of the specific kind that the Proclamation of Lord Cornwallis assured them against being ever called upon to pay. It would be no answer to them to say, "You are not the only persons who will have to pay; your under-tenants, your ryots, will also be called upon." "How will this alter my case?" he will answer: "if you take from them also, you will diminish their power of paying my rent." He will appeal, therefore, to the letter and spirit of the Proclamation of Lord Cornwallis, which assured him against any further demand of Government on account of his land for ever. That Proclamation and the assurances it gave, were not the mere act of the Government of the day: the Court of Directors, the Imperial Government, and Parliament were all parties to the resolution to fix the Government demand upon the land of the Provinces then held by the East India Company in Bengal, in perpetuity. It was the policy advocated by Sir Phillip Francis and Edmund Burke; and all the Statesmen of that day united in applauding the Act of Lord Cornwallis, which carried it out. It is 80 years now since the Proclamation in question was issued, and, in the whole course of that long period (for 60 of which I have been connected with the Administration and Government of India) it has never, once, been proposed, in times of the greatest financial exigency, to call upon the malgoozars of Bengal for a single rupee on account of the lands they held, beyond the jumma settled upon each estate, in 1789.

The traditions of this period are now forgotten, and new ideas are about to be introduced into the Financial Administration of India, which I should be sorry to think are likely to be attributed to the change of Government which took place 12 years ago. The right of unlimited and uncontrolled taxation is, always, a dangerous one to assert; and who would have expected that this policy should be advocated, and such arbitrary powers claimed, by a Queen's Government?

It is true that, at the close of the despatch, the Government of India are directed to use great circumspection in the resort to this plenary power of direct taxation for any purposes they may deem beneficial. The caution thus given has been much strengthened by the introduction of words referring to the present as a most inauspicious time to inaugurate such a policy, because of its having been resolved to impose a heavy general Income Tax to cover a deficit of means to meet the ordinary expenses of the Empire. It may be hoped that this will lead to the abandonment, at least for the present, of the intention to levy the proposed Educational and Road Cesses. This hope has, no doubt, influenced the votes of several Members of the Council who, before, on two occasions, formed part of the large majority by which it was determined to disapprove the policy altogether. I should myself have been well content with a Despatch avoiding the question of justice and right, and forbidding the further prosecution of the measures contemplated, on the grounds of inexpediency and inopportuneness. But, as the despatch adopted, broadly, asserts the right, and approves the policy which I deem very pernicious, I feel myself bound to place on record my strong protest against it.

(Signed) H. T. PRINSEP.

19th May 1870.

The despatch which passed the Council on the 12th instant, respecting the imposition of a Cess on certain classes of the people of Bengal for purposes of Education, differs so slightly from the draft which I took a part in discussing and to which I objected on the 2nd idem, that I desire to place on record my opinions upon that subject.

I am impelled to take this course, not only by the strong sense which I entertain of the extreme importance of the Measure in contemplation, but because I see reason to apprehend, from the spirit of the correspondence of the Supreme Government with the Lieutenant-Governor of Bengal, that the ambiguous and undecided tenor of the despatch under review, may encourage that Government to press forward the Measure in question, without due regard to the special circumstances of the times, and to the consequent temper of the people upon whom it is proposed to lay the impost. I will not stop here to discuss the question whether it be wise to relax the efforts, which have now been exerted for many years, to afford education of a high description to the Upper Classes of the Natives of Bengal, in the expectation that, as has been the case in all other lands, the light of knowledge would radiate, from them, to the great body of the people, in order to attempt the novel experiment of directing the principal endeavours of the Government to the Education of the Masses. It may be—and I hope it may so prove in practice—that the circumstances of India, under British rule, are so exceptional, that this reversal of the normal course of things may lead to a successful issue. But I fear that we must regard as certain, that the imposition of a Compulsory Cess for the purpose in question, will so disgust those who have already been found willing to furnish pecuniary aid towards the education of their poorer countrymen, as to induce them to withdraw their contributions to that end.

The regret with which I regard what I have called the “ambiguous and undecided tenor” of the despatch, is the greater, because I am satisfied that the views of the Secretary of State and of the great majority of the Council might have been brought into accord, and an explicit answer given to the reference from the Government of India in language less capable of being misunderstood. All here, I think, were agreed that the pledges given by Lord Cornwallis absolutely forbade the imposition of a novel Tax, Cess, or Rate (call it by what name you will) upon the *Zemindars of Bengal alone*, for any purpose whatever; and this not the less because the Lieutenant-Governor of Bengal has weakened his case, and destroyed the logic of his argument, by agreeing to the imposition of such a Cess for the construction of Roads. And all, or almost all, I believe, would have consented to the imposition of a Rate for either or both purposes, provided it were assessed upon all rateable property, by whomsoever held.

Surely, it would not have been difficult to have secured the advantages of unanimity at Home, and to have averted, at the same time, the danger of misapprehension, in India, by the plain statement of a broad principle of action grounded on these two considerations. The Government of India would, thus, have been instructed to steer a course which, although certainly open to, it may be, honest misconstruction on the part of those subjected to the novel imposition, would, at any rate, have been fairly defensible, on solid grounds, by the advocates or defenders of the Measure.

Now, it appears to me to be very doubtful as to what length the Government of India may feel themselves justified in going, under the sanction of the despatch just sent. They may, I fear, be encouraged to take steps which may lay them, justly, open to charges of a breach of solemn promises. Unguarded action may destroy, in a moment, the credit which the British Government has won, by its honorable persistence, for a period little short of a century, in the unbroken observance of its pledges; such a price would be too dear to pay for even an object so valuable as the Education of the Masses. We have no standing ground in India, except brute force, if we ever forfeit our character for truth.

There is one other consideration to which I attach great importance. I do not see that, in the despatch, any sufficient warning is given to the Government of India as to the proper time for imposing any novel Cess; and I fear, from the heat with which they have pressed the Measure upon the Lieutenant-Governor of Bengal; that a sufficiently thoughtful forbearance may be wanting in its

execution. The imposition of a Cess of 2 per cent. upon the back of an Income Tax exceeding 3 per cent., would, most assuredly and naturally, be irritating, in the extreme, to every person subjected to it. I hope and trust that the Government of India will hold its hand, and wait for a more convenient season; but, in my judgment, it was our duty not to have relied upon their forbearance, for this discretion. We should have told them to wait for happier times, in a fiscal point of view, and have thus freed the Home Government from responsibility for any rash proceeding. The temper which the Educational Income Tax has aroused may, perhaps, be a sufficient warning. But we should have better discharged our duty if we had, ourselves, sounded the note.

(Signed) ROSS D. MANGLES.

London, 25th May 1870.

*Dissent by SIR F. J. HALLIDAY.*

*Despatch of the Secretary of State for India in Council, in the Educational Department, No. 5, dated 12th May 1870.*

In considering the above despatch, the following circumstances should be borne in mind.

Fifty years ago, no attempt had been made to leaven the Native mind in India with the science and literature of Europe; and, during the next 15 years, such measures as were adopted for that purpose were crude and ineffectual.

In 1835 the genius of Macaulay, and the wise determination of Lord William Bentinck, established the system now in force in Bengal, by which the Fund available for education, necessarily very limited, is applied to the complete education and enlightenment of a gradually increasing few, with a view to the ultimate spread of education, through their means, among the many, by the transfusion of the knowledge of the West into the vernaculars of the East, for which, from time to time, assistance is carefully provided. This system had, in fact, been recommended by the Home Government so far back as 1829, and it is that by which the diffusion of general enlightenment has, as a matter of historical fact, been attained throughout the civilised world.

Of this system, which has now been 35 years in operation, the ultimate success was, always, certain. But the rapidity of its progress has far outstripped expectation. From the Higher Classes, education soon spread, until it has become almost universal among the middle ranks; and it is now, speedily, and surely, tending downwards towards the lower orders of the people. An enthusiasm for education has been excited, and a fashion has been created. By the extension of a high degree of acquirement among those who seek public employment, the Administration has, largely and remarkably, benefited, and the standard of public morality has been manifestly raised. Every educated man has proved a missionary of education in his neighbourhood, and among his dependants; and every considerable landholder vies with his neighbour in establishing and fostering Village Schools, until, in 1869, one-half of the whole State expenditure for vernacular education was met by private subscriptions and contributions from a people who, only a few years back, could by no means have been made to comprehend the value of education to themselves, still less the obligation of extending it to their inferiors. Assuredly the fruits of the great Measure of 1835 are, already, amply visible, the wisdom and foresight of its authors are strikingly vindicated, and the condition of national education in Bengal, though far, indeed, from perfection, is yet abundantly gratifying in the present, full of safe and happy augury for the future.

Things being in this position, the Government of India suddenly declared that they were entirely dissatisfied with the system and its progress, nay, that they "could no longer bear the reproach of continuing it"—the reproach, that is to say, of continuing in the footsteps, and sharing in the success, of Bentinck and Macaulay. They could no longer wait for the end, but must have education forthwith thrust upon "the Masses," without any reference to the presence or absence of that intelligent co-operation of the better Orders, without which no such enterprise has ever been attempted by Statesmen in any Country of the globe. And, since the expense of this scheme must be enormous, and the public exchequer could give no kind of aid, they directed that the whole charge,

CHAPTER XV  
SIR F. J. HALLIDAY  
12th May 1870.

amounting certainly to many millions sterling, should be thrown upon the Zemindars of Bengal, by a rate of not less than two per cent. upon their gross rentals. The particular plan recommended was one devised by a Missionary of well-known zeal and energy, but, unfortunately (as had become notorious in connection with the recent indigo disputes), of a degree of prudence and worldly wisdom not equal to his good intentions.

The Zemindars remonstrated strongly. They admitted the necessity for a gradual extension of knowledge among the people; but they could not understand why it was to be done, all at once, and forced, immediately, upon the very lowest in the scale. And, herein, they said their views did not seem to differ from those current among English Country Gentlemen, only a few years ago. They pleaded the distinct and solemn promises of the Permanent Settlement of 1792, when Lord Cornwallis had exhausted the resources of language to assure them that the rate then assessed on their lands was "irrevocably fixed for ever," and that they should, in all future time, be free from "any further demand of rent, tribute, or any arbitrary exaction whatever." These great national pledges, they urged, had been scrupulously adhered to in many financial difficulties, and under all changes of Government, from Cornwallis to Canning, and could not now be broken, without a deliberate abandonment of plighted national faith. They complain of the startling injustice of singling out one Class of the Community, the landed Proprietors, and laying a Special Tax on them for the benefit of everybody else. But if such taxation were judged really necessary, they were ready, they said, to bear their share of it with all other Classes of the Community, as they had already done in the case of the Income Tax.

All the official persons of the Province, who were consulted supported these remonstrances, and the Lieutenant-Governor of Bengal transmitted them to the Government of India, and enforced them with a powerful and, as I think, unanswerable, argument. But the Government of India was unmoved, and declared in reply, that it was resolved to persevere in its determination.

This correspondence has now come before the Secretary of State in Council; and it appears to me that the despatch, which it has been resolved, by a very narrow majority, to send to India in reply, does not give, especially on the momentous question of the alleged violation of the Permanent Settlement and on the objections of the Zemindars generally, such a clear and unambiguous decision as the latter have a right to expect.

First, as regards the pledges of the Permanent Settlement, the despatch, after setting aside as irrelevant the chief argument relied on by the Government of India, and after intimating to that Government that they had entered on this serious dispute "without adequate attention to some most important facts," goes on to affirm that the right to impose this new tax on the zemindars in the face of the promises of the Permanent Settlement, "had been already ruled and decided in the case of the Income Tax" which is as much as to say that because, in 1860, a General Tax was, temporarily, imposed, affecting all classes, therefore a Special Tax may now be permanently levied on one class only, although that class has been solemnly assured that no new tax and arbitrary exaction shall ever be laid upon it.

But this reply, which will seem to the zemindars of Bengal curiously inconclusive, will also be felt by them as peculiarly irritating and offensive. When the income tax was first imposed in 1860, the Zemindars of Bengal were disposed, not without very plausible reasons, to object to it as an infringement of their Settlement, but they soon gave up the point, and accepted the advice and example of the greatest of their body, the Rajah of Burdwan, who, in a remarkable letter to the Legislative Council, announced that he would set an example to his fellows of submission to the income tax, because it was levied after the great Mutiny of 1857 to supply deficiencies created by "crushing the late Mutinies, and thus preserving the property, lives, and honour of the zemindars," and because it was "levied equally on all classes."

That this well-timed and patriotic declaration should now be turned against its author and his brother zemindars, as a reason for setting aside the plain terms of the Permanent Settlement, and imposing upon them a Special Tax, of which other classes not connected with the land are to bear no share, cannot prove otherwise than, severely and undeservedly, grating and painful to their feelings.

Second, as regards the injustice, independently of all promises, of saddling this Special Tax on one Class of the Community, namely, the class connected with the land and no other, I do not see that any answer is attempted, in this despatch, to the very reasonable remonstrance of the zemindars, who have, at all events, Macculloch on their side.\* In England, no doubt, owing to causes peculiar to that Country, and absolutely non-existent in India, some public obligations are, exclusively, laid on land; but I have not heard that the English zemindars are particularly tolerant of them; and, certainly, if the law in England treated land in all respects as a chattel, if no special advantages, political and social, attached to its possession, above all, if the English Government took, as a tax, 90 per cent. of the rent, as was attempted in Bengal by the Permanent Settlement in 1792, or from 50 to 70 per cent., as is now done in other parts of India, I apprehended we should find the landed interest in England, at least, as little inclined to be singled out for exclusive taxation (say, to be charged with the whole expense of all Primary Schools) as is, at this moment, the landed interest in Bengal.

CHAPTER XV.

SIR F. J. HALLIDAY  
12th May 1870.

It is intimated in this despatch that what it is now proposed to do, in Bengal, has been done "in the North-Western Provinces, in Central India, in Oude, in Scinde, and throughout the Presidency of Bombay." The argument of the Lieutenant-Governor of Bengal has, to my mind, conclusively disposed of this fallacy. It has, indeed, hardly the semblance of a foundation. The Government has always, in the Provinces above named, acknowledged the obligations arising out of its joint ownership by sharing with the zemindars the burthen of all Local Cesses†.

So liberally has this been done, that it might plausibly be said, and has in fact been said, that the Government pays the whole Cess and not the zemindar. Nay, in the case of the North-Western Provinces, this was declared by the Government itself‡, viz, that the Cess was defrayed not by the "landowners, but out of the share of the rent which has always been the admitted right of the State." For which reason it was further announced, "no claim to any control or management of the Funds on the part of the zemindars could for a moment be sustained."

In the Shahabad District of Behar, the zemindars, at the time of the Settlement, agreed to pay a Cess of one-half per cent. on their jummas for roads, provided the Government would pay another half, and this has been done ever since.

In the Permanently Settled Districts of Benares, the Zemindars were, not long ago, persuaded to agree to a Special Cess for Education; but no attempt was ever made to impose it without their consent.

In Madras no Cess is levied but by the voluntary act of the people.

In all the other Provinces named (but one) the Cess is imposed, but only at the time of making the Settlement, and never after it is made, as it is now proposed to do in Bengal. The knowledge that the Cess is to be imposed, notoriously affects the amount of the Government share when the settlement bargain comes to be made; and whatever is taken from the Zemindars, is taken with their written consent.

In Bombay, the only exception to this practice, the rule of making a Cess before and not after the Settlement, was very strictly prescribed by the Government of India and by the Secretary of State, Sir Charles Wood; and Sir John Lawrence went so far as to record his opinion that to levy such a Cess after the Settlement had been made (the very thing now proposed in Bengal), would be looked upon as "a breach of faith."

Despatch to Secretary  
of State, 22nd Feb  
ruary 1867Secretary of State in  
reply, 24th May 1867

Somewhat or other, notwithstanding this, the Government of Bombay passed an Act last year, apparently, if not actually, in opposition to these pointed instructions. It is the only part of India in which such a thing has been attempted; and it has not been long enough in operation to show whether the people there will fulfil Lord Lawrence's expectations, by denouncing it as a breach of faith. But I think it to be lamented that this singular and exceptional proceeding of the Government of Bombay, in defiance of precept and precedent, should be dwelt upon in this despatch as a good, and, indeed, the chief reason for doing the like elsewhere, especially as paragraph 17 may, well,

\* "It is at all events clear that, wherever a right of property in land is established, an attempt to impose peculiar taxes on its owners would subvert every principle of justice"—Macculloch on Taxation.

† See Howell's Report on Indian Education for 1868-69.

‡ Government Order, 14th July 1866.

CHAPTER XV. be read as threatening to extend the same sharp practice to "Temporary" as well as "Permanent" tenures, that is to say, not only to the Zemindars of Bengal, who are now protesting, but also to the Zemindars of Oude, the North-West Provinces and the Punjab, among whom no such practice has ever yet been attempted, and who, if they so understand this despatch, will not fail to add their remonstrances to those of their brethren in Bengal.

SIR F. J. HALLIDAY.  
12th May 1870.

It is true that, in paragraph 17, and, again, in paragraph 20, a vague intimation is thrown out, first, that not the Zemindars only, but all other holders of landed property, "ought, as far as possible," to be made subject to the tax; and, secondly, that perhaps other than landed interests may be subjected to this tax if they can be got at. But the dreaded infraction of the Permanent Settlement is, nowhere, distinctly repudiated; and the language of the despatch is, on the contrary, carefully chosen so as to make landed property, primarily, if not, exclusively, liable. We have indeed the highest authority for knowing that the measure is by no means intended to include, as the Zemindars desire, "all Classes of the Community," since that would be a new Income Tax at least as heavy as the recent 8d. in the pound, which has caused so much indignation. But I do not see that to raise the same total amount by a Special Levy on one Class, and that the most influential in India, *viz.*, the Class interested in land, will tend to make what will still be a new Income Tax at all more acceptable to those on whom it will fall the heavier for the exemption of the rest of the people.

I have confined my remarks to the despatch as it bears on Education, because that is the chief subject, and out of that the whole discussion arose. It is intended to try, first, a Special Class-Cess for Roads, because Roads are more directly appreciated by landowners and others connected with the land. But it has transpired that, although there was hope in this plan, at first, there is none now, because the Zemindars have found out that, if they give up the point as to roads, they will next be taxed for Education, for Sanitary Improvements, and, in fine, for any project which the swiftly varying mind of the Government of India may come to devise. Had they been left alone, all these things would have come of themselves; but now they will be driven back. The zemindars themselves have told us that the large contributions now readily made for education will, when this tax is imposed, be made no more.

It was only last year that the Government of India proposed to make irrigation canals for the landowners, and to tax them at a possible rate of seven per cent. on the capital outlay, especially if they were so ill advised as not to use the water, on the ground apparently that, if they did not use it, they ought to use it, and to pay for it whether they used it or not. In commenting upon this singular proposition, the Secretary of State made the following just observations, in a Despatch, dated 11th January last: "To make cultivators pay for water for which they had no use, or, at any rate, were not disposed to use, possibly from imperfect appreciation of the value of irrigation," and, thereby, guarantee the Government from loss, "there would be no objection, if the guarantee were given voluntarily. But here the guarantee is to be extorted compulsorily; the inhabitants of a District are not to be asked beforehand whether they desire irrigation or not. The Government alone is to judge whether irrigation is desirable. There is little analogy between a plan like this and that under which County Cesses are levied in England and Ireland; for those by whom the Cess is imposed, besides being themselves Cess-payers, represent, theoretically, if not really, the great body of Cess-payers, who are assumed, consequently, to have given their assent, by proxy. \* \* \* \* To force irrigation on the people would not be unlikely to make that unpopular which could otherwise scarcely fail to be regarded as a blessing."

If, in the foregoing passage, "Education" were substituted for "Irrigation," it would become exactly applicable to the present question. And I should have been less disposed to dissent, as I now do, if the judicious sentiments of the Secretary of State in Council, in January last, had been imported, in this month of May, into the despatch now before me.



CHAPTER XVI,  
OR  
ADDENDUM TO CHAPTER II.

MR. S. LAING'S SCHEME.

PUNJAB.

*Extract from a letter from the Secretary to the Government, Punjab, to the Secretary to Government of India, Financial Department, No. 568, dated 5th April 1861.* CHAPTER XVI.

\* \* \* \* \*

PUNJAB.

I am now to detail the taxes by the imposition of which the Lieutenant-Governor would propose to "raise a local revenue wherewith to supplement any deficiency of Imperial Assignments for Local Public Works." Local taxation to supplement Imperial Assignments for Local Public works.

*Tobacco tax.*—His Honor is prepared, with the sanction of the Supreme Government, to impose this tax. He reserves for the present his opinion as to the best mode of assessment. Tobacco tax.

\* \* \* \* \*

*Extract from a letter from the Secretary to the Government of India, Financial Department, to the Secretary to the Government, Punjab, No. 4439, dated 20th April 1861*

I am directed to acknowledge the receipt of your letter No. 568, dated the 5th instant, on the subject of additional taxation in the Punjab to provide for its Public Works expenditure in 1861-62.

\* \* \* \* \*

As regards the Local Taxes, His Excellency in Council approves of the *Tobacco Tax* in principle, and desires that His Honor the Lieutenant-Governor's scheme may be submitted, as soon as possible, in detail, to enable this Government to decide on it finally, and, if necessary, to cause it to be embodied in an Act of the Legislature.

\* \* \* \* \*

*Extract from a confidential letter from R. H. DAVIES, Esq, Secretary to the Government, Punjab, to the Financial Secretary to the Government of India, No. 812, dated 18th May 1861.*

III. The License Tax has been assessed and registered for every village and town throughout the Punjab. It is calculated to yield about 6½ lakhs, or rather more than the sum which the Supreme Government propose should be raised by Local Taxation. The Supreme Government further declare their ability to dispense with the License Tax as a source of Imperial Revenue. In placing a certain portion of the burden upon Provincial Ways and Means, His Honor understands that, provided a tax is unobjectionable in principle, its selection will be left to the Local Government. His Honor then would ask for sanction to levy the License Tax, as it has already been assessed, and to defray with the proceeds thereof the cost of such public works as are excluded from the Imperial Budget. If this proposition be acceded to, the Lieutenant-Governor believes that there would be no necessity to put on the Tobacco Tax, or other impost. License tax.

The License Tax, I am to say, might perhaps be more conveniently designated "a Tax on Arts, Trades, and Professions," payable by persons not subject to the Income Tax. Its graduation has been made, in the large cities, for the most part, by the people themselves. There will be no risk of oppression or difficulty of collection.

In conclusion, the Lieutenant-Governor desires earnestly to represent the importance of not disturbing the minds of the people by new fiscal measures without real necessity. We have introduced large measures of taxation involving important principles without any serious resistance, and His Honor strongly advocates a fair trial being given to them. His Honor will be prepared to collect the License Tax, on the receipt of a reply to this letter; and if there should be any divergence in his scheme from measures which the Supreme Government intend to promulgate, His Honor still trusts that he may be permitted to put in action those which he has framed, and which are ready for execution. It is important not to disturb the minds of the people by new fiscal measures without real necessity.

## CHAPTER XVI.

## MADRAS.

MADRAS PRESIDENCY.

No. 4,\* dated 22nd April 1861.

From—T. PYCROFT, Esq., *Chief Secy. to the Govt. of Fort St. George,*  
 To—The Secretary to the Government of India, FINANCIAL DEPT.

I am directed by the Governor in Council to acknowledge the receipt of your confidential letter under date the 16th ultimo, Financial Department, No. 3059, and of copies of the despatches to the Right Hon'ble the Secretary of State which accompanied it

2. In this letter, after a review of the present financial condition of the Empire, and the probable Income and Expenditure for the official year 1861-62 about to open, the conclusion is arrived at, that assuming the utmost practicable reductions to be made, and taking credit for the proceeds of the Income-tax and License-tax, there will still remain a deficit of from one to two millions sterling.

3. The means which have occurred to His Excellency the Governor General in Council as the best for meeting this difficulty are stated to be—

1st—A moderate increase of the Salt Duties.

2nd.—A transfer to the General Government of a certain portion of the allotments proposed to be given for Public Works, giving to the Local Governments, in exchange, powers of Local Taxation.

In paragraph 31 of your letter, tobacco is primarily indicated as a subject for Local Taxation; but it is remarked that there are probably other subjects which will suggest themselves.

4. With regard to Salt, you will have learnt from my telegraphic message of the 3rd instant that, immediately on receipt of your letter, orders were issued for raising the monopoly price of Salt in this Presidency by 4 annas per Indian maund.

5. In respect to Tobacco, I am to observe that credit has already been taken in the Budget Estimates of 1861-62 for Rs 2,51,000 on account of the Tax on Tobacco Licenses. In my letter of 23rd ultimo (para. 10), Financial Department, it was noticed that the tax had not yet become law, and that the estimate of the revenue which it might be expected to yield could not be depended on. In regard to raising a revenue from Tobacco in any other mode, I have to solicit attention to Mr Secretary Bourdillon's letter, Revenue Department, 11th June 1859, No. 774, and, to the report from the Board of Revenue, 21st April 1859, which it enclosed. In this latter paper the question of deriving a revenue from Tobacco was very fully gone into, and, in the opinion of this Government, it was conclusively shown that there were insurmountable objections against the realization of a revenue from that article, unless in the shape of a tax on the shops where tobacco was sold, *i. e.*, a License-tax, and that the produce of that tax would not be considerable, (a) certainly not more, I am to add, than the sum, Rs 2,51,000, already assumed under that Head in the Madras Budget.

(a) See particularly para. 6, clause 1, of the Board's letter

6. The Madras Government also, although most anxious to give every possible assistance to the finances of the Empire, much regret that, while they cannot undertake to raise any revenue from Tobacco (beyond that entered in the Budget), they are, at the same time, unable to suggest any other subject of taxation, but, on this point, as well as upon the question of Local Taxation generally, I am instructed to request attention to the Minutes of the Hon'ble the President, the Hon'ble Mr. Morehead, and the Hon'ble Mr. Maltby, which are herewith transmitted.

## Minute by the Hon'ble the President.

HIS EXCELLENCY  
SER WILLIAM  
DENISON.

The Financial Statement contained in the confidential letter from the Secretary to the Government of India, and explained more fully in a despatch No. 16 of 5th February 1861, addressed to the Secretary of State, is calculated to create the most serious apprehensions as to the solvency of the Government. It would seem, from these documents, that, while the Revenue for the present year will fall short of the Expenditure to the extent of £6,678,000, there is no reason to believe that any great increase of Revenue will take place in the year 1861-62, while the diminution of Expenditure will not exceed 3 millions, so that, under existing circumstances, the Deficit of 6 millions and upward in 1860-61 will be increased by an addition of 3 millions and upwards in 1861-62.

2. The only mode of meeting this state of things are—

1st—Reduction of Expenditure.

2nd.—Increase of Revenue.

3rd—A combination of both.

The first of these Heads is of far the most importance. It may be possible to draw from the Country a small portion more of its surplus Income, but, when we consider the extent to which taxation has already been pushed; when we see that exports are taxed as well as imports, and a check thereby imposed upon the industry of the people; when we see that the

\* The receipt of this letter not being traceable in the books of the Financial Department, a copy has been obtained from the Government of Madras.

ingenuity of financiers has been brought into action in order to discover modes by which money may be taken from the people and placed in the Treasury, and when we see that a very large proportion of the Revenue thus collected is employed for purposes in which we cannot suppose that the native population can sympathize, we cannot but feel that the prosperity of the Government of India and its hold upon the people would be more enhanced by reducing its Expenditure than by Raising its Revenue

3. I propose, then, to consider the statements made by the Government of India with reference to reduction of expenditure

4. In paragraph 6 of the confidential despatch it is said, "in the case of Madras these reductions (alluding to reductions in the strength of the military force) have been nearly carried out," and in the "other Presidencies they will shortly be completed." If, then, the reductions in the other Presidencies have been, or are about to be, carried out on the same scale as those in this Presidency, I think that there is good reason to hope that, by a searching investigation, such as the Government is about to institute in this Presidency, it will be found possible not only to save the 3 millions alluded to by the Government of India, but, by a reduction based upon sound principles, to bring down the Expenditure far below that exhibited in the Estimates for the Indian Army in the year before the Mutiny when the nominal strength of the Indian Army was, I believe, above 300,000. What the actual strength is at present, including the large number of irregular bodies raised since the Mutiny, I have no means of ascertaining; but, judging from the actual Military Expenditure I have a right to infer, after making every allowance for the greater proportion of European troops, that it is not far short of the number above stated. If so, I must express my opinion that a very large reduction might be made in the numerical strength, without in any way impairing the efficiency of the Army or weakening our hold upon the Country. I am aware, however, that these reductions are only prospective, while the evil with which we have to deal is pressing and immediate. It will, therefore, be necessary to take some steps to increase the Revenue as well as to reduce the Expenditure. Under these circumstances, I cannot object to carry out the proposal made by the Government of India to raise the duty on Salt from Re. 1 to Re. 1-4, as I conceive this to be the least objectionable form under which we can extract from the people, the amount required. With reference to the suggestions contained in paragraphs 23 to 40 of the letter from the Government of India, as they appear to embrace considerations of a political as well as of a financial character, I propose to deal with them separately.

W. DENISON.

*Minute by His Excellency the President.*

In the confidential letter from the Government of India, after indicating certain reductions which might be anticipated in the Expenditure, and suggesting an increase in the duty upon Salt, it is pointed out that in the case of a still existing deficiency of revenue, the only course to be adopted would be the reduction of the amount appropriated to Public Works.

2. This, it is said, would be a step to be avoided if possible, and, accordingly, it is proposed to make over to the Local Governments certain subjects of Taxation (Tobacco being one), by means of the money derived from which the Local Governments might supplement any deficiency in the Assignment from the General Revenue for Public Works. It is also suggested that there might be an understanding between the Local and Supreme Governments by which any savings effected in the Estimates might be credited to a Local Budget for such Public Works, and it is further hinted that should Local Legislative Councils be appointed, the supervision of such Local Budgets would be for such Bodies an useful and appropriate occupation. It is thus proposed that Madras should undertake to provide, by such Local Funds, for 10 lakhs of the amount estimated for Public Works, which sum, it is inferred, the Supreme Government proposes to reserve in order that it may be in readiness to meet the anticipated deficiency.

3. The scheme proposed may be considered—

1st.—As a financial arrangement.

2nd.—As affording an opening for the introduction of something analogous to municipal action in the Country Districts.

3rd.—In its relation to the introduction of some Local Legislative action.

4th.—As opening up, incidentally, the question of the anomalous position in which the Local Governments are placed with relation to the Supreme Government at Calcutta, and to the Secretary of State in England

4. It is under these four heads that I propose to consider this Scheme. I may, in the first place, observe that the necessity of making any reduction at all is not shown to exist. Were the Government of Madras to commit itself to the imposition of Local Taxes, and thus to burden a population, already too heavily taxed, for the purpose of executing Public Works which a sufficient sum has already been provided in the estimates, it would expose itself very justly to obloquy. In the second place, I would observe that, in selecting the works which it would be desirable to postpone, common sense would direct us to commence with those which are unproductive, and at the same time costly, and, in applying this common-sense principle to the present case, I think it would be found advisable to stop those works upon which the

CHAPTER XVI.

MADRAS PRESIDENCY.

HIS EXCELLENCY  
SIR W. DENISON.

CHAPTER XVI. Government is called upon to pay a heavy interest, and from which it derives no equivalent benefit—I mean the railroads

MADRAS PRES-  
IDENT,

HIS EXCELLENCY  
SIR W. DENISON.

Reduction of Rail-  
way expenditure.

5. It would appear from the despatch to the Secretary of State that 56 millions will be required to complete the projected Lines of Railway, even should so marvellous an event take place as their completion within the Estimates. Of these 56 millions, 32 millions have been expended, and upon these, the Government is paying interest to the extent of upwards of £1,600,000 per annum, while the net returns from the Railways amount to £443,160, or little more than 1 per cent. per annum on the capital. I have a firm conviction that all these long Lines will never pay the interest upon their capital, and that the Country will, therefore, have to provide a large sum annually for the interest guaranteed. If, then, any Public Works are to be given up, it should be those which, like Railways, are running us into debt, rather than those which, like irrigation works, return a large interest upon the outlay.

6. I am aware that as Railways are progressing with borrowed capital, their stoppage would only relieve the Government from the payment of interest upon the annual outlay, but this would amount, in the course of next year, to £300,000 and in a few years to £1,200,000 in addition to the amount which we are already paying. It is possible that by making the reductions suggested in my former Minute, and by increasing the duty upon Salt, any reduction in the amount to be expended on Public Works in 1861-62 may be avoided. If, however, reduction be required, it should operate upon the Railway Expenditure rather than upon the productive outlay upon Irrigation. Should, however, the Supreme Government, still, decline to appropriate the whole amount which we require for our public works, I would rather submit to this, for a time, than impose fresh taxes upon a population already too heavily burthened.

Local Taxation,  
Tobacco Tax

7. I will now consider the Scheme as affording an opening for the introduction of something analogous to a Municipal System. It is true that the Supreme Government alludes, in the first place, to the imposition of a Tax or an Excise Duty on Tobacco which would be of a general character. This, however, must have been suggested in entire forgetfulness of the Report elicited from this Government in 1859, where it was stated that, by no process, could a Tax on Tobacco be made productive in this Presidency; but, in para. 32, it is said that purely Local Taxes might be imposed for local objects.

There is much in  
a decentralization of  
finance to make the  
scheme attractive.

8. There is, I confess, much, in this, to render the scheme attractive. Hitherto the policy of Government has been to attribute to itself every portion of power—to centralize everything in itself. I should rejoice, I confess, to see some power of local action given over to those who are interested in public works of a local character, but I am, at the same time, bound to admit that the slight experience which I have had of the character of the people does not lead me to believe that they would appreciate the boon, if coupled with the condition of a Local Rate or Cess, while I do not think that they could be trusted to administer for the inhabitants of any locality, funds raised by the Government, either generally or locally, still, perhaps, something might be done in this direction hereafter.

Transfer to local  
Governments of sav-  
ings in the estimated  
expenditure of each  
year would offer a  
direct inducement to  
the framing of high  
estimates of depart-  
mental outlay.

9. As a further inducement to the Government of this Presidency to entertain the Scheme above alluded to, some possible contingencies are hinted at, more than specified distinctly, under which a portion of the savings made by the Local Governments upon the items of the General Estimates might be handed over to the Governments to be applied to local purposes; and it is further said that the appropriation of these savings and of the Local Funds generally would be an appropriate and useful occupation for the suggested Local Legislative Councils.

10. With reference to these anticipated or hypothetical savings, I do not understand how they are to be calculated. Is the Estimate for the present year to be made the standard by which these savings are to be calculated? Or is it meant that any saving in the amount of the expenditure, as estimated annually, is to receive a local application? If the latter be intended, there is a direct inducement offered to the framing of high Estimates of departmental outlay.

Savings should be  
applied to the dimi-  
nution of taxation  
which has been push-  
ed to its limits

11. However, without attempting to discuss this question further, I would observe that the saving resulting from any reduction of expenditure should be applied as speedily as possible to the diminution of taxation. It is perfectly evident that we have pushed taxation to its limits. We have taxed Imports and Exports; we have established Monopolies, we have a tax upon Income; we have Stamp Duties and a species of Excise. Our best and wisest policy, whether we look to the stability of the Government or to the comfort and happiness of the people, would be to commence, as speedily as possible, the reduction of taxation, and I feel certain that this would be appreciated by all classes of people as a much greater advantage than any which they could possibly derive from the establishment of a Legislative Council, more especially where the powers of such a Council would be so jealously limited as they are proposed to be in the confidential letter.

Relation between  
the Supreme and  
Local Governments

12. This leads me to the consideration of the fourth head under which I propose to discuss the question referred to us from Calcutta. I mean the anomalous relation in which this Government stands to that of the Supreme Government of India. By the 3 and 4 William 4, cap. 85, "it is enacted that the superintendence, direction, and control of the whole Civil and Military Government of all the said territories and revenues in India shall be and is hereby vested in a Governor General and Counsellors to be styled the Governor General of India in Council."

13. I believe that this Enactment originated in a wish on the part both of the Directors of the East India Company and of the Government, to check that tendency to independent

action on the part of the Governors of the different Presidencies which the power of disposing of an efficient military force was sure to generate, and in a desire at the same time to maintain a general control over their expenditure. I do not, however, believe that either the Directors or the Legislature contemplated an interference on the part of the Governor General in Council with all the trifling details of local management, by which the Governments of the different Presidencies are placed in a position inferior to that of the Municipal Authorities of a corporate town

## CHAPTER XVI

MADRAS PRESIDENCY

HIS EXCELLENCY  
SIR W. DENISON

14. In the confidential letter of the Supreme Government, after stating that it was the intention of the Governor General in Council to make over to the Local Governments certain subjects of Local Taxation, the following significant warning is given as to the amount of freedom of action which was to be allowed —

Relation between  
the Supreme and  
Local Governments

“As regards the subject of Local Taxation, it must be understood that the consent of the Governor General in Council is requisite before the imposition of any new rate can be taken into official consideration, or made the subject of public enquiry, and, again, before it is finally adopted.”

This, if interpreted according to the simple and plain meaning of the terms used, would indicate that the Government of a Presidency must not even venture to think or to make enquiries which would guide it towards a right conclusion with reference to any Local Rate without, first, obtaining the assent of the Governor General in Council. I cannot believe that such was the intention of the Governor General in Council when the Secretary was directed to write that confidential letter, which, I may remark, commences with an appeal to the Local Government and terminates with a threat, but the fact that these expressions have found a place in such a document, indicates the view taken by the Supreme Government of its relation towards the Local Governments. While, however, the Supreme Government has been gradually appropriating to itself the superintendence and control of all matters, Civil and Military, Local and General, the general tendency of Legislation elsewhere has been towards a system altogether opposed to this centralization of authority. To the Colonies generally have been conceded powers of self-government, and, though, in many instances, it would probably have been for the benefit of the Colonies themselves that their powers of self-government should have been restricted, the fact that they have been almost unlimited would, I think, justify the conclusion that, in acting as it has done, the Supreme Government has taken a mistaken view of the meaning, or, at all events, of the intention of the Legislature in conferring upon it the general superintendence and control over the whole of India. I am quite prepared to admit that the terms used in the Act are sufficiently comprehensive to admit of the interpretation which has been put upon them, but, while I admit this, I am decidedly of opinion that the system of centralization which has been the result of this interpretation, has acted most injuriously both on the financial and administrative functions of the Local Government.

The Supreme Government has, under the letter of the law, exercised a more minute control over the Governments of Madras and Bombay than was intended by the framers of the law

15. It seems to me, then, that it would be deserving of the consideration of Her Majesty's Government whether, in accordance with the principles which have been acted upon pretty generally of late years, it would not be advisable to give to Districts, which are so far separated from the centre of Government as to be dependent in great measure upon the mail steamers which ply but twice a month between Madras and Calcutta for the regular means of communication, a greater amount of power in determining matters of local interest than has of late been allowed.

16. It appears to me that the Local Governments in India should stand to the Supreme Government in a position something analogous to that in which the States of the American Union stand to the Federal Government at Washington, that all powers which have a general character should be exercised by the General Government. It should have the sole and entire control of the Army and Navy. It should conduct all correspondence with Foreign States or those lying within our boundaries. Any questions at issue between two or more of the Local Governments should be determined by the General Government. It should have the charges of the Post Office, the Telegraph Offices, &c., questions as to the lighting of the Coast should be decided by it. In order to meet the charges which these would impose upon the General Government, it would be necessary that a contribution should be paid from the Revenue of each Presidency upon some definite principle; perhaps the simplest would be to take the ratio which the Revenue of the Presidency bears to the Total Revenue.

17. These, however, are details upon which it is unnecessary to dilate. The principle which I wish to see established is the separate action of the Local and General Governments. The Local Government should have the power of determining, in accordance with instructions received from the Secretary of State, all local matters, whether relating to revenue or to civil administration. The General Government should, under similar limitation, regulate everything which had reference to the military occupation of the Country; its defence against aggression, &c., &c. By such an arrangement we should get rid of the anomaly of having three Armies with three Commanders-in-Chief and three separate staffs for the defence of one Country, and we should also get rid of the necessity of referring to Calcutta for leave to appoint an officer to perform a duty, however important, which may not have been sanctioned in the Estimates. However, it is unnecessary that I should, on the present occasion, go into any further details; that which I have said has been drawn from me by the expressions used in the letter from the Government of India.

W. DENISON.

## CHAPTER XVI.

MADRAS PRESIDENCY

THE HON'BLE W MOREHEAD.

The tale told in the confidential letter which we have received from the Supreme Government in respect to the state of the finances for the coming year is not a cheering one. It, moreover, shows that little has been done in the other Presidencies towards reducing their present rate of expenditure. This state of matters seriously affects this Presidency and renders it difficult for us to carry out the views of the Supreme Government as now submitted to us

2. The aid we have been asked to give is, first by increasing the price of our Salt; this has been done, and I think the price might have been raised to the full limit permitted by law, that is, to Rs. 1-8 per Indian maund. This additional six annas would not have been felt, and it would have added some three or four lakhs more to the revenue.

3. The next proposal made to us is that we must be prepared to give up, should the state of the General Treasury demand it, ten lakhs of the amount entered in our Public Works Budget. This sum, we are however told, they are ready to aid us in making good by the imposition of such Local Taxes as we may deem advisable.

4. I concur with the President that, at this moment, it is impossible, justly, to impose any Local Taxation to meet the threatened deficiency, and that, therefore, to attempt it would be a serious mistake. I do not, however, consider that to the extent of 10 lakhs, the execution of important and useful works need be impeded or altogether put a stop to. This amount, or nearly so, I am satisfied, is to be obtained, and that readily, by the introduction into the department of the reforms at present under consideration.

5. Previous to the introduction of the recent constitution of the Public Works Department, the largest sum expended in any one year was about 24 lakhs. Our present Budget reduced by the sum contemplated will still leave us a balance far in excess of the above amount, for expenditure, and, if this sum is properly husbanded and carefully expended, I do not apprehend that, in reality, the interests of this Presidency will in any way suffer by the proposed deduction of the ten lakhs in question from the Budget of the Public Works Department.

6. With reference to the President's remarks about giving up the further construction of railways in India, I conclude that the recent orders issued in regard to them have restricted their construction to the full extent that the Government deem safe or that they can legally do.

W. MOREHEAD.

*Minutes by the HON'BLE E. MALTBY.*

THE HON'BLE E. MALTBY.

I have given my attentive consideration to the confidential letter of the Government of India, which certainly shows that the finances of the Empire are in a critical position. Immediately on its receipt, orders were issued by us to increase the selling price of Salt from Rs. 1-2-0 per Indian maund to Rs. 1-6-0, and I concur with Mr. Morehead that the rate might be further advanced to the legal maximum of Rs. 1-8-0 without any additional check to the sales being perceptible. But, after this step, I share the President's opinion that the limits of taxation will have been reached. The impending License-tax which is to be imposed for imperial purposes will extend the existing *motarfa* to all those classes and individuals who now escape it, and I am ignorant of any new source from which money can be raised either for Imperial or Local Purposes in this Presidency.

2. If therefore the necessities of the Empire oblige ten lakhs to be struck off our Public Works Budget for the ensuing year, I see no alternative but to stop the execution of works to that extent, unless such savings as we can make in the establishment of that department, (a subject which is now under consideration) are allowed to supplement in part the amount struck off the Budget.

3. In referring to the probable necessity of reducing the Public Works Budgets, the Supreme Government expresses an intention of allowing the Subordinate Governments to make up the deficiency by Local Taxation, and observes that "a foundation would thus be laid for a larger degree of Local Financial Management and Self-government." I should be glad that this prospect was likely to be realized, but to attain such a beneficial result it appears to me that the subject must be treated in a much more broad and liberal mode than that laid down on this occasion. If the consent of the Governor General in Council is to be needed before "the imposition of any new Local Tax is taken into official consideration or made the subject of public enquiry, and again before Local Taxes can only be permitted when they do not interfere with Imperial Taxation," which taxation already affects every spring of industry, the Local Governments will, in my opinion, occupy the same restricted position as before.

4. If they are to enjoy real liberty of action and self-management, it seems to me that the Acts of Parliament affecting India must be altered so as to give them a control over the General Taxation and Expenditure within their range, subject to the condition of supplying a Fixed Contribution to the Imperial Treasury, and I would, with all deference, point to the present papers as a proof how impossible it is that one Central Government, overwhelmed with political and other great questions, should successfully master the details of Local Administration throughout our extensive Empire. Thus it is thought an advantageous concession to allow the Madras Government to raise a Local Revenue from Tobacco to supply the place of ten lakhs to be cut off our Public Works Budget, although we lately pointed out, most strongly and impressively, that such a tax was opposed to the land tenures and circumstances of this Presidency, that it would yield little revenue, and would bring back those serious evils on account of which it was formerly abolished.

Letter to Government of India,  
Home Department, 11th June 1855,  
No 774.

The limited amount of local financial management and self-government proposed by Mr. Laing would be quite insufficient and barren of good result.

Para 29.

Para 30.

5. With respect to the imperial deficiency as an extension of taxation is pronounced impracticable, relief must be sought chiefly in economy, and this Government will not cease its endeavours to reduce expenditure. But the existing sources of revenue may be improved,

See letter to Government of India, with Budget Estimates, 23rd March 1861, Financial Department, No. 153

and we lately pointed out a mode of increasing the efficiency of the Stamp Act, by altering the section which exempts from its operation all transactions with which the Government is even indirectly concerned. It is undoubtedly to be deplored that railway liabilities should have been a drain on the Treasury at a time when Government has to meet the expenses resulting from the Mutiny. Eventually, I trust, that the beneficial effect of Railways on the prosperity of the Country will more than reimburse their cost to the State, but this result may be slow in arriving, and meanwhile if the Imperial Income and Expenditure cannot be balanced by administrative economy, it seems to me that money for this special and extra demand might be raised by a Loan, according to the principle followed on a recent occasion when funds were required for promoting Public Works.

CHAPTER XVI.

MADRAS PRESIDENCY

THE HON'BLE E. MALTBY

The 20th April 1861.

E. MALTBY.

# PROVINCIAL AND LOCAL FINANCE.

## CONTENTS.

	CHAP.	PAGE
<b>BILLS—</b>		
<b>COMPULSORY IRRIGATION RATES ON LAND—</b>		
Northern India Canal and Drainage Bill	14	602
<b>LAIKE'S SCHEME, MR. S.—</b>		
Tobacco and Pawn Bill—Bengal	2	11
<b>MAYO'S MEASURE, EARL OF—</b>		
License Bill—North-Western Provinces	8	367
Local Funds Bills—Bengal	8	425
Ditto ditto Bombay	8	414
Ditto ditto Madras	8	397
Local Rates Bills—North-Western Provinces	8	370
Ditto ditto Oudh	8	351
Ditto ditto Punjab	8	394
Marriages, Registration of, Draft Bill	7	230
<b>RESOLUTIONS—</b>		
<b>LAIKE'S SCHEME, MR. S.—</b>		
<i>Government of India, Financial Department, —No. 3129 of 16th March 1861.</i>		
To Local Governments and Administrations	7	1
<b>MASSEY'S FIRST SCHEME, MR. W. N.—</b>		
<i>Hon'ble W. N. Massey.—dated 21st February 1868.</i>		
To Local Governments and Administrations	7	29
<b>MASSEY'S SECOND SCHEME, MR. W. N.—</b>		
<i>Government of India, Financial Department, —No. 2823 of 9th September 1867.</i>		
To Local Governments and Administrations	4	67
<b>MAYO'S MEASURE, EARL OF—</b>		
<i>Government of India, Home Department, —Nos. 1017 and 1019 of 21st February 1870.</i>		
To the Chief Commissioner of Oudh	7	220
<i>Government of India, Home Department, —Nos. 1013 and 1015 of 21st May 1870.</i>		
To the Government of the North-Western Provinces	7	220
<i>Government of India, Financial Department.</i>		
No 2848 of 17th August 1870—To Government of Bengal	7	243
" 2832 " 19th " " " Bombay	7	247
" 2936 " 22nd " " " Chief Commissioner of British Buzmah	7	251
" 2837 " 23rd " " " Central Provinces	7	246
" 2834 " 29th " " " Government of Madras	7	248
" 2935 " 11th October " " " North-Western Provinces	7	250
" 2838 " 24th August " " " To the Government of Punjab	7	252
" 2933 " 19th " " " Chief Commissioner of Oudh	7	248
<b>DEBATES—</b>		
<b>INCOME TAX—</b>		
Campbell, Sir George	8	345
" " " " "	8	350
Chapman, Mr F S	8	344
Ellis, Sir Barrow Herbert	8	349
Mayo, Earl of	8	351
Robinson, The Hon'ble W	8	342
Strachey, Colonel R	8	347



## DEBATES—continued

## LICENSE TAX, (N.-W. PROVINCES) BILL—

Campbell, Sir George

Ingils, Hon'ble Joifs

Mayo, Earl of

Strachey, Hon'ble Sir John

Temple, Hon'ble Sir Richard

## LOCAL RATES, (ODISH) BILL—

Campbell, Hon'ble Sir George

Ellis, Hon'ble Sir Barrow Herbert

Mayo, Earl of

Strachey, Hon'ble Sir John

" " "

" " "

Stephen, Hon'ble F.

## LOCAL RATES, NORTH-WESTERN PROVINCES' BILL—

Campbell, Hon'ble Sir George

Chapman, Hon'ble F. S.

Ellis, Hon'ble Sir Barrow Herbert

Ingils, Hon'ble John

" " "

" " "

" " "

Mayo, Earl of

Muir, Hon'ble Sir William

Stephen, Hon'ble F.

Strachey, Hon'ble Sir John

Temple, Hon'ble Sir Richard

" " "

## LOCAL RATES, PUNJAB BILL—

Punjab, Hon'ble Lieutenant-Governor of the—

Stephen, Hon'ble F.

Strachey, Hon'ble Sir John

Temple, Hon'ble Sir Richard

## MAYO'S MEASURE, EARL OF—

## BENGAL—

Campbell, Hon'ble Sir George

Eden, Hon'ble Sir Ashley

Mitter, Baboo Degumber

Robinson, Hon'ble T. M.

## BOMBAY—

FitzGerald, Hon'ble Sir W. R. S. V.

" " "

Kennedy, Hon'ble Colonel M. K.

Scoble, Hon'ble A. B.

Stewart, Hon'ble Mr

Tucker, Hon'ble H. P. St. George

## NORTHERN INDIA CANAL AND DRAINAGE BILL—

Cockeell, Hon'ble F. R.

Chapman, Hon'ble F. S.

Dyraud, Hon'ble Sir H. M.

" " "

Egerton, Hon'ble R. E.

Ellis, Hon'ble B. H.

Mansfield, Sir W.

Mayo, Earl of

CHAP.	PAGE.
8	366
8	369
8	36
8	367
8	36
8	369
8	367
8	355
8	359
8	365
8	354
8	358
8	359
8	361
8	357
8	364
8	365
8	369
8	371
8	372
8	37
8	374
8	368
8	370
8	372
8	375
8	372
8	368
8	375
8	369
8	381
8	387
8	382
8	374
8	380
8	394
8	396
8	36
8	36
8	36
8	421
8	429
8	427
8	429
8	428
8	414
8	419
8	429
8	419
8	421
8	420
8	418
14	612
14	610
14	608
14	607
14	612
14	613
14	607
14	610

CONTENTS.

111

DEBATES—*continued*

NORTHERN INDIA CANAL AND DRAINAGE BILL—*continued*—

	CHAP.	PAGE
Mayo, Earl of	14	611
" "	14	612
" "	14	621
Punjab, Hon'ble the Lieutenant-Governor of the	14	614
Strachey, Hon'ble Colonel R	14	603
" "	14	604
" Hon'ble Sir John	14	617
Temple, Hon'ble Sir Richard	14	614

TOWNS IMPROVEMENT LOCAL FUNDS BILL—

MADRAS PRESIDENCY—

Arbuthnot, Hon'ble A J	8	397
" "	8	402
" "	8	405
" "	8	410
" "	8	414
Brown, Hon'ble A. F	8	410
Ellis, Hon'ble R S.	8	ib
Mayne, Hon'ble J D	8	403
Macfadyen, Hon'ble Mr	8	414
Napier of Merchistoun, Lord	8	411
" "	8	412
Norton, Hon'ble J B	8	399

EXTRACTS—

LAING'S SCHEME, MR S—

Extract from Financial Statement of 27th April 1861	2	5
" " Government of India letter, No 63 of 2nd May 1861, to the address of the Secretary of State for India	2	6
" " Government of Punjab, No 568 of 5th April 1861	16	673
" " " " 812 " 18th May "	16	ib.
" " " " India to Government of Punjab, [No 4439 of 20th April 1861	16	ib

MASSEY'S SECOND SCHEME, MR W N—

Extract from Sir George Campbell's Report in 1867	4	195
" " Minute by Sir John Lawrence of 23rd March 1868	4	ib
" " A reference in 1867 to a Committee appointed in the India Office by the Secretary of State	4	ib.
" " Hansard's Parliamentary Debates, Vol 191	4	196

FINANCIAL STATEMENTS, NOTES, BUDGETS, &c.—

MASSEY'S SECOND SCHEME, MR W N—

Financial Statement, Mr Massey's, of 5th March 1867	3	50
Financial Secretary's Note of 23th September 1867,	4	70

MAYO'S MEASURE, EARL OF—

Financial Statement, Sir Richard Temple's, 1871-72,	8	339
Provincial Budget Statements,		
Bengal 25th March 1871-72	8	421
Bombay 5th April " "	8	414
North-Western Provinces 1871-72	8	376
Punjab 1871-72	8	394

LETTERS—

BENGAL—

Mr Laing's Scheme—

No 107 of 4th May 1861, to Government of India, Financial Department	2	7
" 748A of 22nd July 1861 to " " " " "	2	11
" 850A " 13th August 1861 to " " " " "	2	15

Mr W N Massey's first Scheme—

No. — of 8th March 1866, to the Financial Member of Council	3	31
---	---	----

Earl of Mayo's Measure—

No. 4641 of 29th November 1870, to the Government of India, Financial Department.	7	289
---	---	-----

## LETTERS—continued

## BENGAL—continued

*Road and Educational Cess.*

	CHAP	PAGE
No. 1868A of 30th April 1869, to the Government of India, Home Department	15	640

## BOMBAY—

*Mr S Laing's Scheme—*

No 772 of 17th September 1861, to Government of India, Financial Department	9	27
---	---	----

## BRITISH BURMAH—

*Mr S. Laing's Scheme—*

No 1 of 6th April 1861, to Government of India, Financial Department	2	21
--	---	----

*Mr Massey's second Scheme—*

No. 484 of 21st January 1868 to Government of India, Financial Department	4	130
---	---	-----

*Earl of Mayo's Measure—*

No. 355-2 of 1st November 1870	7	272
--------------------------------	---	-----

## CENTRAL PROVINCES—

*Mr Massey's first Scheme—*

No.—of 5th March 1866, to the Financial Member of Council	3	30
---	---	----

*Mr Massey's second Scheme—*

No 5106 of 22nd October 1867, to the Government of India, Financial Department	4	69
--	---	----

*Earl of Mayo's Measure—*

No 2548 of 29th September 1870	7	263
--------------------------------	---	-----

## INDIA, GOVERNMENT OF—

*Mr S. Laing's Scheme—*

No. 5873 of 17th May 1861, to the Government of Bengal	2	10
" 9534 " 3rd August " " " " " " "	2	13
" 1048 " 19th " " " " " " " "	2	18
" 5666 " 17th May " " " Commissioner of Pegu	2	21
" 5402 " 6th " " " " " " " "	2	22
" 7994 " 28th June " " " " " " " "	2	24
" 12285 " 11th October " " " Government of Bombay	2	28

*Mr. Massey's second Scheme—*

No. 209 of 19th September 1867 to the Secretary of State for India	4	67
" 223 " 7th October " " " " " " " "	4	97
" 237 " 22nd " " " " " " " " " "	4	107

*Earl of Mayo's Measure—*

No. 3995 of 11th October 1870 to the Government of the N.-W. Provinces	7	256
" 265 " 14th December " " Secretary of State for India	7	331
" 3920 " 20th " " " Government of the Punjab	7	33
" 3963 " " " " " " " Bengal	7	33
" 3964 " " " " " " " Madras	7	34
" 3999 " " " " " " Chief Commissioner, Central Provinces	7	37
" 4000 " 22nd " " " " " Oudh	7	35
" 4069 " " " " " " Government, N.-W. Provinces	7	31
" 4079 " 27th " " " " " Bombay	7	335
" 4081 " 28th " " " " Chief Commissioner, British Burmah	7	436

*Roads and Educational Cess in Bengal—*

"No. 17 of 1869, To the Secretary of State for India	15	564
--	----	-----

## MADRAS—

*Mr S Laing's Scheme (Addendum)—*

No. 4 of 22nd April 1861, from Chief Secretary of Fort St. George	16	674
---	----	-----

CONTENTS.

v

LETTERS—continued

MADRAS—concluded

*Mr Massey's first Scheme—*

No.—of 23rd March 1866, to the Financial Member of Council . . . . . 3 36

*Mr Massey's second Scheme—*

No 125 of 7th March 1868 to the Government of India, Financial Department, with enclosures . . . . . 4 146

*Earl of Mayo's Measure—*

No 398 of 27th September 1870, to the Government of India, Financial Department 7 260

NAGPORE—

*Mr Laving's Scheme—*

\*No. 2 of 20th April 1861, to the Government of India, Financial Department .. 2 22

„ 6 of 22nd May „ „ „ „ „ „ „ „ 2 26

NORTH-WESTERN PROVINCES—

*Mr Laving's Scheme—*

No.—of 20th May 1861, to the Government of India, Financial Department .. 2 24

*Mr Massey's first Scheme—*

No.—of 8th March 1866, to the Financial Member of Council .. 3 33

*Mr Massey's second Scheme—*

No. 694A of 21st November 1867, to the Government of India, Financial Department 4 121

*Earl of Mayo's Measure—*

No 1284A of 15th September 1870, to the Government of India, Home Department . 7 253

„ 1636A „ 1st December „ „ „ „ „ „ „ „ Financial Department, .. 4 128

„ with enclosure „ „ „ „ „ „ „ „ .. 7 297

OUDEH—

*Mr Laving's Scheme—*

No 1717 of 22nd May 1861, to the Government of India, Financial Department .. 2 18

*Mr Massey's first Scheme—*

No.—of 13th March 1866, to the Financial Member of Council .. 3 35

*Mr. Massey's second Scheme—*

No 393 of 28th January 1868, to the Government of India, Financial Department \* 4 122

„ 5750 of 26th November 1867 (from the Financial Commissioner of Oudeh) to the Government of India, Financial Department \* .. 4 128

„ —of 20th September 1870, to the Government of India, Financial Department ... 7 259

PUNJAB—

*Mr Massey's first Scheme—*

No.—of 30th May 1866, to the Financial Member of Council ... 3 38

*Mr Massey's second Scheme—*

No 92 of 17th February 1868, to the Government of India, Financial Department 4 139

„ 10965 of 18th January 1868, from the Accountant General, Punjab, to the Govern- 4 141

ment of the Punjab .. 4 141

„ 980 of 11th February 1868, from Colonel B Macdagan, Secretary to the Government 4 145

of the Punjab, Public Works Department, to the Government of the Punjab, Civil Department .. 4 145

*Earl of Mayo's Measure—*

No 1081 of 25th November 1870, to the Government of India, Financial Department, forwarding Minute by the Lieutenant-Governor of the Punjab, also Memoranda by certain officers under that Government .. 7 277

No 363-3208 of 31st May 1870, from Secretary to Financial Commissioner, Punjab, to the Government of the Punjab .. 7 281

No 375 of 27th September 1870, from the Settlement Commissioner, Punjab, to the Government of the Punjab .. 7 284

	CHAP.	PAGE.
<b>LETTERS—concluded.</b>		
<b>SECRETARY OF STATE FOR INDIA—</b>		
<i>Earl of Mayo's Measure—</i>		
No 59 of 23rd February 1871, to the Government of India, on the Resolution of 14th December 1870 .. .. .	7	337
<i>Compulsory Irrigation Rates on Land—</i>		
No 4 of 11th January 1871, on the Northern India Canals and Drainage Bill .. .. .	14	609
„ 9 of 14th March 1871, on Act XXX of 1871, Punjab Canal and Drainage Bill .. .. .	14	623
„ 5 of 12th May 1870, on Road and Educational Cess in Bengal .. .. .	15	662
<b>MAYO'S MEASURE, EARL OF—</b>		
Minutes and correspondence relative to its introduction .. .. .	7	220
Proceedings in the Legislative Councils of the Government of India and the Local Governments relating to— .. .. .	8	339
<i>Local Cesses—</i>		
Assam .. .. .	9	481
Bengal .. .. .	9	446
Bombay .. .. .	9	437
British Burmah .. .. .	9	479
British India .. .. .	9	491
Central Provinces .. .. .	9	473
Madras .. .. .	9	481
North-Western Provinces .. .. .	9	459
Oudh .. .. .	9	470
Punjab .. .. .	9	466
<i>Reports by Local Governments upon its operation—</i>		
Bengal .. .. .	12	564
Bombay .. .. .	12	567
Central Provinces .. .. .	12	577
Madras .. .. .	12	567
North-Western Provinces .. .. .	12	571
Oudh .. .. .	12	576
Punjab .. .. .	12	574
<b>MEMORANDA—</b>		
<b>MR. LAING'S SCHEME—</b>		
Elliot, Major E K, Commissioner, Nagpore, Levy of duty on Opium and Sugar .. .. .	2	22
Forbes, Hon'ble H, Remarks on Tobacco and other duties, Bengal .. .. .	2	13
Grant, Hon'ble J P, ditto ditto ditto .. .. .	2	16
Harrington, Hon'ble H B, ditto ditto ditto .. .. .	2	14
Karr, W. S. Seton, ditto ditto ditto .. .. .	2	-12
<b>MR. MASSEY'S SECOND SCHEME—</b>		
Off. Colonel C. A., Secy, Govt. of Madras, Public Works Department, on Government of India's Circular No 2823 of 1867 .. .. .	4	150
<b>MAYO'S MEASURE, EARL OF—</b>		
Egerton, R E, Financial Commissioner, Punjab .. .. .	7	281
Temple, Sir Richard, on Local Finance .. .. .	7	225
Thornton, T. H., Secy. to the Government of the Punjab .. .. .	7	287
<i>Compulsory Irrigation Rates on Land—</i>		
Strachey, Colonel R. .. .. .	15	602
<b>MINUTES—</b>		
<b>MR. LAING'S SCHEME,—(Addendum)—</b>		
Denison, the Right Hon'ble W T .. .. .	16	674
Maltby, Hon'ble E. „ „ .. .. .	16	675
Morehead „ W .. .. .	16	679
Morehead „ W .. .. .	16	678
<b>MASSEY'S FIRST SCHEME, MR—</b>		
Denison, the Right Hon'ble W. T. .. .. .	3	37
Frere, Sir H. B. E. .. .. .	3	40
Phillips, Hon'ble H. D. .. .. .	3	38
Pycroft, Hon'ble T. .. .. .	3	38

MINUTES—continued

MASSEY'S SECOND SCHEME, MR—

	CHAP.	PAGE
Durand, Hon'ble Major-General Sir H. M.	4	64
" " " " "	4	94
" " " " "	4	108
Lawrence, Right Hon'ble Sir J. L. M.	4	63
" " " " "	4	91
" " " " "	4	104
" " " " "	4	195
Massey, the Right Hon'ble W. N.	4	65
" " " " "	4	97
Maine, the Right Hon'ble H. S.	4	64
" " " " "	4	65
Mansfield, General Sir W. R.	4	64
" " " " "	4	92
Napier of Merchiston, Lord	4	186
North-Western Provinces, the Hon'ble Lieutenant-Governor of the	4	121
Pycroft, the Hon'ble Sir Thomas	4	146
Taylor, Hon'ble G. N.	4	64
" " " " "	4	105
Yule, Hon'ble Sir G. M.	4	64

MAYO'S MEASURE, EARL OF—

Durand, Hon'ble Sir H. M.	7	277
FitzGerald, Sir G.	7	269
Grey, Hon'ble Sir W.	7	289
Mayo, Earl of	7	235
Mansfield, Hon'ble Mr S.	7	267
Strachey, Hon'ble J.	7	231
Temple, Hon'ble Sir Richard	7	240
Tucker, Hon'ble H. P. St G.	7	268

MINUTES AND NOTES IN 1872 AND 1873—

Minutes—

Napier of Merchiston, Lord	13	588
Northbrook, Lord	13	592

Notes—

Financial Secretary	13	595
Northbrook, Lord	13	587
Strachey, Hon'ble Sir J.	13	58
" " " " "	13	589
Temple, Hon'ble Sir Richard	13	587
" " " " "	13	593
" " " " "	13	594

NORTHERN INDIA CANAL AND DRAINAGE BILL—

Mansfield, General Sir W. R.	14	623
------------------------------	----	-----

PROVINCIAL FUNDS—

Napier of Merchiston, Lord	13	583
----------------------------	----	-----

PROVINCIAL SERVICES—

Northbrook, Lord	13	592
------------------	----	-----

ROAD AND EDUCATIONAL CESS IN BENGAL—

Minutes as despatched from Her Majesty's Secretary of State for India's Despatch No 5 of 12th May 1870, by the following Members of his Council—

Currie, Sir F.	15	663
Halliday, Sir F. J.	15	669
Perry, Sir E.	15	661
Prinsep, Mr H. T.	15	665
Macaughton, Mr E.	15	660
Mangles, Mr R. D. E.	15	662
Montgomery, Sir H. E.	15	664

## NOTES—

## MR. LAING'S SCHEME—

	CHAP.	PAGE.
Nagpore Commissioner's Office Notification of levy of duty on Opium, Sugar, and Goor	2	24

## MR. MASSEY'S SECOND SCHEME—

Strachey, Colonel E.	4	51
Revenue Secretary, Madras	4	149

## MAYO'S MEASURE, EARL OF—

Ellis, Hon'ble B. H.	7	238
Financial Secretary, Government of India	5	208

*Reports on its operation—*

Rogers, Hon'ble A.	12	558
" " "	12	561
" " "	12	562
Ravenscroft, Hon'ble E. W.	12	560
Tucker, Hon'ble H. P. St. G.	12	560
" " "	12	561
" " "	12	562
Wodehouse, Hon'ble P. E., Governor of Bombay	12	557
" " "	12	561
" " "	12	563

## OPINIONS IN ENGLAND—

## MEMBERS OF THE SELECT COMMITTEE—

*Questions by—**Subjects*

Ayrton, Mr. (Chairman)	Cesses on Land Revenue	11	501
" "	" "	"	503
" "	" "	"	506
" "	" "	"	510
" "	" "	"	513
" "	Decentralization of Indian Finance	"	517
" "	Local Taxation	"	519
" "	Its expediency	"	521
" "	" "	"	526
" "	" "	"	540
" "	" "	"	541
" "	" "	"	544
" "	" "	"	549
" "	" "	"	551
" "	" "	"	552
" "	Irrigation Cess	14	524
" "	" "	"	526
" "	" "	"	528
Balfour, Sir G.	Local Taxation	11	521
" "	Decentralization of Finance . its expediency	"	544
Bazley, Sir T.	" "	11	538
Beach, Mr.	Cesses on Land Revenue	11	504
" "	Decentralization of Finance . its expediency	"	522
" "	" "	"	549
" "	" "	"	551
Bourke, Mr.	Cesses on Land Revenue	11	504
" "	" "	"	510
" "	Decentralization of Finance its expediency	"	524
" "	" "	"	538
Candlish, Mr.	Cesses on Land Revenue	11	514
" "	Decentralization of Finance its expediency	"	551
Cave, Mr. S.	Cesses on Land Revenue	11	501
" "	" "	"	503
" "	" "	"	504
" "	" "	"	513
" "	Irrigation Cess	14	529
Cochrane, Mr.	Decentralization of Finance its expediency	11	552
" "	" "	"	551
Cross, Mr.	Cesses on Land Revenue	11	510
Denison, Mr. B.	Cesses on Land Revenue	11	502
" "	" "	"	505
Dickenson, Mr.	Decentralization of Finance its expediency	11	543
" "	" "	"	545
" "	" "	"	548
" "	" "	"	549
Duff, Mr Grant,	Cesses on Land Revenue	11	503
" "	Decentralization of Finance its expediency	"	521
" "	" "	"	525
" "	Irrigation Cess	14	529
Eastwick, Mr.	Cesses on Land Revenue	11	505
" "	" "	"	516
" "	Decentralization of Finance . its expediency	"	529

OPINIONS IN ENGLAND—*continued*

MEMBERS OF THE SELECT COMMITTEE—*continued*

Questions by—

Subjects—*continued*

	CHAP.	PAGE		
Eastwick, Mr	Decentralization of Finance	its expediency	14	553
	Irrigation Cess		14	580
Elphinstone, Sir J	Cesses on Land Revenue		11	505
Fawcett, Mr.	"	"	11	502
"	"	"	11	510
"	"	"	11	511
"	Decentralization, Local Taxation		11	517
"	"	"	11	518
"	"	"	11	519
"	"	"	11	521
"	Decentralization of Finance	its expediency	14	524
"	Irrigation Cess		14	524
"	"	"	14	528
"	"	"	14	528
"	"	"	14	529
"	"	"	14	530
FitzMaurice, Lord E	Cesses on Land Revenue		11	515
Powler, Mr	Decentralization of Finance	its expediency	11	552
Grant, Mr	"	Local Taxation	11	519
Laing, Mr.	Cesses on Land Revenue		11	512
Lytelton, Mr.	"	"	11	515
"	Decentralization of Finance	its expediency	11	539
Northcote, Sir S	"	"	11	525
Smith, Mr. J. B	Cesses on Land Revenue		11	502
"	"	"	11	505
"	"	"	11	512
"	"	"	11	514
"	Decentralization of Finance	its expediency	11	544
"	"	"	11	545
"	Irrigation Cess		14	530
Wedderburn, Sir D.	Decentralization of Finance	its expediency	11	549
Wingfield, Sir C.	Cesses on Land Revenue		11	502
"	"	"	11	504
"	"	"	11	516
"	Decentralization, Local Taxation		11	520
"	"	its expediency	11	531
"	"	"	11	548
"	"	"	11	552
"	Irrigation Cess		14	524
"	"	"	14	526

OPINIONS IN ENGLAND—*Evidence given by the following Indian officials—*

CESSES ON LAND REVENUE—

Bengal, Mr B D Mangles			11	503
Bombay, Sir H B E Frere			11	501
British India, Mr S Laing			11	512
—Sir C J. Wingfield			11	513
British Burmah, Colonel Sir A P Phayre			11	512
Central Provinces, Mr J H Morris			11	504
Madras, Sir B A. Dallyell			11	515
Oudh, Sir C J Wingfield			11	506
Punjab, Sir E Montgomery			11	503

DECENTRALIZATION OF INDIAN FINANCES—

DaCosta, Mr			11	517
Laing, Mr S			11	516
Lawrence, Lord			11	521
—			11	553
Maclean, Mr J. M			11	552
Massey, Hon'ble W N			11	526
Strachey, Major-General R.			11	521
Trevelyan, Sir C E.			11	519
—			11	540

IRRIGATION CESS—

Lawrence, Lord			14	533
Strachey, Major-General R.			14	524

OPINIONS IN PARLIAMENT—

DECENTRALIZATION OF INDIAN FINANCES—

Argyll, Duke of			10	495
—			10	500
Cave, Mr Stephen			10	497



OPINIONS IN PARLIAMENT—*continued.*

DECENTRALIZATION OF INDIAN FINANCES—*continued.*

	CHAP.	PAGE
Denison, Sir C. B	10	499
Duff, Mr Grant	10	496
Salisbury, Marquis of	10	499
Northcote, Sir Stafford	10	495
Wingfield, Sir C	10	498

RESOLUTION—

EARL OF MAYO'S MEASURE—

<i>Government of India, Financial Department,—No. 3334 of 14th December 1870</i>	7	324
--	---	-----

ROAD AND EDUCATIONAL CESS IN BENGAL—

<i>Papers relating to the levy of a Road and Educational Cess in Bengal—</i>	15	634
--	----	-----

SCHEMES—

Cheaney, Colonel George, Sketch of a Scheme of Provincial Finance	6	211
Lang's, Mr S	2	2
Addendum to ditto	2	673
Mr Massey's First	3	29
Second	4	51
Strachey, Colonel R., Exposition of Mr Massey's Second Scheme	4	15
Temple, Sir Richard, Sketch of a system of localization of finance	5	197
Wilson, Right Hon'ble James	1	1

STATEMENTS, APPENDICES, &c —

MR. MASSEY'S SECOND SCHEME—

*Colonel R. Strachey's Exposition of the Scheme—*

No 1 Proposed transfer of charges based on estimates of 1867-68	4	58
" 2 " " " revenues " " " "	4	59
" 3 Balance of revenues transferred to Provincial Account	4	60
" 4 Actuals and Estimated Public Works Charges	4	61
" 5 Modifications required to be made	4	62

*Financial Secretary's Note—*

No A—Gross Charges of British India	4	88
" B—Net Revenue and Net Expenditure of British India	4	89
" C—Details of certain heads of charge lumped together in Statement A	4	90
" D—Explanatory of paragraph 17 of this Note	4	91

*British Burma—*

Statement of Income derived from Income Tax, License Tax, and Capitation Tax in British Burma	4	132
Statement of details of local tax in British Burma for 1866-67	4	134
" No 1 of proposed transfer of charges to Provincial Account	4	136
" 2 " " " revenues " " " "	4	137
" 3 Balance of revenue transferred to Provincial Account which would be available for expenditure on Public Works	4	138

*Central Provinces—*

Statement A—Transferred Charges	4	114
" B—Assigned Revenue	4	115
" C—Land Revenue from which an aliquot part might be assigned to each Provincial Budget	4	116
Statement D—Charges which might be borne by the Imperial Budget	4	117
" E—Revenues, " " " "	4	118
" F—Transferred Charges " " " "	4	119
" G—Assigned Revenues	4	120

*Madras Presidency—*

Proposed distribution of assignments to the several provinces of India	4	161
Cost of the police in each division of the Empire	4	162
Budget grants to each province	4	163
Particulars of Jails, Receipts and Expenditure, 1867-68	4	164
" Educational Expenditure	4	165
" Medical Services	4	166
" Stationery and Printing " " " "	4	16
" Miscellaneous " " " "	4	16
" Minor Public Works Charges	4	16
" Public Works Assignments	4	167
" New Civil Buildings	4	16

STATEMENTS, APPENDICES, &c—continued.

MR MASSEY'S SECOND SCHEME—continued

Madras Presidency—continued

	CHAP.	PAGE
Statement showing what would be the result of the Financial Secretary's proposal in 1868-69 as regards Madras	4	168
Interest payable on service funds and other accounts	4	173
Particulars of Grants per Imperial Budget	4	174
Marine Expenditure for all India	4	175
Public Works Ordinary	4	176
Stores purchased in England	4	177
Revenues available	4	178
Budget Item XVII Interest	4	179
Revenues of Minor Administrations	4	178
Contribution of each province under the proposed arrangement	4	179
Proportion which the Public Works Grant of each province bears to its Gross Revenue	4	181
Abstract of the result as regards Madras of carrying out the proposed principle in 1868-69	4	181
Statement A.—Return of Local Funds in Madras	4	183
"    B.—Imperial Revenue and Expenditure in Madras	4	184
"    C.—Provincial Revenue	4	185
"    D.—Provincial Expenditure	4	185

North-Western Provinces—

Statement of local revenues and charges, 1867-68	4	122
--	---	-----

Oudh—

Statement of Expenditure, 1861-62 to 1867-68	4	123
"    "    Public Works	4	124
"    "    Railways	4	124
"    "    Civil Charges	4	124
"    Estimated Receipts from Provincial Local Funds in Oudh	4	123

Punjab—

Statement A.—Proposed Transfer of Revenues and Charges from Imperial to Local Account	4	144
Statement B.—Anticipated Income from Local Taxation in 1867-68	4	145

EARL OF MAYO'S MEASURE—

Statements of Charges which must be undertaken by Local Governments and Administrations in 1871-72—

Bengal	7	244
Bombay	7	247
British Burmah	7	251
Central Provinces	7	252
Madras	7	249
North-Western Provinces	7	250
Oudh	7	248
Punjab	7	253

LOCAL CASSES—

Assam—

Statement of Land Revenue demand in Assam from 1856-57 to 1873-74	9	468
---	---	-----

Bengal—

Statement of distribution of means of communication in 1862-63	9	456
"    of total outlay on communications in Bengal from 1861-62 to 1874-75	9	457

Bombay—

Statement of Estimated Expenditure compared with the Estimated Receipts of Provincial Funds for 1871-72	9	441
---	---	-----

British India—

Statement of Receipts from Cesses on Land Revenue from 1863-64 to 1875-76	9	491
"    of Receipts from Land Revenue and Cesses on Land Revenue from 1870-71 to 1875-76	9	493
Statement of Receipts on Cesses on Land Revenue distributed under various heads per actuals for 1875-76	9	494

North-Western Provinces—

Statement of estimated yield of acreage cess	9	463
"    "    10 per cent cess	9	463

Oudh—

Statement of cost of rural police from 1868-69 to 1873-74	9	470
"    of estimated proceeds of Cesses in Oudh, 1875-76	9	471

## STATEMENTS, APPENDICES, &amp;c.—concluded.

	CHAP.	PAGE.
<b>EARL OF MAYO'S MEASURE—</b>		
<i>Minutes and correspondence relative to its introduction—</i>		
<i>North-Western Provinces—</i>		
Statement of estimated charges and receipts ... ..	7	296
Estimated yield of cesses on Land Revenue in the temporarily settled districts ... ..	7	302
Local Charges and Receipts ... ..	7	306
<i>Report of Local Taxation Committee, North-Western Provinces—</i>		
Appendix 1.—Abstract of information regarding intermediate tenures and division of landlords' profits in the Benares Division ... ..	7	314
Appendix 2.—Memorandum on the liability of the domains of the Rajah of Benares to any further demand on account of local expenditure ... ..	7	315
Appendix 3.—Abstract of answers to Commissioner of Allahabad's circular calling for information respecting the recorded and unrecorded irregular cesses levied in the districts of the Allahabad Division ... ..	7	317
Appendix 4.—Number of towns containing more than 2,000 inhabitants with the percentage of such towns in which Act XX of 1876 or VI of 1868 is in force ... ..	7	319
Appendix 5.—Proposed rules for levy of fees on arms licenses ... ..	7	320
"    6.—Introduction of Act III of 1869 ... ..	7	323
"    7.—Income, expenditure, and surplus from the Municipal Cess ... ..	7	324
<i>Punjab—</i>		
Statement A.—Census Report ... ..	7	283
<i>Sir Richard Temple on Local Finance—</i>		
Appendix 1.—A Bill for the registration of marriages ... ..	7	230
<i>Resolution of 14th December 1870—</i>		
Appendix A.—Assignments for Provincial Services ... ..	7	330
B.—Schedule of works for which separate funds will be hereafter provided from the Imperial Revenue ... ..	7	331
<i>Sir Richard Temple's Financial Statement—</i>		
Statement of distribution of sums allotted for Provincial Services ... ..	8	340
<i>Sir Richard Temple's scheme of localization of Indian Finance—</i>		
Note by the Financial Secretary. Statement of sums contributed by Madras and Bombay towards civil expenditure ... ..	5	210
<i>Reports by Local Governments—</i>		
<i>Bombay—</i>		
Statement of percentages on the gross and net revenues of the Bombay Presidency ..	12	564
<b>MINUTES AND NOTES IN 1872 AND 1873—</b>		
Annexure to Minute of Lord Napier of Merchistoun of 3rd May 1874 ... ..	13	546
Table to illustrate approximately propositions in Sir John Strachey's Note of 28th July 1872 ... ..	13	591
<b>ROAD AND EDUCATION CESS IN BENGAL—</b>		
Net receipts from taxation from 1st May 1861 to 31st March 1867 ... ..	15	647
Net cost of Local Administration for the same period ... ..	15	64
Contrasting with one another, the five principal Governments, the expenditure on education for the 11 months of 1866-67 ... ..	15	651

PROVINCIAL AND LOCAL FINANCE—SYNOPSIS OF SCHEMES, &c.

PAGE	PAGE
<p><b>WILSON, MR. JAMES—SCHEME OF—</b>  Proposes a tax on incomes of three per cent for the public treasury and of one per cent for strictly local purposes ... 1  Municipalities to have a voice in the appropriation of the latter ... <i>ib.</i>  Rule observed in the United States relative to property tax ... <i>ib.</i>  No record of any full exposition of this scheme ... <i>ib.</i></p> <p><b>LAING, MR. S.—SCHEME OF—</b>  <b>CIRCULAR of March 1861 to all Local Governments</b> ... 2  Reviews the financial position ... <i>ib.</i>  Retrenchment necessary ... <i>ib.</i>  Deficit of £300,000 sterling, less produce of license tax ... 3  Tax on arts and trades insufficient to meet the deficit ... <i>ib.</i>  Measures for restoring the equilibrium ... <i>ib.</i>  Proposal to make over to Local Governments certain objects for local taxation ... <i>ib.</i>  Consent of Governor General in Council requisite before the imposition of any new tax ... <i>ib.</i>  Local taxes only permitted when they do not interfere with imperial taxation; ... <i>ib.</i>  or with objects of general utility ... <i>ib.</i>  Tobacco might be handed over to Local Governments as a subject for local taxation ... <i>ib.</i>  Other subjects may present themselves to different Governments for local taxation ... 4  The scheme goes further than the immediate object of relief to the Imperial Treasury, it will lay the foundation for a larger degree of financial management ... <i>ib.</i></p> <p><b>FINANCIAL STATEMENT of 27th April 1861—</b>  Expounds the scheme ... 5  Considers that certain subjects are better dealt with by local than by imperial taxation ... <i>ib.</i>  Tobacco for instance, or octroi, for reasons stated ... <i>ib.</i>  Every proposal for taxation must be subject to sanction by the Governor General in Council and by the Legislative Council when a law is required ... <i>ib.</i>  Local Governments are able and willing to raise considerable sums by small and comparatively unfelt local taxes for local objects ... <i>ib.</i>  Local Governments would get not only powers of local taxation, but possibly be credited with a liberal share of reductions of expenditure ... 6</p> <p><b>REPORT TO THE SECRETARY OF STATE, in letter of 2nd May 1861—</b>  Describes features of the scheme, in adopting it, had to consider whether local taxation should be abandoned by reverting to the license tax, or whether the latter should be deferred until it could be con-</p>	<p><b>LAING, MR. S.—SCHEME OF—continued</b>  <b>REPORT—continued.</b>  sidered in conjunction with an amended income tax ... 6  The latter alternative preferred, because further extension of the income tax should be carefully considered, it sufficing for the present that the income tax has established a great principle, that capital and trade should be taxed as well as the land ... <i>ib.</i>  Difficulties inherent in the raising of £600,000 sterling by the proposed income tax ... 7  <b>BENGAL, Government of, dated 4th May 1861</b> ... 8  Subject of local taxation fully discussed at a meeting of the Board of Revenue ... <i>ib.</i>  Cordially accepts the offer to make over certain subjects for the purpose of raising additional revenue ... <i>ib.</i>  Tobacco has always appeared to the Lieutenant-Governor a fit subject for taxation, three modes by which it can be taxed ... <i>ib.</i>  Remarks on tobacco apply equally to pawn ... 9  Proposes a horse and wheel tax, including elephants, camels, and pack-bullocks ... <i>ib.</i>  Asks permission to retain for local objects any increase of abkari tax ... <i>ib.</i>  Bengal will be able to contribute from local taxation 15 lakhs ... 10  Suggests that a short Bill be passed empowering the Local Government to license the growth of tobacco in certain districts ... <i>ib.</i>  Machinery for collecting taxes on tobacco is already available ... <i>ib.</i>  <b>INDIA, Government of, dated 17th May 1861</b> ... <i>ib.</i>  Accepts the contribution from the Government of Bengal; promises to consider the proposal for horse and wheel tax; objects to a division of abkari tax between Imperial and Local Governments; considers a tobacco monopoly inexpedient ... <i>ib.</i>  Sanctions the preparation of a draft Bill to impose a license upon the cultivation of tobacco and betel-leaf ... 11  Pawn and tobacco tax; objections to the draft Bill by the Hon'ble Messrs. Forbes and Harrington ... 13  Amended draft Bill submitted by the Government of Bengal approved, and its introduction authorised ... 18  <b>ODDH, dated 22nd May 1861, from Secretary to the Chief Commissioner of—</b> ... <i>ib.</i>  Trade tax in, is a local tax applied to imperial purposes; its legalization is desirable ... <i>ib.</i>  Division of existing taxes into imperial and local ... 19  Unequal bearing of existing taxation on Oudh and adjoining districts of the North-Western Provinces ... <i>ib.</i>  Rs. 3,00,000 shown as the produce of existing local taxation applicable to local purposes ... <i>ib.</i>  which contrasts favourably with Bengal ... <i>ib.</i></p>

	PAGE		PAGE
LAING, MR. S.—SCHEME OF— <i>continued.</i>		LAING, MR. S.—SCHEME OF— <i>concluded.</i>	
ODDH— <i>continued.</i>		NAGPORE— <i>continued.</i>	
Claims three lakhs of assessed taxes and exemption from further taxation until the adjoining provinces come up to the present standard	20	Tobacco; remarks on the imposition of a tax upon—	22
Observations on a tobacco tax, can only be levied in common with the North-Western Provinces	ib.	License tax, moderate scale of, will be the best policy	ib.
Saccharine products a tax could be levied, but does not recommend it	ib.	Inquiry whether the Local Administration might not be empowered to regulate the sale of tobacco and snuff, wholesale and retail, by a system of annual licenses	23
Unable to suggest any other	ib.	Memorandum—Salt, yield of, estimated at Rs. 1,50,000; opium, sugar, and goor, from Rs. 30,000 to Rs. 40,000	ib.
A tax on raw produce within the country of its production highly impolitic; unless the proceeds of such tax be laid out in promoting growth of the article taxed; or its carriage to market	ib.	Notification of a levy of customs duty on all opium, sugar, and goor manufactured or imported for consumption into the Nagpore territory, dated 22nd May 1861	ib.
Proposes revising the assessed taxes, and considering any means of increasing their yield	ib.	INDIA, Government of, dated 28th June, replying to the Commissioner of Nagpore	24
BRITISH BURMAH, dated 6th April 1861, from Colonel Phayre, Commissioner of Pegu	21	Approves of the proposals respecting opium, sugar, goor, and tobacco, also of the proceeds of tax upon salt being finally placed to the account of the Local Government, but the arrangement can only be allowed for the current year	ib.
Not safe to impose any new tax, or to increase the rate of any existing tax in the province	ib.	Local taxation of salt permitted as a means of making good the whole assignment made	ib.
Unable to mention any local tax adequate to cover the expense of constructing the useful works contemplated and specified	ib.	NORTH-WESTERN PROVINCES, dated 21st May 1861, from Sir George Couper, Bart., Secretary to the Government of the—	ib.
A tax on tobacco would probably produce a small sum	ib.	A tobacco tax quite feasible, probable yield cannot be estimated on it, may give 6 or 8 lakhs	25
Hopes that the one per cent. collected under section 3, Act XXXI of 1860, would be available for the works enumerated;	ib.	most convenient mode of levy, Chowdries and guilds might be taxed for monopoly privileges; probable yield 3 lakhs	ib.
would prefer postponing the execution of such works, or raising some local fund for each local work from the neighbouring population, to making out any new scheme of taxation	ib.	A horse and wheel tax might be levied, but cannot recommend the measure	ib.
People already pay as much as they can bear	ib.	Remarks on the imposition of purely local or district taxes for local objects	26
INDIA, Government of, dated 17th May 1861, replying to the Commissioner of Pegu	ib.	Octroi or proper town duties not extending to merchandise in transit is the most acceptable form in which a local tax can be raised	ib.
Instructions will be given hereafter as to the amount collected under the one per cent. tax, but it is not available for the purposes suggested	ib.	BOMBAY, Government of, dated 17th September 1861—	27
Government has no wish to press the question of local taxation	ib.	Advocates a duty on wool and a light tax on cotton	ib.
NAGPORE, dated 22nd May 1861, from Major E. K. Elliot, Commissioner of—	22	Is unable to recommend any but indirect taxation in the shape of light customs duties, which however do not appear to meet the approval of the Government of India	ib.
Considers that there might be transit duties	ib.	INDIA, Government of, dated 11th October 1861—	ib.
of Rs. 10 per <i>cutcha</i> maund on all opium...	ib.	Objects to the imposition of an export duty on wool or any other article of Indian produce of which India has no monopoly	29
of Re. 1 per maund on all sugar,	ib.	FINANCIAL STATEMENT of 15th April 1862—	
and of 4 annas to 6 annas per maund on goor;	ib.	If the income-tax were to be perpetual, would rather see it transformed into a local, than continued as an imperial tax	ib.
but in such case the town duty for municipal purposes should be considerably reduced	ib.	The great branches of expenditure are imperial, and the great branches of revenue must remain imperial also	ib.
Sugar pays at present as <i>kurana</i> a town duty of Rs. 4 the load	ib.	There is a wide field both of revenue and expenditure which is properly local, and which must be met locally, or not at all	ib.
Goor pays a duty of one rupee the load	ib.		
Copy of memorandum on the levy of duty on salt, opium, sugar, and goor, under transmission to the Deputy Commissioner, and copy of a notification that will accompany it	ib.		
Rates of town duty levied in Nagpore, Kamptee, the <i>sudder</i> stations of districts, and some of the chief <i>quasbaks</i> in the province on opium, sugar, and goor...	ib.		

MASSEY, HON'BLE W. N.—FIRST SCHEME.	PAGE	MASSEY, HON'BLE W. N.—FIRST SCHEME—continued.	PAGE
CIRCULAR to Local Governments and Administrations, dated 21st February 1866 . . .	29	BENGAL—continued.	
The financial position renders it expedient to make provision for a permanent addition of a million sterling at least to the existing revenue . . .	ib.	An octroi duty not suitable to any town in Bengal . . .	33
Exposition of the scheme whereby Local Governments will be required to take over £1,200,000 sterling of imperial charges, and then proceed to raise that amount of revenue . . .	ib.	A considerable revenue might be raised without much difficulty by licensing the cultivation of tobacco and pawn . . .	ib.
Scheme of 1861 for local taxation was laid aside for reasons stated . . .	ib.	NORTH-WESTERN PROVINCES, dated 8th March 1866, from the Hon'ble E. Drummond, Lieutenant-Governor of the—	ib.
Indian territory is unfitted for the application of a uniform fixed system of taxation . . .	ib.	Additional taxation inexpedient . . .	ib.
The heads of Imperial charge to be transferred would be Education, Police, Jails, Public Works, including Repairs and Maintenance . . .	ib.	English system of local taxation not applicable to India . . .	ib.
Sources of local taxation suggested, viz., license tax, horse tax, octroi, and a succession duty . . .	ib.	Distribution of imperial charges to Local Governments not fair . . .	34
CENTRAL PROVINCES, dated 5th March 1866, from the Chief Commissioner of the—	ib.	Is strongly opposed to direct taxation in any form . . .	35
Scheme quite feasible, but Central Provinces might be let off cheaply, local taxation being already imposed, such as the pandhau tax, the yield of which can be increased by ½ lakhs . . .	30	An increase of duty on salt would be a mercy to the people, if it saved them from the evils of direct taxation . . .	ib.
The several taxes suggested in the Circular are unobjectionable . . .	ib.	A license tax would injure more than it would help the Government . . .	ib.
Cannot suggest any other tax . . .	31	A house tax already exists; it has recently been raised as much as the existing law will permit, but it is extremely unpopular . . .	ib.
BENGAL, dated 8th March 1861, from the Hon'ble Cecil Beadon, Lieutenant-Governor of—		An octroi duty has already been resorted to as a substitute for the unpopular house tax, it is unsound in principle, and is liable to degenerate into a transit duty, but it is popular . . .	ib.
Hopes that on further enquiry the grounds for making provision for an addition of at least a million sterling to the existing revenue may be found fallacious . . .	32	A succession duty produces nothing . . .	ib.
Bengal should not be required to contribute 30 lakhs as proposed . . .	ib.	Cesses on land revenue recommended in the settlements now in progress, they would yield eventually 5 or 6 lakhs . . .	ib.
Provincial taxation discussed, the system of, would not differ from imperial taxation; . . .	ib.	Further taxation at the present time is decidedly inexpedient . . .	ib.
the time has arrived to have recourse much more largely than hitherto to local taxation, . . .	ib.	Summary of report . . .	ib.
not for the relief of imperial finances, but for the internal improvement of the country; district roads wanted, . . .	ib.	Is not favourable to the proposed transfer of imperial charge to local account, unless the local liability is clearly established and admitted . . .	ib.
local funds utterly insufficient for the repairs of those that exist; . . .	ib.	ODISHA, dated 13th March 1866, from C. Wingfield, Esq., Chief Commissioner of—	
funds required in each district must be raised by a rate upon property in the district itself, . . .	ib.	A license tax most suitable; it might be graduated from a maximum of Rs 1,000 to a minimum of Rs. 5; it would reach the non-agricultural population, and it is on them the burden would fall . . .	ib.
people will object less to the payment of a municipal rate if it be expended for their benefit and under their control, than to the payment of a general tax for general purposes, whether they be provincial or imperial . . .	ib.	A house tax would be felt oppressively . . .	36
Proposes an additional tax on salt, . . .	ib.	Octroi, averse to its extension . . .	ib.
at four annas a maund, it would yield 20 lakhs . . .	ib.	Succession duty, unobjectionable, but it would yield next to nothing . . .	ib.
Remarks on the imposition of a license tax . . .	33	Horses and ponies might be taxed, should a license tax fail to bring in the required amount . . .	ib.
A house tax might be substituted for a tax upon salt, it would give 20 lakhs . . .	ib.	On the general question of taxation, favours an income tax on the plan of Mr Harrington's draft Bill introduced in 1859 . . .	ib.
A succession duty on lakshuraj lands not suitable for local purposes . . .	ib.	MADRAS—Minute by the Governor of, dated 20th March 1866 . . .	37
An income tax, if raised, should be imperial and universal . . .	ib.	Considers it would be wiser on the part of the Government to face the difficulty boldly, and to devise some scheme by which the annual increase of charge will be met by an equivalent increase of revenue, than to have recourse to expedients like those suggested in Mr Massey's letter . . .	ib.
		English system of taxation inapplicable to India . . .	ib.
		Summary of existing measures for raising local funds . . .	ib.

PAGE	MASSEY, HON'BLE W. N.—FIRST SCHEME—continued.	PAGE	MASSEY, HON'BLE W. N.—FIRST SCHEME—concluded.
	<b>MADRAS—continued</b>		<b>BOMBAY—continued.</b>
	The taxes suggested by Mr. Massey have been partly anticipated and are partly objectionable ...	37	to come, annually increase, as the old thirty-years' settlements fall in, but will not be available for the general purposes of the State, as it is pledged to make and maintain local roads and local schools ...
	Hon'ble T. Pycroft, and Hon'ble H. D. Phillips concur, local taxation for local objects has reached its limits ...	38	The trading and artisan classes should be brought under contribution by a light classified tax on trades and professions, somewhat similar to the license tax ...
	<b>PUNJAB, dated 30th May 1866, from the Lieutenant-Governor of—</b>		In the larger towns the higher classes of the commercial community should be reached by something more like an income tax ...
	The license tax may be made to yield more than the 8 lakhs realised from it in 1864 ...	ib.	Relief afforded to the Imperial Exchequer by the extension of Municipalities ...
	A house tax would be exceedingly unpopular Octroi duty is already in force to the full extent it can prudently be imposed ...	39	Local taxation imposed during the last two or three years, if it has not relieved the budget of old imperial charges, has greatly diminished the prospective pressure on it ...
	Succession duty easily leviable, and quite in accordance with the feelings of the people ...	ib.	Remarks on the general object of bringing the imperial finances into an equilibrium by either reducing imperial outlay, or increasing imperial income, viz.,—
	In addition, there could be levied—		Army ...
	1st, a license fee on marriages;		Public Works ...
	2nd, a duty on trade crossing our North-Western frontier into British territory;		Opium ...
	3rd, a tax upon tobacco, quite feasible;		Telegraph ...
	4th, a ghee tax recommended ...	ib.	Land Revenue ...
	The sum of Rs. 11,38,870 may without any serious difficulty or pressure be raised; provided the mode of raising it be left to local determination; ...	ib.	Customs ...
	and the authority requisite be conferred ...	ib.	<b>FINANCIAL STATEMENT, Mr. Massey's, of 5th March 1867; extract from—</b>
	A very decided desire of the people to cooperate with the officers of Government in such matters ...	ib.	Government, without giving a definite pledge, does not propose that this license tax shall form a permanent source of the imperial revenue; ...
	Instances of voluntary contribution cited, and to what cause attributed ...	ib.	during first year it will be collected and credited like any other tax; ...
	<b>BOMBAY—Minute by Sir H. B. E. Frere, Governor of, dated 25th November 1866 ...</b>	40	it is better suited to local purposes than to the general purposes of the State; ...
	Mr Massey has under-estimated his requirements at one million sterling; ...	41	in another year the tax will be transferred to the several Local Governments and Administrations ...
	his scheme has little in common with the previous projects of Mr. James Wilson and Mr. Laing, inasmuch as they contemplated new local taxation for fresh expenditure, whilst Mr. Massey proposes it in relief of existing imperial expenditure; but if he would re-impose the income tax, and transfer it to Local Governments, his scheme would work satisfactorily ...	ib.	The local charges which it is proposed to transfer to Local Governments are the most unsatisfactory part of the budget ...
	The one per cent. tax was meant to be permanent ...	42	Local Governments will in future determine their own expenditure, so far as it concerns merely local objects ...
	Objections to the income tax discussed ...	ib.	Many sources of revenue might be made available for local purposes which cannot be raised for imperial objects ...
	Tax on trades and professions useful and unobjectionable ...	44	<b>MASSEY, HON'BLE W. N.—SECOND SCHEME.</b>
	House tax feasible ...	ib.	<b>STRACHEY, COLONEL R.—</b>
	Octroi very objectionable ...	ib.	Exposition of the scheme ...
	An equivalent to the succession duty is already in force by the summary settlement of <i>inam</i> lands; a succession duty on all property would be a just and productive tax ...	45	Manner in which the measure, should be carried out ...
	Summary of what has already been done to increase local funds ...	ib.	The financial position of the Central Authority should by degrees be brought to assimilate generally to that of the United States Central Government ...
	Cart or wheel tax recommended ...	ib.	The essence of the present proposal is to transfer, not only charge, but revenue also, to meet the charge ...
	One <i>anna</i> cess on land revenue, lately introduced, held to be an unobjectionable mode of raising funds in rural districts for roads and education, it reaches every cultivator paying land tax to Government, and its imposition after the introduction of a settlement is not a breach of settled engagements. The total income from this source will, for some years		Such transfers to be final ...
			No claims for additional funds to meet increased expenditure under the heads of charge transferred to be attended to ...

PAGE	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>	MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>
STRACHEY, COLONEL R.— <i>continued.</i>	STRACHEY, COLONEL R.— <i>concluded.</i>
All such increases to be met from the expansion of the revenue transferred or from additional local taxes ...	Statement No 5, showing modifications required to be made if the share of net land revenue transferred was calculated after making a deduction of all alienations and refunds as well as charges of collection ...
52	62
Regarding the expediency of adding to the sums now available for local expenditure by means of local taxation ...	MASSEY, HON'BLE W. N.— <i>Minute, dated 7th September 1867—</i>
53	The first scheme was not very favourably received by the several Local Governments and Administrations ...
Charges proposed for transfer estimated at £1,569,900 ...	63
53	With the exception of Madras, they all agreed that the plan was practicable ...
Corresponding transfers of revenue estimated at £2,765,800 ...	54
54	Submitted a modified scheme in January last for the transfer to Local Governments of a few heads of charge exclusively of a local character, amounting in the aggregate to £3,000,000, accompanied by a license tax. This having been assented to as an experimental measure, was postponed on account of the state of the finances ...
which, after providing for the civil charges, will leave a residue of £1,195,400, applicable to Public Works ...	55
55	The license tax appropriated at present to the exigencies of the Government of India ...
All the provinces of India being thus placed on a common footing, there would seem to be no reason why Bengal should not be called upon to contribute an additional cess for road construction, notwithstanding the permanent settlement of the revenue ...	56
56	The best mode of restraining the branch of public expenditure which relates to local services, within certain limits, is by assigning to Local Governments the administration of, and responsibility for, them ...
Public Works expenditure proposed for transfer ...	57
57	Certain portions of revenue allocated to the several Governments and Administrations ...
Public Works excluded from the proposals	58
Aggregate of the Public Works charges which it is proposed to transfer ...	58
58	LAWRENCE, LORD, <i>Governor General of India—Minute, dated 7th September 1867—</i>
Excess of expenditure over revenue assigned, how to be dealt with ...	59
59	Somewhat doubtful of the advantage of the arrangement, but is not prepared to oppose it; ...
Local Financial Departments to be organised under each Local Government ...	60
60	after circulation, the question might be considered in Council ...
Redistribution of the income and expenditure of local funds necessary ...	61
61	61
The revenue and charges transferred would at once pass into the condition of provincial expenditure and revenue, and would then be exclusively administered by the Local Governments ...	62
62	DUBAND, MAJOR-GENERAL SIR H. M., <i>dated 9th September 1867—</i>
Provincial budget would exhibit the whole of the estimated public income and outlay of each province in respect to items not retained under the Central Government ...	63
63	Cannot assent to a great deal in Colonel Strachey's memorandum ...
It is absolutely essential to place provincial accounts on a perfectly sound basis as indicated ...	64
64	64
The form of imperial accounts for the first year should not be changed, in order to avoid the risk of confusion during the transition state of things ...	65
65	Assembly of a Congress of the ablest men that Bombay, Madras, Bengal, and the Punjab could depute, under the presiding control of the Financial Member in Calcutta, suggested; but holds himself absolutely free with regard to any decision to be arrived at by the Government of India ...
Remarks on the exercise of a proper control over the provincial expenditure transferred ...	66
66	The Financial system cannot be dealt with in an off-hand manner ...
Remarks on the dealing with provincial revenues ...	67
67	Observations on the weakening of the control of the Government of India, and the feeling which has arisen at minor Presidencies with respect to that control ...
Rules regarding the creation of establishments would not for the present be altered ...	68
68	68
The Government of India would not surrender its right of withdrawing from the Local Governments any needful revenues in case of emergency ...	69
69	MASSEY, HON'BLE H. S., <i>dated 10th September 1867—</i>
Statement No. 1, of charges transferred..	70
70	Thinks it useless to engage in a paper discussion ...
Statement No. 2, of revenues transferred	71
71	Entirely agrees with the proposal, only doubts whether it goes far enough ...
Statement No. 3, amount available for expenditure on Public Works and proposed application of it ...	72
72	MANSFIELD, SIR W. R., <i>dated 10th September 1867—</i>
Statement No. 4, actuals and estimated Public Works charges with the proposed balance of revenue available to meet such charges ...	73
73	Trusts that the measures favoured by Mr. Massey, and so ably sketched by Colonel Strachey, may be pushed forward to completion after due investigation of details ...



	PAGE		PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i>		MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i>	
TAYLOR, HON'BLE G. N., dated 11th September 1867—		FINANCIAL SECRETARY'S NOTE— <i>continued</i>	
In favour of practically introducing the principles of the scheme; inclines to Sir Henry Durand's view of the assembly of a Congress	64	Remarks on the financial control of the Government of India, and rebuts the charge of weakness	71
YULE, HON'BLE SIR G. U., dated 12th September 1867—		Danger of the transfer of a million of Public Works charge, with an equal amount of land and other revenue, to the Local Governments	84
Concurs in the views of Mr. Massey	ib.	Observations regarding the expediency of the transfer of large grants to Local Governments	85
Observations on the evils of the present system of finance	85	Inexpediency of the Accountant General being brought into close relation with the Local Government, as its Financial Secretary	87
MAINA, HON'BLE H. S., dated 3rd September 1867—		Statements—A, Gross revenues and charges of British India	88
Observations on the recent working of our system of financial control	ib.	B, Net revenue and net expenditure of British India	89
The scheme appears to be as remarkable for its moderation as for any other characteristic; the principle sought to be applied has long since been recognised	ib.	C, Details of heads of charges lumped together in Statement A	90
Observations on cesses for local purposes	66	D, Explanatory of paragraph 71 of the Note	91
Local funds may safely be augmented to the amount of English county expenditure	ib.	LAWRENCE, LORD, <i>Viceroy and Governor-General</i> , dated 27th September 1867	ib.
Remarks on the argument derived from the alleged extravagance of Local Governments	ib.	The enlargement of local responsibility to an indefinite extent inexpedient	ib.
Local Governments have yet to acquiesce in the sense of financial responsibilities which can only be created by some such plan as is before us	ib.	To a certain extent the responsibility of managing local revenues and local expenditure should devolve on Local Governments	ib.
Comments on the nearly exclusive financial control now exercised by the Government of India	ib.	Demurs to the position that this should absolutely be the case	ib.
Advantage in appropriating a considerable part of the revenues of India to the needs of Local Governments	ib.	"Entire responsibility" would eventuate in an absence of all responsibility in practice	ib.
Indian Public Debt mainly incurred through imperial, and not through local extravagance	67	The possible action of Local Governments when vested with "entire responsibility"	ib.
CIRCULAR of 19th September 1867, to all Local Governments and Administrations	ib.	Would raise no objection to a change, if it can be shown that the present system works ill, and unduly fetters the local authorities	92
Summary of proposal of February 1866; practicability of the scheme generally acknowledged, but a disposition to object to the transfer of charge without a simultaneous transfer of revenue with which to meet the charge, caused the issue of Circular No 1211 of 6th March 1867	ib.	Variable character of public opinion on this question	ib.
The whole subject of the scheme has again been carefully re-considered	ib.	Local responsibility and central supervision do now exist in tolerably fair proportions	ib.
Mr Massey has seen reason to modify his original views, and at the same time to enlarge the scope of his proposals	ib.	Complete local responsibility and a supervising authority of a useful character cannot co-exist	ib.
Explanation of these enlarged and revised proposals	ib.	The system of the United States is not applicable to India	ib.
Specific expressions of opinion called for on certain enumerated points	68	Personal responsibility has, in practice, no influence on the minds of many rulers	ib.
SECRETARY OF STATE—Scheme reported to, in letter No. 209 of 19th September 1867	69	Cannot perceive anything in the proposed change on which to base any hope of improvement,	ib.
FINANCIAL SECRETARY'S NOTE of 28th September 1867—		the change would lead to a double system of accounts and, so far, to useless expenditure,	93
Observations on two propositions in Colonel Strachey's memorandum not necessarily connected	70	it might entail delay, and perhaps confusion, in the preparation of those accounts	ib.
The minor propositions for enlarging the powers of Local Governments seem unobjectionable	71	Observations on the expectation that the items of revenue when transferred to Local Governments will prove more elastic, and therefore more productive	ib.
Serious exception taken to the second proposal for surrender to them of large classes of expenditure, with a corresponding amount of revenue	ib.	Under the proposed system there would be less friction, less frequent collision, than formerly between the Government of India and Local Governments,	ib.

	PAGE
MASSEY, HON'BLE W N.—SECOND SCHEME— <i>continued.</i>	
LAWRENCE, LORD— <i>continued.</i>	
not from any real improvement which will have been effected in their relations, but simply from giving up control by the former	93
So far as any supervision will remain, the former state of things will only be somewhat aggravated	ib.
There has been scarcely any collision between the controlling power and the subordinate Governments of India	ib.
The probable issue, were such controlling power withdrawn, described	ib.
The struggle on the question of income would become intensified	ib.
The root of the evil stated	ib.
Taxation must be resorted to, but not extended beyond actual necessities	ib.
The question of taxation opens another door to a very bitter controversy as to what that taxation should be	94
Relations of the Government of India with Local Governments (per statement ordered to be drawn up) will show that, except in the Public Works Department, and perhaps in that of Finance, the system of centralization is of a very moderate character	ib.
DURAND, MAJOR-GENERAL SIR H. M., dated 7th October 1867—	
Observations on the question of financial control	95
Radical change of the existing carefully elaborated financial system held to be pernicious and most inexpedient when wholly unnecessary	ib.
Comments on the alleged ephemeral character of the Indian Government in all its parts and the vague charge of liability to "special crochets"	ib.
Fails to see any analogy between English county expenditure and American States Administration	96
Remarks on the control and supervision over public works of magnitude	ib.
Deprecates the reduction of the authority and power of the Governor General in the effective control of the imperial revenue	97
Mr Lushington's Note held to be a very sound exposition of the existing system	ib.
Concurs in most of the observations contained in the Minute of Lord Lawrence	ib.
SECRETARY OF STATE—Reporting further to, in letter No 223 of 7th October 1867, and in continuation of despatch of 19th September 1867	ib.
MASSEY, HON'BLE W. N., dated 10th October 1867—	
Objections recorded by the Viceroy necessitate his making some addition to his Minute of 7th September last	ib.
Was influenced to put forward his scheme, only in a minor degree, by the theoretical propriety of conceding to Local Governments the financial management of their own affairs	ib.
If it can be shown that the present system works well, or that the proposed change would not work better, is content to abandon the scheme	ib.

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>	
MASSEY, HON'BLE W. N.— <i>continued.</i>	
Observations on the Governor-General's opinion that the public revenues are reasonably well administered under the existing system, and that any considerable relaxation of the control now exercised over the expenditure of Local Governments will result in extravagance and waste	97
At issue with His Excellency on points adverted to	ib.
Existing Financial administration most insufficient	ib.
Relative positions of the Government of India and of a Local Government are in this respect antagonistic	98
The tendency of the former is to guard the imperial revenue from undue demands, the disposition of the latter is to aggrandize its own establishments	ib.
The principle on which a great nation conducts its financial arrangements is to accommodate its income to the necessities of the State	ib.
The reverse of this practice obtains in India	ib.
It is no answer to a Local Government, which applies for a grant for a public object, that there are no funds	ib.
On the other hand, it is not consistent with a just economy to comply with a demand of the necessity for which there are no means of judging	ib.
The remedy for this state of things is to give to Local Governments an interest in the funds which it has to administer	ib.
Sacrificing the authority of the Viceregal Government would be compensated by supplying the subordinate Governments with a motive towards the due discharge of one of the most important functions of administration, <i>viz.</i> , a vigilant regard to the improvement of income and a careful management of public money	ib.
Observations on the increasing pressure of expenditure	ib.
Difficulty and danger of resorting to increased taxation	ib.
Hardly inferior to the evil of suffering the finances to fall into a condition of chronic deficit	ib.
The importance of the step lately taken towards the rectification of our fiscal system in the separation of the great grant for Public Works into two classes of Ordinary and Extraordinary works,	ib.
the former provided for from ordinary incomes, and the latter by a system of loans which will involve no permanent addition to the public debt	ib.
The object of the plan under discussion is to place a limit to the strain upon the imperial finances of another great head of charge which Colonel Strachey terms 'Provincial Expenditure'	ib.
How to be effected	ib.
Also advocates throwing upon the several Governments the duty of providing for their own requirements from their own resources	ib.

PAGE	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i> .	MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i> .
MASSEY, HON'BLE W. N.— <i>concluded</i> . A centralized system of finance, which is appropriate to a compact territory homogeneous in its character, is wholly inapplicable to a vast disjointed empire, comprising provinces and races widely different in many of the most important conditions and circumstances which constitute national character ...	MANSFIELD, SIR W. R.— <i>continued</i> . which reasoning applies to all the Governments, of whatsoever denomination, which owe allegiance to India ...
Remarks on the administration and resources of the provinces of India; ...	Remarks on the opinions of those who favour the existing system ...
asks why should the whole area of India be subjected to taxation for expenditure merely local? ...	Mr. Massey, it will be seen, proposes to appeal to most important moral motives in the breast of the minor Governments, in the place of trusting solely to out-dried regulations, ...
Would reserve certain revenues upon which the people of India have no claim for the maintenance of the Army, and the other services which concern the interests of the common weal, and would allot the remainder of the revenues with other proceeds of public income ratably among the Local Administrations ...	in the setting aside of which they have all an immediate interest ...
Such an adjustment of the finances would be a work of time, but would eventually develop the system now sought to be inaugurated ...	The wish to set aside the Regulations is constantly in the minds of those thus controlled, ...
Does not share in His Excellency's conclusions that any confusion in the accounts will arise from the gradual transfer to the Local Governments of certain portions of the public revenues, and the appropriation of these transfers to specific purposes ...	hence concession on the part of the Government of India has previously proved successful ...
Remarks on the control to be exercised over the assigned revenues ...	This is what is intended by the phrase "collapse of efficient control" under the present system—a phrase not altogether misapplied ...
Observations made are purposely confined to the general principles of the scheme; details have been carefully prepared, and in his judgment skilfully adjusted, by Colonel R. Strachey; ...	Observations on the reform proposed to be carried into execution ...
these details, after having undergone examination and discussion, will probably be materially modified in their adaptation to different provinces ...	Reference made to the police furor which raged without local check or hindrance, and comments thereon ...
The result will be, not a divergence of system, but an attempt to adapt our fiscal system to local circumstances ...	In this broad manner he would meet the statement made by Mr. Lushington (Financial Secretary's Note of 23rd September 1867) regarding the efficiency of the existing system for the maintenance of a real financial control ...
MANSFIELD, SIR W. R., dated 17th October 1867—	Local Governments are better judges of what is required in the matter of local works for the several territories than the Supreme Government could be ...
Adverts to the absence of replies from the Local Governments to Circular of 19th September 1867 ...	Local works should rest entirely with Local Administrations, they being limited in expenditure according to their gross assignments; ...
Regrets the change in the plan of discussion originally adopted ...	but left free and undisturbed in the local distribution of the funds thus made over to them; ...
Has been invariably in favour of the principles on which rest the proposals of Mr. Massey ...	responsibility would remain with those most interested in using the funds to the best advantage and subject to the active criticism of the people affected by the use of them, instead of, as is now the case, that responsibility being thrown on a distant and invisible Government, which is thus made to bear the shortcomings of the several Administrations, in addition to any other which may be fairly laid to its own charge ...
When Member of the Bombay Council, there was a hardly-ever-ceasing jar with the Government of India ...	The measure would relieve our departments of much unnecessary and profitless labour, it would insure a regard for economy; ...
A curious jealousy of the great Presidency of Bengal has always animated the British part of the administration and the armies of the two minor presidencies ...	and remove one great cause of jealousy and ill-feeling ...
Observations on some of the causes and effects arising therefrom ...	Local Governments were called on to devise sources of taxation for local purposes; ...
On the subjects of financial control and imperial economy, Mr. Massey joins issue on the same point as minor Governments ...	no willingness has been displayed in encountering the request; ...
Mr. Massey's reason cited, ...	they have no real recommendations to make ...
	The fact seems to be, that the Government of India has searched out every means of raising revenue, and no source

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>	
MANSFIELD, SIR W. R.— <i>continued.</i>	
remains untapped which can in any sense be held to possess a local character	102
If there be truth in this assertion,—and it can hardly be denied,—it is clear that we must fall back on Mr Massey's proposals if we would have a certain independence of local finance, and the expediency of introducing which was recognized last year by the Government of India	ib.
Danger in encouraging Local Governments to devise new schemes of local taxation ; or to stretch existing means more largely	ib.
Tendency of Local Governments to carry through illegal and oppressive measures against the views of the Secretary of State, of the Government of India, and in the face of existing law	ib.
In many parts of India the octroi of towns is rapidly assuming the character and acting with the mischief of a transit duty	ib.
In some places extraordinary cesses have been imposed before they had any force of law ;	ib.
ascribable to the great zeal of the governing functionaries, and, it must be admitted, in accordance with the principle which last year received the sanction of the Government of India	ib.
Danger of such proceedings	ib.
The analogy of a confederation, such as that of the United States, with the bundle of Governments under that of India, is not altogether so irrelevant as it would appear to be to His Excellency the Viceroy	ib.
Even while admitting the imperfection of the analogy, we may learn something by it	ib.
Some of the principles obtaining in the United States may be applied to India, however different the form of the application may be	ib.
The principle of government in the United States is that of intimate co-operation of the whole ;	ib.
for the purposes of the Government of Washington first, and secondly, of the several States ;	ib.
this principle finds expression in the Senate and in the Congress	ib.
No system of government in India can be complete until means are devised to fulfil the duty of co-operation here, which is done in the United States by the Senate and Congress	ib.
Suggests decentralization in the matter of local finance by the assignment of certain revenues in the gross for local indispensable expenditure ;	ib.
and the assembling for a brief session the several Governors and Chief Commissioners in association with the Supreme Council under the Governor General for the discussion of imperial finance, of laws affecting the Empire at large, and of political and administrative questions	ib.
Benefits derivable therefrom	103
Analogy drawn from the United States further pursued in respect of the War Department	ib.
Military Departments of Bombay and Madras should be wholly affiliated to the	ib.

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>	
MANSFIELD, SIR W. R.— <i>concluded.</i>	
War Ministry under the Government of India, instead of being separate establishments as they now are they now furnish an instance of decentralization the wrong way	103
While advocating Mr. Massey's proposals, is very far from wishing to diminish the power and prestige of the Governor General in Council, or the effective control necessary for the government and the economy of the great Empire under his authority	ib.
Wishes to see combination and co-operation on the part of the Chief Rulers subordinate to the Governor General, instead of antagonism and jealousy of his government and of one another	ib.
Wishes to see due responsibility fall on those authorities before the public as well as in the bureaux	ib.
Wishes to see complete centralization in the great departments, which should alone recognize the supreme authority according to precedents afforded by all other Governments	ib.
But ample independence in all local concerns, in form as well as effect, which is declared to exist according to the memoranda of the Secretaries	ib.
TAYLOR, HON'BLE G. N., dated 18th October 1867—	
Entire concurrence in the argument in favour of Mr. Massey's scheme	ib.
Observations on the working of the present system in relation to the Local Governments of Madras and Bombay ;	ib.
hails the present proposition as the first step in the direction of a more liberal concession to the Local Governments ;	ib.
it will create a strong motive for economy in the administration of local expenditure ;	ib.
without any relaxation of imperial control over the gross assignments of the general revenue ;	ib.
it will relieve the Government of India of much detail work in all the departments, especially in that of Public Works ;	ib.
and of a responsibility in such details which it has not the means of properly discharging	ib.
LAWRENCE, LORD, Viceroy and Governor General of India, dated 22nd October 1867	104
With reluctance again reverts to the question of financial administration	ib.
Dissents from the opinions expressed by Messrs. Maine and Massey as to the inefficiency of the present system of financial control ;	ib.
abundant evidence to the opposite effect	ib.
Observations on the intelligent control of expenditure incurred at a distance, all Governments and Administrations in India must be the better for judicious and intelligent control,	ib.
the present system was inaugurated by Mr. Wilson on the principle that an economical administration of the finances, rather than increased taxation, was expedient, that system was recognized by Mr. Laing and Sir Charles Trevelyan,	ib.

PAGE	PAGE
MASSEY, HON'BLE W N.—SECOND	MASSEY, HON'BLE W N.—SECOND
SCHEME— <i>continued</i> .	SCHEME— <i>continued</i> .
LAWRENCE, LORD— <i>continued</i> .	LAWRENCE, LORD— <i>concluded</i> .
and it is that system which should be maintained, ..	extent in other Administrations, but believes that there is no valid ground for such feelings towards the Government of India, the proposed change would not remove them where they do exist, on the contrary, such a policy would only lead to further demands ..
104	106
the root of it consists in an immediate and direct responsibility on the part of Local Governments in financial matters to the Government of India;	Denies that the Government of India has been in the habit of interfering with Local Governments in petty details ..
ib.	ib.
any relaxation of importance will lead to evil results, economy will not be promoted by relaxing the present control	The serious growth of the Public Debt since 1840, and the determination to borrow for public works extraordinary, are strong reasons for strengthening, instead of weakening, the control of the Government of India ..
ib.	ib.
The British power in India held to be very peculiar, and in no respect analogous to that of any great Government in Europe; ...	It is not necessary that the Financial Minister should possess omniscience, or anything approaching to that faculty, to enable him to exercise a control over the financial administration, very much humbler power is required to this end ..
105	ib.
authority is maintained by a handful of foreigners compared with the immense population under its rule, ...	The police arrangement adverted to is a very strong case in proof of the extravagance to which some Local Governments were addicted; it was the central controlling power which had been unduly relaxed, and which, when exerted, applied a remedy ..
ib.	107
little has been done for India in the shape of material improvement for ages; ...	It is a mistake to suppose that the local financial arrangements of last year were approved by the Government of India; had, himself, no faith in them, and only consented to their being placed before Local Governments on the understanding that their future consideration should be an open question ..
ib.	ib.
two important objects to be kept steadily in view, viz, limitation of taxation and development of resources of the country .	A Congress condemned ..
ib.	ib.
To leave each Local Government to act on its own discretion in these matters is to sow the seeds of future mischief ..	The appointment of a War Minister does not appear altogether pertinent to the subject under discussion, and its advantages are not apparent ..
ib.	ib.
Admits that there are some arguments in favour of local taxation, but they are much overestimated ..	SECRETARY OF STATE—Report to, No. 237 of 22nd October 1867 ..
ib.	108
Believes that a good deal of what is now going on connected with that system is in some provinces highly unpopular; but is not in the slightest degree opposed to its gradual and judicious development ...	DURAND, SIR H. M., dated 2nd November 1867—
ib.	Remarks on the alienation of one-sixteenth of the imperial revenue to the Local Governments ..
The nature of the taxation in different parts of India ..	ib.
ib.	So far from any limit being assigned to alienation, the Financial Member avows that he aims at the ultimate separation of provincial from imperial finance ..
Observations on Mr. Massey's question, why the resources of Bengal or Bombay should be drained to provide roads, police, and schools for Madras and the Punjab ...	ib.
ib.	The adoption of this scheme strikes a blow that might be fatal to the confidence which British capitalists are beginning to entertain in Indian investments ..
Regarding the difference to a Local Government whether a gross sum was made over annually, or whether a certain portion of the year's revenue was so assigned ..	ib.
106	Deprecates the tampering with the integrity of that security which is now encouraging the flow of English capital to India ..
Instead of favouring any essential relaxation of the present system of financial control, inclines to the opinion that it requires to be strengthened; ...	ib.
ib.	Indian finances not likely to be improved by considering them as manageable under a sort of confederacy of limited liability companies ..
repudiates the idea that it is weak, inefficient, or difficult to exercise, ...	ib.
ib.	The utter fallacy of post-audits being any check on security for good management...
considers that it might be improved by giving more authority to the Government of India, which of late years has been greatly weakened ..	ib.
ib.	Concurs in the remark of the Governor General that it is not relaxation of financial control that is necessary, but the reverse ..
Remarks on the increase of the Public Debt of India since the year 1840 ..	ib.
ib.	
Responsibility of the Government of India	
Central control may not be perfect, but local expenditure subject to no such responsibility seems to be the sure way of entailing on the country a waste of the public resources ...	
ib.	
If there is to be a change, it is incumbent on those who advocate it to show that such a measure is really necessary, and that it will have the effect of improving matters ..	
ib.	
The perusal of Sir William Mansfield's Minute makes no alteration in the foregoing views, a change in the direction suggested will do no good ...	
ib.	
Admits that a feeling of jealousy does exist in the minor Presidencies, and to some	

PAGE	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i> .	MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued</i>
DURAND, SIR H. M.— <i>continued</i> .	CENTRAL PROVINCES— <i>continued</i> .
The authority of the Governor General in Council, properly exercised and supported, is the best and only security that the public has, that the vagaries of Local Administrations shall be restrained, and the Indian revenue economically managed	Education, on the other hand, is an essentially local and popular affair ... 110
The scheme propounded fritters away the responsibility of the Government of India ... <i>ib.</i>	Illustration of the manner in which this second or modified proposal would operate ... 112
The Government of India is not competent in its executive capacity to discharge its most important trust vicariously, by the delegation to half-a-dozen administrators of that power which Acts of Parliament expect it to retain in its own hands ... <i>ib.</i>	The deficits could be met by subsidies, revisable yearly ... <i>ib.</i>
CENTRAL PROVINCES, dated 22nd October 1907, from the Secretary to the Chief Commissioner of the— ... 109	Replies to the first of the questions put in the penultimate paragraph of Government of India's Circular letter ... <i>ib.</i>
Understands the measure under consideration is not one of "ways and means," but is an administrative change, which will afford a large freedom of action to Local Governments, ... <i>ib.</i>	Answers the second question ... <i>ib.</i>
also a direct, and, so to speak, personal interest in developing income and keeping down expenditure, with a contingent advantage of no small importance to the Imperial Exchequer ... <i>ib.</i>	Answers the third question ... <i>ib.</i>
If the Supreme Government decides on carrying out some measure of this kind, then it would be expedient to transfer to provincial budgets such heads of charge as are specially local and progressive ... <i>ib.</i>	No new special sources of local income could at once be made available for the scheme in the Central Provinces ... <i>ib.</i>
Also to assign the whole, or a share, of some of the more local and elastic sources of revenue ... <i>ib.</i>	Octroi duty already levied in towns ... <i>ib.</i>
Heads of expenditure, local and progressive, enumerated ... <i>ib.</i>	License tax (pandharn) also exists, and in some towns, which are unsuited for octroi, a house tax is levied ... <i>ib.</i>
Corresponding heads of revenue to meet each head of charge enumerated ... <i>ib.</i>	If the assessed taxes of 1868-69 are to take the form of an income tax, supplemented by a license tax, then no further increase of revenue could be looked for from octroi, house tax, and existing license tax ... <i>ib.</i>
Any such allocation must be in part more or less arbitrary ... 110	When the country grows richer, it would be possible to raise the road cess from 2 per cent. to 6 per cent. on the land revenue, which might amount to an additional 2½ lakhs ... <i>ib.</i>
Observations on the proposed allocation, and application thereof ... <i>ib.</i>	A succession duty might be levied without difficulty or much risk of unpopularity on holders of revenue-free lands and payers of "assessed taxes," whose income might be estimated at not less than Rs. 500 a year ... <i>ib.</i>
Considers that the Government of India should retain the expenditure under Army, Interest on Public Debt, Pensions and Railways, with Customs, Salt, Opium and Mint Receipts, also a portion of Land Revenue, and make over the remaining expenditure and revenue to Local Governments ... <i>ib.</i>	Observations on the assessment of succession duty ... <i>ib.</i>
Result of the proposed apportionment ... <i>ib.</i>	Local funds, income and expenditure statements of, classed as provincial and local ... <i>ib.</i>
If inexpedient to make over at once to the Local Government so large a proportion of the civil charges and of the revenues, enumerates, with much deference, such revenues and portions of revenue which it would be best to assign ... <i>ib.</i>	Considers any step in the direction indicated in Government of India Circular to be an important and salutary change ... 113
Also of transferred charges ... <i>ib.</i>	Any measure of the kind will be satisfactorily worked by the Central Provinces Administration ... <i>ib.</i>
"Law and Justice" and "Police" services should be defrayed from the Imperial budget until the Supreme Government might see fit to transfer the whole of these charges, together with the revenues mentioned in paragraph 5 ... <i>ib.</i>	Statt, A—Transferred charges, 1st proposal ... 114
Jail charges are not as yet viewed by the people or by the Local Governments as peculiarly local expenditure ... <i>ib.</i>	„ B—Assigned revenues ditto .. 115
	„ C—Land revenue, from which an aliquot part must be assigned to each provincial budget ... 116
	„ D—Charges which might be borne by Imperial budget ... 117
	„ E—Revenues which might be retained in Imperial budget ... 118
	„ F—Transferred charges, 2nd proposal ... 119
	„ G—Assigned revenues ditto .. 120
	NORTH-WESTERN PROVINCES, dated 21st November 1907, from the Lieutenant-Governor of the— ... 121
	Expresses satisfaction in respect of the sound and liberal views which have dictated the proposals embodied in the scheme ... <i>ib.</i>
	The existing system held to be inconsistent with unity of action and policy in the Local Government, and fatal to vigorous and responsible administration ... <i>ib.</i>
	Measures now proposed will centralize responsibility in the local executive, without

PAGE,	MASSEY, HON'BLE W. N.—SECOND	PAGE	MASSEY, HON'BLE W. N.—SECOND
	SCHEME— <i>continued.</i>		SCHEME— <i>continued.</i>
	NORTH-WESTERN PROVINCES— <i>continued.</i>		OUDEH— <i>continued.</i>
	weakening the control of the Governor in Council ... ..	121	but it has been proved by experience that the demands are of a character which cannot be resisted ... ..
	Trusts that there will be no hesitation in carrying out the general principles of the proposals ... ..	<i>ib.</i>	The remedy is to prevent the demands being made; this can only be effected by imposing on the Local Governments a real and effectual responsibility for maintaining financial equilibrium in the local finances; ... ..
	Observes from the statement annexed to the memorandum that there would be a fair equilibrium between the revenue and charges transferred in these provinces ... ..	<i>ib.</i>	this is what has been proposed in the scheme under consideration ... ..
	Entries under Public Works are of normal expenditure, and until the public offices at Allahabad and jail buildings now in progress elsewhere are completed, it is probable that an extraordinary grant will become necessary in aid of provincial funds ... ..	<i>ib.</i>	Considers it strange that a measure which has been put forward as the true and only remedy for the evils of the present state of things should be looked upon by some as a certain means of aggravating those evils
	With this reservation, and on the understanding that the revenue transferred will amount to 52½ lakhs per annum, will be prepared to accept the transfer of charges as proposed for these provinces as a tentative measure ... ..	<i>ib.</i>	Economy signifies the due application of given means to meet given requirements; it is essentially relative, and cannot be predicated in reference to absolute amount of outlay, nor to character of outlay
	Replying to the questions upon which a specific expression of opinion is requested ... ..	<i>ib.</i>	To establish any true standard of economy, it is essential, first, to fix precisely the actual relation between available means and apparent requirements ... ..
	OUDEH, from the Chief Commissioner of, dated 29th January 1868 ... ..	122	The positions of the Government of India and of the Local Governments in relation to the public revenue and expenditure precisely illustrate this conclusion, and attest its truth ... ..
	The principle on which the proposals are based appears to be thoroughly sound ... ..	<i>ib.</i>	The entire responsibility of providing funds for the whole expenditure of India rests with the Government of India ... ..
	The financial condition of India for a long time past has been one of chronic deficit ... ..	<i>ib.</i>	A Local Government cannot, under the present system, say what portion of the revenues of its province is available for local expenditure ... ..
	With a rapidly advancing civilization in India, expenditure has increased, and great difficulty is experienced in obtaining a corresponding increase of revenue ... ..	<i>ib.</i>	These revenues pass into a common fund; and to determine how much ought to be given to one province, and how much to another, is, under the present system, impossible ... ..
	Apparent means of adding to the imperial revenues in India by new taxation are very limited ... ..	<i>ib.</i>	The wants to be met from this common fund are equally ill defined in their character ... ..
	It is essential that means should be devised for checking the constant increase of expenditure ... ..	<i>ib.</i>	The manner in which any decision relative to proposed increase of expenditure is adopted under the foregoing circumstances
	The civil expenditure has increased 3 millions in spite of the incessant pressure of the Government of India to keep it down ... ..	124	Legitimate conclusions drawn in respect thereof ... ..
	The control of the Government of India over this constantly-growing expenditure has, practically, completely failed to lead to the results that were desired; and the growth of that expenditure is the principal cause of the existing deficit... ..	<i>ib.</i>	Remarks on the restriction of expenditure
	A Local Government has no real incentives to economy; ... ..	<i>ib.</i>	The scheme, if adopted, will afford Local Governments for the first time the economical standard they require, and will strengthen the Supreme Government in its power of limiting the aggregate expenditure of India within the aggregate available revenues ... ..
	so far as it is concerned, there is a purse of unknown depth on which it is entitled to draw; ... ..	<i>ib.</i>	If the adoption of the scheme would lead to the surrender of any real check which the Government of India can now exercise upon local extravagance, the scheme should be rejected ... ..
	it sees the necessity for improvement in every branch of the administration, and every such improvement involves larger expenditure; ... ..	<i>ib.</i>	What is required is greater, not less, control of the finances ... ..
	having no specific income assigned to it, each Local Government does no more than its duty in endeavouring to obtain for its own province as large a share as it can get of the general revenues of the Empire ... ..	<i>ib.</i>	The question must be discussed from an imperial point of view ... ..
	Believes that the Government of India has done everything which it can do to resist these constant demands for increased expenditure; ... ..	<i>ib.</i>	Remarks on the mode of control over the finances now exercised by the Government of India ... ..

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME—continued	
Oudh—concluded.	
Notices the extent to which the power of imposing new local taxes will follow the transfer of financial responsibility for local objects to the Local Governments . . .	126
Remarks regarding measures for the transfer of the local financial administration to the Local Governments . . .	ib.
If the present scheme be carried out, many sources of imperial revenue may probably become more productive than they are now . . .	127
Regarding taxation in Oudh, forwards the opinion of the Financial Commissioner on the subject . . .	ib.
From the Financial Commissioner, dated 26th November 1867 . . .	128
Remarks on the objects, principles, and advantages of the scheme, . . .	ib.
and on the assignment of funds for the repair of roads . . .	ib.
On the imposition of a cess on the contributors of land revenue . . .	ib.
Approves the proposal that a certain fixed fraction of municipal revenues, together with equivalent charges, should be left to the exclusive administration of the better class of Municipal Committees . . .	ib.
No difficulty apprehended in consolidating the assignments in question with the unappropriated local funds into one provincial revenue . . .	ib.
Civil buildings should be amongst the charges made over to Local Governments . . .	ib.
Statement showing the estimated receipts from provincial and local funds in the province of Oudh for the year 1868-69 . . .	129
BRITISH BURMAH, from Colonel Pytche, Chief Commissioner of, dated 21st January 1868 . . .	130
Remarks on the principle and details of the scheme . . .	ib.
Heartily approves of the scheme, but the small assignment proposed would be unfair to the province . . .	ib.
It is essential that a sufficient revenue be made over to meet the entire charge which is to be transferred . . .	ib.
Remarks on the detailed heads of charge which it is proposed to transfer . . .	ib.
Some important modifications necessary under the heads of revenue to be transferred pointed out . . .	ib.
Objects to receiving only one-sixteenth of capitation tax, would retain the whole for local funds . . .	ib.
Reference made to his letter of 16th April 1867, reviewing the existing taxation in British Burmah and the operation of Act XXI of 1867 for the licensing of trades and professions, and observations thereon . . .	ib.
It is impossible in British Burmah to dissociate the proposed license and income taxes from the existing capitation tax and land assessment in lieu . . .	131
Impolicy of imposing a license tax on the people of British Burmah . . .	ib.
Deprecates the imposition of the license tax in supersession of the existing capitation tax . . .	ib.
Increase of an old tax is never a difficult matter, if considerably carried out . . .	ib.

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME—continued.	
BRITISH BURMAH—continued.	
It is highly essential that the Local Government should not be hampered in the very outset by having forced on them a tax which is considered unsuitable to the province . . .	131
The imposition of an income tax, which shall reach higher incomes, may probably be less objectionable than the license tax. . .	132
Proposes that no license tax be imposed on British Burmah reaching so low as incomes of less than Rs. 5,000, and that a fixed proportion of the existing capitation tax, distinct from the share of the land tax, be transferred to provincial charge, commensurate with the requirements of the province . . .	ib.
British Burmah pays a total imperial revenue which, rated on the population, was double the amount of that contributed by any other Administration in India . . .	ib.
Excluding ordinary items peculiar to this and other provinces, there still remains a large source of income which has no similar existence in other Administrations, which in its effect is as near as possible in its incidence equivalent to a license tax . . .	ib.
Statement of revenue derived from income tax, license tax, and capitation tax rated on the population, giving a rate of two shillings and a half penny per head of population . . .	ib.
Asks, in all justice, for British Burmah the same proportion of the total amount of capitation tax as it is proposed to transfer to other Administrations from the license and income taxes . . .	ib.
Observations on the subject of special grants . . .	133
Proposed transfer from local to provincial account of the revenue derived from the five per cent. cess on land, fishery, and net tax, . . .	ib.
cannot suggest any new sources of revenue . . .	ib.
Details of local taxation in British Burmah for eleven months of 1868-67 . . .	ib.
The purposes to which the proceeds of taxes are applied are set forth in the Hand-book of British Burmah . . .	135
Distinction between provincial and local charges and revenue . . .	ib.
Statement No. 1, of proposed transfer of charges to provincial account . . .	136
„ No. 2, of proposed transfer of revenues to provincial account . . .	137
„ No. 3, showing the balance of revenue transferred to provincial account which would be available for expenditure on public works, and the proposed application of it . . .	138
PUNJAB, from Sir D. Macleod, Lieutenant-Governor of the, dated 17th February 1868 . . .	139
Cordially approves of the scheme . . .	ib.
Mr. Probyn, the Accountant General, has proposed a much more extensive scheme, outline of which is briefly sketched . . .	ib.



PAGE	MASSEY, HON'BLE W. N.—SECOND SCHEME—continued.	PAGE	MASSEY, HON'BLE W. N.—SECOND SCHEME—continued.
	<i>PUNJAB—continued</i>		<i>PUNJAB—concluded.</i>
	Does not think there is the least probability of this extended scheme being entertained at present 139		<i>Colonel MacLagan—continued</i>
	Remarks on the credit and debit entries under "Police" in the statements Nos. 1 and 2 of Circular letter dated 18th September 1867; ... <i>ib.</i>		Observations regarding civil buildings 145
	also in respect of entries under "License Tax" and "Law and Justice" in those statements ... <i>ib.</i>		Remarks on charges on account of roads ... 146
	Provision for jails inadequate ... <i>ib.</i>		Estimated annual charge on account of new civil buildings and of repairs to them ... <i>ib.</i>
	Provision for the repairs of police buildings is insufficient ... <i>ib.</i>		Estimated charges on account of roads and bridges, original works, repairs, and maintenance ... <i>ib.</i>
	Further remarks on police charges ... <i>ib.</i>		Does not propose to transfer any part of the charge on account of imperial public works establishments ... <i>ib.</i>
	Observations on the question of raising additional taxes ... 140		Income from imperial public works, excluding irrigation revenue, is small; estimated for next year at Rs. 1,20,000 ... <i>ib.</i>
	Proposes a succession tax on revenue-free lands, a duty on tobacco, ghee, and a tax on non-agricultural classes, a tax on fairs and marriages, a permanent increase of the land revenue on renewal of settlements; and, as regards roads, a cart or wheel tax might be levied in preference to the establishing of tolls ... <i>ib.</i>		Proceeds of boat-bridge and ferry tolls are the largest items of income in connection with public works ... <i>ib.</i>
	Showing the manner in which the income at present included under local and municipal funds may be divided ... <i>ib.</i>		Regarding the transfer of charges for the construction and repair of roads ... <i>ib.</i>
	Forwards a report from the Secretary in the Public Works Department ... <i>ib.</i>		Tolls would be the most appropriate source of income for meeting the charges for the maintenance of roads ... <i>ib.</i>
	<i>From L. C. Probyn, Esq., Accountant General in the Punjab—</i>		A tax on wheeled conveyances would be a just and appropriate source of income for the same purpose ... <i>ib.</i>
	The transfer of portions of imperial revenues might be made more extensively than set forth in the proposition ... 141		<i>MADRAS, dated 7th March 1868—</i>
	Details of suggested transfers ... <i>ib.</i>		Forwards copies of letters from the Accountant General and the Board of Revenue, also of the Minutes recorded on the scheme by the Members of that Government ... <i>ib.</i>
	Control of the Supreme Government over all branches of civil expenditure would not be lessened in any perceptible degree; ... 142		<i>Pycroft, Sir Thomas, Minute of—</i>
	nor would it be lessened in respect of public works expenditure ... <i>ib.</i>		Approves of the scheme generally as a step in the right direction ... 147
	Inclusion of expenditure on military buildings in the charges transferred ... <i>ib.</i>		Observations on the transfer of charges and revenue ... <i>ib.</i>
	Observations on the guaranteed interest on railway enterprise ... <i>ib.</i>		The principle proposed in the memorandum may be fairly accepted, but not the scheme which accompanies it ... 148
	Relative to the transfer of heads of revenue to local control ... <i>ib.</i>		Is unable to suggest any special sources of income in aid of transfers of revenue ... <i>ib.</i>
	Revenue and charges proposed to be transferred very nearly balance each other ... <i>ib.</i>		Observations on the levy of a special cess on irrigated lands in that presidency ... <i>ib.</i>
	A Local Legislative Council would be necessary for the imposition of new taxes ... 143		<i>Note by the Revenue Secretary—</i>
	Duty of the Local Legislative Council ... <i>ib.</i>		Remarks on the scope of the scheme ... 149
	Details of account could be settled without difficulty ... <i>ib.</i>		See no difficulty in the way of accepting the proposed responsibility ... <i>ib.</i>
	Unable to say what special sources of income are available in aid of the transfers suggested ... <i>ib.</i>		Observations on transfers of charges and revenue ... <i>ib.</i>
	Statement A—Memorandum of proposed transfer of revenue and charges from imperial to local control ... 144		Is not aware of any sources of revenue left untapped in that presidency ... <i>ib.</i>
	„ B—Anticipated income from local taxation ... 145		A tax on the sale of intoxicating drugs might be imposed ... 150
	<i>Report from Colonel R. MacLagan, R.E., Secretary to the Government of the Punjab, Public Works Department—</i>		Thinks that the Forest revenue and charges might be transferred with advantage to the Local Government ...
	Thinks that the proposed transfer of charge and of revenue on account of public works might be increased by the inclusion of original construction of buildings required for the civil administration ... <i>ib.</i>		Is of opinion that a <i>kuds maramut</i> commutation cess would be welcomed by the people ... <i>ib.</i>
			Remarks on the imposition of a charge for constructing and maintaining the higher class of irrigation works ... <i>ib.</i>
			The transfer of irrigation works from the Imperial Public Works Department not at all desirable ... <i>ib.</i>
			Statement of local fund revenue ... <i>ib.</i>
			<i>From Colonel C. A. Orr, R.E., Public Works Secretary, to the Government of Madras, 2nd November 1867—</i>
			Submits a marginal table showing that the amounts of charge proposed to be trans-

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME—continued.	
MADRAS—continued.	
Colonel C A Orr—continued.	
Inferred for expenditure under certain heads of public works outlay is very nearly equal to the average assignments under the same heads in the Imperial budgets for the last three years; the proposals now under consideration would, therefore, little affect the Public Works Department ...	150
Remarks on allotments for the construction and maintenance of roads in that presi- dency ...	ib.
An annual outlay of 5½ lakhs on comple- tion of the Madras portion of the mail line of road should be granted as a special assignment till the road is finished ...	ib.
From F. Lushington, Esq., Accountant General, Fort St. George, dated 5th January 1868—	
On the soundness of the general principle of the scheme there cannot be two opinions ...	151
Submits an analysis of the revenues and charges proposed to be transferred ...	ib.
Does not consider that the charges and re- venues selected by Mr. Massey for transfer to the Local Government are for the most part appropriate for that purpose ...	ib.
Enumeration of the charges he would select for transfer ...	ib.
Expenditure on account of roads and agri- cultural repairs forms a legitimate charge on the land revenue ...	ib.
To meet such expenditure one-fourth of the Net Land Revenue should be transferred to the Local Government, together with Public Works Receipts, excluding Irrigation ...	ib.
The system of voluntary taxation should be maintained ...	152
To meet the other two charges, viz, Police and Educational Departments, proposes that the entire receipts of the two depart- ments be made over to the Local Govern- ment, supplemented by a special grant equivalent to the balance of the estimated expenditure ...	ib.
The Educational Department is still in its infancy, as the system is more fully deve- loped, its expenses will increase, and this increase will have to be covered either by an addition to the State grant or by local taxation ...	ib.
Observations on the <i>finality</i> of Mr. Massey's proposed transfers ...	ib.
From the Secretary, Board of Revenue, Fort St George, dated 27th January 1868 ...	153
The scheme, if fairly initiated and carried out, cannot fail to be eminently conducive to efficient and successful administration, as well as acceptable to Local Governments and their subjects. It must be regarded with the utmost satisfaction by all who take an interest in the welfare of the Empire ...	ib.
Urging the acceptance of the principle on which the proposed change is based ...	ib.
While cordially assenting to the principle, considers the method of carrying it out to be open to serious objections ...	ib.
The revenue to be transferred is compara- tively insignificant ...	ib.

	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME—continued	
MADRAS—continued.	
Secretary, Board of Revenue—continued.	
The Government of India has failed, to control expenditure, but owing to the rigid economy practised of late years, the general expenditure is at its minimum ...	154
It is much to be regretted that the Govern- ment of India has not adopted the plan of making everything over to Local Govern- ments except imperial charges, towards which each Local Government could con- tribute a fair share ...	ib.
Madras does not receive a fair share of the revenue ...	ib.
Unless the assignments to the several Gov- ernments be fairly apportioned, the new policy will be a secret element of smoul- dering discontent instead of a permanent success ...	ib.
Since 1856-57 there has been a very large increase of revenue and taxation ...	155
If local taxation is to provide means for meeting increased charges for imperial services to be transferred to local, then it is of the first importance that the charges transferred be such as the people are specially interested in and most fully appre- ciate, and for which they will most readily pay ...	ib.
There is no analogy between the English county system and provincial funds in India, India being poor and the land tax heavy ...	156
It is not for the good of the country that the Local Governments should be left entirely uncontrolled ...	ib.
It will be a matter of great difficulty to raise the local taxes for supplementing funds for services which hitherto have been wholly imperial ...	157
Of the heads of service proposed to be transferred, only Police and Roads are suitable; all the others are a proper charge on imperial funds ...	ib.
Deprecates the transfer of "Jails" and "Education" ...	ib.
"Police" might be transferred at once to local management ...	158
Maintenance of tanks and their subsidiary channels might be transferred with advan- tage ...	ib.
Observations on the minor works of irrigation Deprecates generally the transfer of the various petty and miscellaneous items suggested in Mr. Massey's memorandum ...	159
Remarks on assignment of revenue ...	ib.
As regards "Roads" ...	ib.
As regards "Police" ...	162
As regards Minor Works of Irrigation ...	164
Additional and cogent reasons for postponing the transfer of "Jails" and "Education" ...	ib.
Remarks on "Medical Services" proposed to be transferred ...	166
Remarks on "Stationery and Printing" ...	ib.
Ditto on "Miscellaneous" ...	ib.
Ditto on repairs of "Civil Buildings," "Miscellaneous New Works and Repairs," "Tools and Plant" ...	ib.
Showing the result of Mr. Massey's pro- posed transfers of revenue and charges in 1868-69 as regards Madras ...	ib.

	PAGE		PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>		MASSEY, HON'BLE W. N.—SECOND SCHEME— <i>continued.</i>	
MADRAS— <i>continued.</i>		MADRAS— <i>continued.</i>	
Secretary, Board of Revenue—concluded.		Naper, Lord— <i>continued.</i>	
Observations on establishments necessary to carry out the suggested arrange- ments ... ..	169	Remarks on the dogmatic character of opinion expressed by the Board of Revenue in the following passage of their report — “ Any change in such a system can hardly fail of being an improvement, and the voluntary and extensive abnegation now proffered by the Supreme Government of a control which it cannot exercise with efficiency, and which becomes the more injurious the more energetically it is exer- cised, must be regarded with the utmost satisfaction by all who take an interest in the welfare of the Empire ” ... ..	189
Accounts will be kept as now and by the same agency ... ..	<i>ib.</i>	The intervention of the Supreme Govern- ment during his experience has never been vexatious or unreasonable ... ..	190
No occasion for transforming the local Ac- countant General into the Financial Secre- tary also ... ..	<i>ib.</i>	Suggestions as to the manner in which provision might be made for local works and interests in the Madras Presidency, should Mr. Massey's proposals be with- drawn ... ..	<i>ib.</i>
Regarding the appointment of Financial officers ... ..	<i>ib.</i>	Municipal taxation and the road cess are destined to work out the most important ameliorations in this country ... ..	<i>ib.</i>
No necessity for any organization of local Financial Departments ... ..	170	To these sources of local revenue he would add two more, namely, the levy of a tax on trades and professions and an additional 5 per cent. on the assessment of wet lands These proposals would imply the relinquish- ment of the license tax on trades and professions by the Supreme Government in favour of strictly local objects ... ..	<i>ib.</i>
Remarks on the administration of local funds ... ..	172	With these provisions the local necessities of the presidency would be sufficiently guaranteed, and the imperial revenue and control might remain intact ... ..	<i>ib.</i>
Madras Government not open to the charge of having appropriated “ truly public revenue ” ... ..	<i>ib.</i>	The cost of the Madras army far transcends the wants of the country, and retrench- ments might be made ... ..	<i>ib.</i>
Remarks on “ Fisheries ” and the “ Canal Fund ” ... ..	<i>ib.</i>	Diversity of opinion will be found in the papers transmitted. It may not be easy to bring the sentiments of the members of Council into harmony, except in simply declining the overtures now before us ... ..	<i>ib.</i>
No objection to the retransfer of canals to the list of State works under the proviso stated ... ..	<i>ib.</i>	Can scarcely hope to concur in a counter- proposal ... ..	<i>ib.</i>
Objections to the proposal that the plan be placed on trial for one year ... ..	<i>ib.</i>	Advises that an answer be framed to the effect that this Government are of opinion that the measures brought under consid- eration are of too partial and inconclusive a character to justify a disturbance of the present system of financial adminis- tration ... ..	<i>ib.</i>
Board's scheme for transferring all, except a few imperial charges, to the local Gov- ernments ... ..	173	Arbuthnot, Hon'ble A. J., Minute by, dated 25th February 1868 ... ..	<i>ib.</i>
Consideration of the revenues available for transfer ... ..	177	Concurs in the objections advanced by His Excellency the Governor ... ..	<i>ib.</i>
Summary of Imperial budget receipts and expenditure, showing a net sum of £22,319,456, which may be taken to represent the common burden of imperial taxation to be distributed amongst the different provinces ... ..	178	Observations on the Board of Revenue's scheme ... ..	<i>ib.</i>
Board's opinion expressed as to the fairest way of adjusting the burden ... ..	<i>ib.</i>	Observations on the general question of substituting the federal for the existing imperial system ... ..	191
Contribution of each province under the proposed arrangement ... ..	<i>ib.</i>	Concurs in every word that Lord Naper has written as to the importance of main- taining, unimpaired, the power and prestige of the Central Government ... ..	<i>ib.</i>
Distribution of expenditure for works charged as “ Debt ” ... ..	<i>ib.</i>	Greater freedom of action should be confer- red, and a more effective responsibility	
Abstract statement showing what the result would be, as regards Madras, of carrying out the proposed principles in 1868-69 ... ..	179		
If the Supreme Government should not be prepared to adopt the scheme first sketched out, then the Board suggests the advis- ability of taking over certain enumerated charges and allotments of revenue to meet the same ... ..	<i>ib.</i>		
No special sources of revenue at present available, except the income tax ... ..	<i>ib.</i>		
Statement A.—Return of local funds under the management of the Board of Revenue ... ..	181		
” B.—Imperial revenue and ex- penditure ... ..	183		
” C.—Provincial revenue ... ..	184		
” D.—Provincial expenditure ... ..	185		
Naper of Merchistown, Lord, Governor of Madras, dated 15th February 1868 ... ..	186		
Observations on the imperial and federal systems of financial administration ... ..	<i>ib.</i>		
Advantages attached to the centralization of Indian finance ... ..	<i>ib.</i>		
Advantages of a federal system of finance	187		
Remarks on the scope of Mr Massey's scheme ... ..	188		
Objections to the details of the scheme ... ..	<i>ib.</i>		

PAGE	PAGE
MASSEY, HON'BLE W. N.—SECOND SCHEME—concluded.	TEMPLE, SIR RICHARD—PROPOSALS OF—continued.
MADRAS—concluded.	Observations on plans which have been suggested; is unable to recommend any plan of the kind adverted to . . . 197
<i>Arbuthnot, Hon'ble A. J.</i> —continued.	Cannot recommend the absolute surrender of any part of the general revenues . . . 198
should be imposed on the Local Government . . . . . 192	Military and marine expenditure essentially imperial . . . . . <i>ib.</i>
Observations on the existing system of financial administration . . . . . <i>ib.</i>	Local funds should be left, as at present, absolutely at the disposal of the Local Government . . . . . <i>ib.</i>
Suggestions regarding imperial expenditure, enumeration of heads of charges which should be included therein . . . . . <i>ib.</i>	Control over general rates of pay and allowances, and over the salaries and the creation of the superior class of offices, must be reserved . . . . . <i>ib.</i>
Remarks on the working of the system suggested . . . . . 193	The existing system of finance in India is, as a system, first-rate theoretically . . . . . <i>ib.</i>
On the subject of assigning to the Legislative Councils of Bengal, Madras, and Bombay a control over the administrative measures of the Executive Governments . . . . . <i>ib.</i>	Admits that the system might be improved by giving Local Governments a more direct interest in their finances than at present . . . . . <i>ib.</i>
Constitution of Local Legislative Council . . . . . 194	Analysis of the finances of Madras and Bombay . . . . . 199
<i>Phillips, Hon'ble H. D., Minute by, dated 29th February 1868</i> . . . . . 195	Observations thereon . . . . . <i>ib.</i>
Concurrence in the opinions expressed by Lord Napier . . . . . <i>ib.</i>	The same tests applied to the Bengal Presidency . . . . . 200
Attention of the Supreme Government should be drawn to the sketch plan submitted in paragraph 13 of the Board of Revenue's letter, and to their further remarks as to carrying it into effect, if it is determined eventually to expand the dimensions of the assignment . . . . . <i>ib.</i>	The proportion the Public Works assignment bears to the income of the several presidencies . . . . . 201
Disinclined to diminish the power of supervision and control now generally exercised over the more important proceedings of the outlying presidencies, works of irrigation in Madras excepted . . . . . <i>ib.</i>	Plan for giving the presidencies of Madras and Bombay a more direct interest in their finances . . . . . <i>ib.</i>
NORTHCOTE, RIGHT HON'BLE SIR S., Secretary of State for India—Extract from a reference in 1867 to a Commission appointed in the India Office by the— . . . . . <i>ib.</i>	Would apply it to Madras and Bombay in the first instance . . . . . 203
Scheme of decentralization referred by Secretary of State for India to a Committee at the India Office . . . . . <i>ib.</i>	If Bengal were erected into a "full Government," then the plan proposed would apply equally to it . . . . . <i>ib.</i>
CAMPBELL, SIR GEORGE—Extract from a report in 1867 by— . . . . . <i>ib.</i>	Would not try it with the lesser Governments until it had been first tried with the larger Governments . . . . . <i>ib.</i>
Localization of the finances of India, and the local taxation which it would promote . . . . . <i>ib.</i>	These recommendations would not weaken or impair the control of the Financial Department of India . . . . . <i>ib.</i>
LAWRENCE, SIR JOHN, Governor General of India—Extract from a Minute by, dated 23rd March 1868 . . . . . <i>ib.</i>	Observations as to whether the plan would be acceptable to the Madras and Bombay Governments . . . . . <i>ib.</i>
Remarks on the position of the Governor General in India in connection with the decision Her Majesty's Government may form on the subjects which have now been presented for discussion . . . . . <i>ib.</i>	Appends a note on the working and effect of the proposed plan prepared at his request by Mr. E. H. Lushington, the Secretary to the Government of India in the Financial Department . . . . . 204
HANSARD'S PARLIAMENTARY DEBATES, Vol. 191—Extract from— . . . . . <i>ib.</i>	Assumes that all heads of revenue are to remain under the command of the Central Government . . . . . <i>ib.</i>
Concurrence of Sir S. Northcote in the general principle of Mr. Massey's proposals, but he would be the last to weaken or disturb a system which has raised the credit of India to the highest pitch . . . . . 196	Local resources and expenditure . . . . . <i>ib.</i>
TEMPLE, SIR RICHARD—PROPOSALS FOR LOCALIZATION OF FINANCE OF BRITISH INDIA . . . . . 197	Approaches the question by remarking that local funds or local taxation do already largely exist in India . . . . . <i>ib.</i>
Assumes it to be agreed that all the finances of India must be under the command of the Government of India . . . . . <i>ib.</i>	For this year, 1868-69, they are set down at 3 millions sterling . . . . . <i>ib.</i>
Whatever limited control may be conceded to any Local Government must be subject to such command . . . . . <i>ib.</i>	Enumeration of funds of which the foregoing sum consists, but this aggregate does not represent the full total . . . . . <i>ib.</i>
Considerations assigned for such control . . . . . <i>ib.</i>	Only those funds are shown which may be under the direct management of Government officers . . . . . <i>ib.</i>
	There are large funds under the control of Municipalities and such like bodies which are raised under legislative enactments, and really constitute local taxation . . . . . <i>ib.</i>
	If these were shown, the total would probably be 4 millions, instead of 3 millions . . . . . <i>ib.</i>

	PAGE		PAGE
TEMPLE, SIR RICHARD—PROPOSALS <i>OF—concluded.</i>		CHESNEY, COLONEL C.—SCHEME OF— <i>continued.</i>	
Comparison of English with the Indian system of finance ...	204	Share of military charges to be borne by each province must be determined by other considerations than the outlay incurred within it; a central authority must determine this ..	212
The people of India are not able to bear much more local taxation, and they do not see the distinction between local and imperial taxation ...	205	A similar necessity occurs for the allotment of revenues, because some provinces have no surplus revenues, but at present are a financial burden, only to be supported from the general purse of the Empire ...	213
The problem is how to increase taxation either in Madras or Bombay, or in the provinces of India generally ...	<i>ib.</i>	A federal congress for a Central Government theoretically not impossible, but of doubtful efficacy ...	<i>ib.</i>
Observations on the plans which have been proposed to augment income from local sources ...	<i>ib.</i>	Existing system of central control faulty ...	<i>ib.</i>
Evils of overtaxation ...	<i>ib.</i>	No one has yet pointed out where the remedy is to be found, but a simple and sufficient one can be devised ...	<i>ib.</i>
Considers that there may be room for additional taxation here and there, though not for general expansion ...	<i>ib.</i>	Defects of present system attributable to the non-responsibility of Provincial Governments which at present are mere executive agents ...	<i>ib.</i>
Enumeration of taxes which have been recommended ...	206	Provincial Governments have no interest in raising the revenue, while they have a very lively interest in spending, because good administration in India involves a liberal expenditure ...	214
Apprehends that but few of them would be allowed by the Government of India ...	<i>ib.</i>	Hence the appropriation of the public revenues becomes a scramble for the public purse, the largest share often falling, not to the province which needs it most, but to that which succeeds in attracting most attention to its wants ...	215
Cannot recommend the suggestion that a percentage of the "wet revenue," that is, the revenue from irrigated lands, be made over to the Local Government for repairs to irrigation works, &c. ...	<i>ib.</i>	Opposition of interests between Supreme and subordinate Governments and the proposed remedy ...	<i>ib.</i>
Certain receipts of imperial revenue examined, but finds that nothing material in this way can be localized ...	<i>ib.</i>	Separation of imperial and provincial expenditure and charges ...	<i>ib.</i>
Remarks on loans ...	<i>ib.</i>	Each province should be charged with its quota of the general expenses of the Empire which it should be required to contribute to the Imperial Exchequer ...	<i>ib.</i>
Loans required by Local Governments and Municipalities should be obtainable only from the Government of India, and only granted for remunerative works ...	<i>ib.</i>	Items of imperial expenditure for which contributions would be required, enumerated ...	<i>ib.</i>
The borrowing for extraordinary works would not be included in any local fund system ...	207	Grants-in-aid for the poorer provinces ...	<i>ib.</i>
Limitation of power to sanction salaries payable from local funds by a Local Government ...	<i>ib.</i>	Revenues to be dealt with provincially ...	<i>ib.</i>
LUSHINGTON, E. H., Esq., Secretary to the Government of India, Financial Department—Note by, ...	208	Extent of control by some central authority ...	216
Remarks on the question of decentralizing the finances, with the view mainly of enlarging the powers of the Governments of Madras and Bombay ...	<i>ib.</i>	Result anticipated from proposed change ...	<i>ib.</i>
Outline of plan briefly sketched ...	<i>ib.</i>	Responsibility being placed on Local Governments, would influence them to discover suitable modes of taxation ...	<i>ib.</i>
Advantages to Local Governments specified ...	<i>ib.</i>	Recommends diversity, instead of uniformity in taxation, because no tax that can be named is suitable to the whole country, and on account of the political danger of imperial taxation ...	<i>ib.</i>
The Government of India would give up no financial control which could be considered essentially necessary to the interests of India ...	209	Uniformity of taxation is a peculiarity of Indian finance ...	<i>ib.</i>
Statement showing the result of this scheme to the Governments of Madras and Bombay ...	<i>ib.</i>	Existing policy of Indian taxation should undergo a radical change ...	217
CHESNEY, COLONEL C.—SKETCH OF A SCHEME OF PROVINCIAL FINANCE ...	211	Mode of raising taxes ...	<i>ib.</i>
Constitution of Indian Empire ...	<i>ib.</i>	Effect of proposed reform on estimates and accounts ...	<i>ib.</i>
Centralization considered ...	<i>ib.</i>	Advantages to be derived from the change ...	<i>ib.</i>
Mr. Bright's federal system ...	<i>ib.</i>	Effect of proposed measures on relations between the Governments ...	218
Central authority must be maintained ...	212	Distinction drawn between provincial revenue and existing local funds ...	<i>ib.</i>
Provincial independence can only be carried out under certain qualifications ...	<i>ib.</i>	Effect of financial change ...	<i>ib.</i>
One customs system for all India ...	<i>ib.</i>	Loans can only be raised by the Supreme Government ...	219
Unity of administration and central authority necessary for war, diplomacy, and for managing internal communications, post, telegraphs, and railways in India ...	<i>ib.</i>		
Federal system of finance impracticable ...	<i>ib.</i>		

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b>	
<i>Circular, dated 21st February 1870, to the Government of the North-Western Provinces and to the Chief Commissioner of Outh.</i>	220
Increasing demands on account of the construction and maintenance of roads	<i>ib.</i>
Grant for roads fixed for 1870-71 reduced by the Resolution in the Public Works Department of 2nd October 1869	<i>ib.</i>
A further reduction since found necessary	221
Reduction of the imperial grant is the result of a settled policy deliberately adopted with the probability of a yet further reduction in future years	<i>ib.</i>
Hence the necessity of providing from local sources the funds necessary for the maintenance of the existing provincial and district roads; the least objectionable mode of raising them is by increasing the cess now imposed upon the land under the name of "road fund"	<i>ib.</i>
This cess has ordinarily been imposed at the time of settlement of the land revenue at the rate of one per cent. on the Government demand	<i>ib.</i>
Remarks on the nature and application of the one per cent. cess	<i>ib.</i>
No necessary connection between the cesses imposed on the agricultural classes and the settlement of the land revenue	<i>ib.</i>
No engagement on the part of Government that it will not alter the amount of these cesses during the currency of a settlement of the land revenue	<i>ib.</i>
The Government has repeatedly shown that it looks upon these cesses as taxes for local purposes, which may be imposed, varied, or remitted, according to circumstances; facts adduced in illustration	<i>ib.</i>
The principle of the measure now suggested inquired whether in certain provinces the road cess now levied might not be raised to 2½ per cent on the gross rental of the land	222
Imperial demand for land revenue in the settlements made since 1854 in Upper India has been fixed at 50 per cent. of the net assets or gross rental of the land	<i>ib.</i>
Cesses levied for local purposes in the North-Western Provinces and in other provinces in Northern India	<i>ib.</i>
Remarks on the objections which may be made to the imposition of an additional 2½ per cent on the land rent	<i>ib.</i>
Observations regarding the funds which will hereafter be available for the construction and maintenance of roads	<i>ib.</i>
Estimated yield of the enhanced cess	224
Should an increase of the road cess be objected to, an equivalent must be provided by some other local tax, altogether independent of the existing sources of the imperial revenue	<i>ib.</i>
On the propriety of requiring the non-agricultural classes to contribute to the supply of funds for the construction and maintenance of provincial and district roads	<i>ib.</i>
Draft Bill for carrying out by legislation the measures which have now been suggested circulated for consideration	225
Remarks on the provisions of the Bill	<i>ib.</i>

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b>	
<i>continued.</i>	
<b>SIR RICHARD TEMPLE—Memorandum on local finance, dated 23rd June 1870</b>	225
Remarks on the falling off, generally, of revenue derived from opium	<i>ib.</i>
Must prepare for a loss of three-quarters of a million	<i>ib.</i>
No other falling off of this importance	<i>ib.</i>
There will be some increases of regular expenditure, preparation should be made for at least a quarter of a million	<i>ib.</i>
Ought to be prepared to better the general account for 1871-72 by at least one million	226
Asks how this is to be managed	<i>ib.</i>
Knows of no proposals sufficient for the purpose	<i>ib.</i>
Ways and means considered	<i>ib.</i>
There must be some increase of taxation on the mass of the people over and above the income tax	<i>ib.</i>
Three known ways of taxing the people, viz, by a tobacco tax, a marriage tax, and succession duty	<i>ib.</i>
None of them is free from objection, but all three are more or less practicable	<i>ib.</i>
There is a fourth, which is the raising of the salt duties of Madras and Bombay to the level of the Bengal Presidency	<i>ib.</i>
There might be great opposition to this, but recommends trying it	<i>ib.</i>
If taxation must be imposed, it may be done by the Governor General's Council, or it may be done by the Local Governments	<i>ib.</i>
Draft of a possible Bill for the marriage tax—see Appendix I	<i>ib.</i>
Succession duty,—if resolved on, the method of arranging is so well known that it is unnecessary to frame a sketch of the measure	<i>ib.</i>
Thinks there would be great difficulty in framing any general measure for a tobacco tax	<i>ib.</i>
If local taxes are to be raised, the Local Governments might be assessed a certain quantum and be left to choose the local taxes for meeting it;	<i>ib.</i>
or else the Local Governments might relieve the Imperial Government of certain charges to be met by local taxation	<i>ib.</i>
Shares the belief entertained by many authorities that the lower classes have already got nearly as much taxation as they can properly bear	227
If the concession of financial freedom to the Local Governments were to lead to any increase of local taxation, would not regard the change of system as an unmixed good	<i>ib.</i>
Shows how the local arrangement might be managed	<i>ib.</i>
Specifies four branches of expenditure which might be taken over	<i>ib.</i>
Specifies the receipts under the same heads which would be transferred with the items of expenditure	<i>ib.</i>
Police omitted from consideration, as it seems to be beyond the scope of the powers of Local Governments	<i>ib.</i>
Benefits accruing from the proposed transfers	<i>ib.</i>

PAGE	PAGE
MAYO'S, EARL OF, MEASURE—	MAYO'S, EARL OF, MEASURE—
<i>continued</i>	<i>continued.</i>
SIR RICHARD TEMPLE— <i>continued</i>	STRACHEY, HON'BLE J.— <i>continued</i>
The income tax rate should not be reduced for some time to come ... 228	Tobacco, if made a subject of taxation, must be done by the Local Governments for local purposes ... 234
If the income tax is reduced, two millions sterling of imperial charge will have to be reduced instead of one million ... <i>ib.</i>	Does not think the reservation of a tax on marriages as a source of imperial revenue desirable, and would leave the application of this and other taxes which have been suggested at various times to the Local Governments ... <i>ib.</i>
Observations in respect of the raising by local taxation by Local Governments of sums to compensate for such reductions ... <i>ib.</i>	Does not agree with Sir Richard Temple in regard to succession duties, states his reasons for dissent ... <i>ib.</i>
Holds the opinion that the high income tax must be retained, with the imposition of another million of imperial taxation ... 229	HIS EXCELLENCY THE GOVERNOR GENERAL—
Marriage tax and succession duty, if imposed, should be reserved for imperial purposes ... 230	Minute by, to be considered in connection with the memorandum of Sir Richard Temple ... 235
Tobacco tax, on the other hand, should be placed at the discretion of Local Governments ... <i>ib.</i>	Circumstances will hardly justify anticipating so great a loss in the ensuing year on opium as three-quarters of a million over the return of 1870-71, there is reason to hope that the outturn of the opium revenue will be much more favourable than the estimate ... <i>ib.</i>
Appendix I.—A Bill for the registration of marriages ... <i>ib.</i>	Observations on the expenditure ... <i>ib.</i>
STRACHEY, HON'BLE J.— <i>Minute of, dated 15th July 1870—</i>	Thinks that the only loss of revenue which we have really a right to predict will only be in the article of opium of half a million ... <i>ib.</i>
Observations on Sir Richard Temple's memorandum regarding the financial requirements of 1871-72 ... 231	Lays aside the item "surplus," being opposed to taxing the people for the mere purpose of securing a surplus which may not be wanted ... <i>ib.</i>
Differs from Sir R. Temple in many points of essential importance ... <i>ib.</i>	Provision to be made for half a million of money on account of loss of revenue ... <i>ib.</i>
Sees no reason for supposing that an additional million will be required next year over and above the revenue expected in the present year ... <i>ib.</i>	Income tax should not be raised above one or one and a quarter per cent, except under most extraordinary circumstances ... <i>ib.</i>
There is every reason to hope that the anticipated falling off of more than a million in receipts on account of opium will not occur ... <i>ib.</i>	Considers it useless to discuss the matter, the unanimous voice of the country has declared itself to be against a high income tax as a permanent source of revenue ... <i>ib.</i>
It becomes more and more probable that receipts in the present year in regard to opium will be largely in excess of the budget estimate ... <i>ib.</i>	Concurrence in that opinion expressed ... <i>ib.</i>
Every other important branch of revenue, without exception, is in a flourishing condition ... <i>ib.</i>	Benefit will be obtained by invoking the aid of local taxation in relief of imperial finance ... <i>ib.</i>
Any increase of expenditure in the coming year should not be anticipated ... <i>ib.</i>	There are many roads open to local authority both for economy and increased taxation which are closed to the Supreme Government ... <i>ib.</i>
Disagrees with the opinion expressed that steps should be taken for bettering the general account for 1871-72 by imposing additional taxation to the extent of at least one million ... <i>ib.</i>	Reduction of income tax and estimated loss in opium revenue stated to be 1½ millions ... <i>ib.</i>
Regarding the necessity assumed of providing half a million of surplus; does not think it would be justifiable to impose fresh taxation for such a purpose ... <i>ib.</i>	Observations on charges of a local character aggregating nearly 2½ millions ... 236
Differs with Sir R. Temple in regard to the income tax ... <i>ib.</i>	Division among the several Governments, leaving 1½ millions to be made up ... <i>ib.</i>
To maintain this tax in a time of profound peace at its present high rate is not only inexpedient, but unjust in a very high degree ... 232	Manner in which this deficit should be dealt with ... <i>ib.</i>
To retain it at its present rate, and impose an additional burden of a million on the country by local taxation or otherwise, would be altogether out of the question ... <i>ib.</i>	Would throw upon local taxation one million, and would meet the remaining half million by reduced expenditure ... <i>ib.</i>
Sees no serious difficulty in raising a million a year, in substitution of a million of income tax, by local taxation ... <i>ib.</i>	Plan of so doing stated ... <i>ib.</i>
A reasonable amount of responsibility and control over the details of their own expenditure should be granted to Local Governments, ... 234	Remarks on police charges ... <i>ib.</i>
	Remarks on abkari revenue ... <i>ib.</i>
	Imperial control of a general character to be retained over the entire levy of local taxation ... 237
	The transfer of public works to Local Governments will necessitate a considerable reorganization of the personnel of the public works expenditure ... <i>ib.</i>

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued.</i>		<i>continued.</i>
	HIS EXCELLENCY THE GOVERNOR GENERAL—		ELLIS, HON'BLE B. H.— <i>continued.</i>
	<i>continued.</i>		buildings to each province by an allot-
	Discretion to Local Governments in levying		ment of one-fourth of the 1½ per cent.
	any local tax which does not interfere		income tax for next year . . . . . 240
	with any source of imperial revenue . . . . . 237		TEMPLE, SIR RICHARD, dated 9th August
	It will form subject of consideration whether		1870—
	the income tax is to be retained at all as		Observations on the question of local
	a part of our fiscal system . . . . . <i>ib.</i>		finance . . . . . <i>ib.</i>
	A tax which is unpopular as well as un-		Reserves his final opinion on the scheme
	fruitful is a mistake . . . . . 238		now provisionally agreed to, until replies
	Succession duty or a marriage tax, or even		to the present reference shall be received
	an excise duty on the vend of tobacco,		from the Local Governments . . . . . <i>ib.</i>
	might be substituted for the income tax		After having had the benefit of hearing
	and with advantage . . . . . <i>ib.</i>		the discussions in Council, adheres to
	Benefits derivable from conducting imperial		course sketched in his memorandum of
	finance on the plan briefly sketched out . . . . . <i>ib.</i>		the 23rd June . . . . . <i>ib.</i>
	ELLIS, HON'BLE B. H., dated 22nd July		Adduces reasons why his proposals would
	1870 . . . . . <i>ib.</i>		be more favourable to the people . . . . . <i>ib.</i>
	Concurs in Mr. Strachey's view of the		While concurring in a reference that may
	financial position . . . . . <i>ib.</i>		result in increased control being conceded
	There is nothing to justify an apprehension		to Local Governments over certain
	that there will be three-fourths of a		branches of establishment, but which may
	million, or even half a million, of loss on		lead to increased taxation, repeats what
	opium as compared with the present year's		he wrote in his Minute of 7th November
	estimate . . . . . <i>ib.</i>		1868 . . . . . 241
	No sufficient ground for assuming that		Concurs with the Hon'ble Mr. Ellis that
	the receipts and expenditure for 1871-72		it would be good policy to give a grant-
	will compare unfavourably with the		in-aid of roads and civil buildings to
	estimates for 1870-71 . . . . . <i>ib.</i>		each province by an allotment of one-
	Observations on an income tax . . . . . <i>ib.</i>		fourth of the income tax for next year . . . . . <i>ib.</i>
	Concurs in the plan proposed by His Excel-		Observations on the possibility of making
	lency the Viceroy for raising locally the		over the excise revenue to Local Gov-
	sum of one million sterling, but thinks		ernments for the defrayal of their police
	that the amount proposed to be raised is		charges, as proposed by the Viceroy . . . . . 242
	excessive . . . . . <i>ib.</i>		Is firmly of opinion that this plan would
	It would be safe to propose to Local Gov-		not be possible . . . . . <i>ib.</i>
	ernments to raise £750,000, as suggested		Reiterates what he wrote on this subject
	by Mr. Strachey, instead of the larger		in his Minute of the 7th November 1868 . . . . . <i>ib.</i>
	sum . . . . . 239		Regarding the possible remission of a
	Observes that the more heads of charges		portion of the income tax next year . . . . . <i>ib.</i>
	it is possible to assign, the greater will be		CIRCULAR, Government of India, dated 17th
	the elasticity with which the system may		August 1870, to the Government of
	be worked . . . . . <i>ib.</i>		Bengal . . . . . 243
	Deprecates a demand for heavy new tax-		Observations on the financial position of
	ation to relieve the Imperial Exchequer . . . . . <i>ib.</i>		the Empire . . . . . <i>ib.</i>
	Though the proposed taxation is called		Offers certain propositions which, if ac-
	"local," it differs essentially from local		cepted, will form part of the Financial
	taxation for really local purposes . . . . . <i>ib.</i>		arrangements of 1871-72 . . . . . <i>ib.</i>
	The objects on which the money proposed		Levy of income tax of six pies in the rupee
	to be raised is to be spent are not ex-		under Act XVI of 1870 will cease to be
	clusively local . . . . . <i>ib.</i>		in force on 31st March 1871 . . . . . <i>ib.</i>
	If the provinces be required to contribute		Some other means of producing an equi-
	heavily to this form of local taxation, the		librium between the revenues and expendi-
	more genuine development of local taxa-		ture must be devised . . . . . <i>ib.</i>
	tion will be crushed . . . . . <i>ib.</i>		Expenditure on public works ordinary
	The greatest caution should be exercised		has been already greatly contracted . . . . . <i>ib.</i>
	in requiring contributions by means of		Considerable savings have been effected in
	new taxation . . . . . <i>ib.</i>		certain branches of military expenditure . . . . . <i>ib.</i>
	The demand on Local Governments for		The charge for interest will increase . . . . . <i>ib.</i>
	fresh taxation should be limited to the		Little confidence in the stability of the
	maximum that can be proposed with		opium revenue . . . . . <i>ib.</i>
	safety . . . . . 240		It is assumed that only half of the income
	There will be difficulty as well as danger		tax of the current year will be levied in
	in attempting to raise large sums by new		the year 1871-72, which will occasion
	taxation, which, though called local, is,		a loss of revenue of at least one million
	in effect, for imperial purposes . . . . . <i>ib.</i>		sterling . . . . . <i>ib.</i>
	Assuming three-quarters of a million to		To make good this sum, it is proposed to
	be the figure fixed on for the reduction		make over to Local Governments certain
	which is to be met by Local Govern-		heads of charge more or less local in
	ments, thinks it would be good policy to		character, and to grant from the imperial
	give a grant-in-aid of roads and civil		revenues for these services one million



PAGE	PAGE
MAYO'S, EARL OF, MEASURE—	MAYO'S, EARL OF, MEASURE—
<i>continued.</i>	<i>continued.</i>
CIRCULAR— <i>continued.</i>	N.-W. PROVINCES— <i>continued.</i>
stating less than has been assigned in 1871 ... 243	Roads and Civil Buildings are unquestionably proper objects for local administration ... 254
The manner in which the Government of India would carry out the plan ... 244	The abkari branch might appropriately be brought within the scheme of local finance ... 257
Each Local Government will have to consider how far the deficiency can be met by redistribution and retrenchment ... <i>ib.</i>	Measures for raising funds from local sources are now under consideration by the Taxation Committee ... <i>ib.</i>
Statement showing the charge which must be undertaken in 1871-72 by the Government of Bengal ... <i>ib.</i>	A Local Legislative Council will be necessary to give them effect ... <i>ib.</i>
The net grant to be made to the Government of Bengal for these services to be £964,779 ... <i>ib.</i>	An office of Local Audit and Account, under the conduct of a Financial Secretary or Controller, would be required ... 258
Observations on the inequalities which may now exist in provincial distribution of imperial grants for the services affected	GOVERNMENT OF INDIA, dated 11th October 1870—
Limitation of the financial powers of the Local Governments ... 245	Reply to the Government of the North-Western Provinces ... <i>ib.</i>
On the subject of transferring part of the charge for the construction and maintenance of roads in all parts of India from the general revenues to funds locally raised ... <i>ib.</i>	Impossible to admit any other basis for the calculation of the imperial assignment than that already set forth ... <i>ib.</i>
Change of system proposed; held to be expedient ... 246	Whether Jails and Registration should continue imperial will be decided when the several Local Governments have expressed their opinions ... <i>ib.</i>
The measure, by facilitating local taxation, will be financially advantageous; it will develop local self-government, strengthen municipal institutions, and lead to the assimilation, to a greater extent than hitherto, of natives of India and Europeans in the administration of affairs ... <i>ib.</i>	This Government is still disposed to think that prison expenditure is one of those items of charge which will greatly benefit from more complete local administration and control ... <i>ib.</i>
The difficulties which surround the principles enumerated are not insurmountable ... <i>ib.</i>	The question of creating a Legislative and Executive Council will be carefully considered, but the introduction of any scheme for local finance need not meanwhile be suspended ... <i>ib.</i>
Reform cannot be effected without throwing upon local revenues a portion of the burden now borne by the imperial revenues ... 247	Doubts the necessity for the appointment of a local Financial Secretary or Controller; the Provincial Accountant will probably be able to perform the work ... 259
The Supreme Government desire for the future to exercise such control only as is necessary to insure a strict adherence to the general conditions now laid down, and to any other regulations that may be found expedient ... <i>ib.</i>	Anxiously awaits information upon the essential question whether the necessary revenue of £200,000 a year can safely and properly be raised by local taxation ... <i>ib.</i>
CIRCULARS, substantially the same, addressed to the other Governments and Administrations ... 252	ODDH, dated 20th September 1870—
NORTH-WESTERN PROVINCES, dated 15th September 1870—	On the question of imposing an additional cess on land owners ... <i>ib.</i>
Hails the scheme with hope and confidence ... 253	Is of opinion that the province can fairly meet the extra demand ... <i>ib.</i>
Success will largely depend on the selection of departments for transfer most amenable to local action and influence ... <i>ib.</i>	The cess should be imposed not on revenue, but on the rental ... <i>ib.</i>
Observations on the variable character of expenditure on account of Jails ... <i>ib.</i>	Estimated result of the impost ... <i>ib.</i>
Finance on account of Jails, for reasons stated, should continue an imperial branch	The Madras principle should be followed with regard to general taxation ... <i>ib.</i>
Registration is but little amenable to local control in its financial results, and would be glad to see it excluded from the scheme	Proposes in consideration of the enhanced land cess that the term of settlement might be extended from a period of 30 to a period of 35 years ... <i>ib.</i>
Concurs in the proposal to treat "Police" as a branch of local administration ... <i>ib.</i>	MADRAS, dated 27th September 1870, from the Government of—
There can be no question as to "Education" being a proper subject for local administration ... <i>ib.</i>	Cordially accepts the scheme ... 260
"Medical Services" and "Printing" are proper subjects for local administration... <i>ib.</i>	The contribution required from the Madras Presidency cannot be provided in full unless more heads of service are transferred ... 261
	Enumeration of the departments of expenditure which it is desirable to include in the arrangement ... 261
	Remarks regarding the conditions under which financial control is proposed to be entrusted to the Local Government ... 261

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b>	
<i>continued.</i>	
<b>MADRAS—continued.</b>	
Abstains at present from entering into any comparison of the assignments at present made to the several Governments for civil administration and public works, but will do so hereafter . . . . .	263
<b>CENTRAL PROVINCES, dated 29th September 1870—</b>	
Regards the scheme as a measure of great value . . . . .	264
Would have preferred the concession of some departments of a more elastic character than those enumerated in the Circular . . . . .	ib.
Remarks on the general policy of the proposals . . . . .	ib.
Two modes by which the sum of 3½ lakhs curtailed from the imperial grant can be met—	
1st, by new taxation ;	
2nd, by reduced expenditure in respect of local objects of secondary importance . .	ib.
Consideration of the first of these alternatives . . . . .	ib.
Direct taxation offers no chance of raising anything like the sum required . . . . .	ib.
Deprecates raising funds by an increase to the road cess . . . . .	265
In the Central Provinces the cesses have been assessed . . . . .	ib.
No additional cess can be put on the land without a breach of faith . . . . .	ib.
Nothing would be easier than to raise the cess, but the measure would go far to alienate the agricultural body, and lead them to regard future acts of Government with suspicion and distrust . . . . .	ib.
Proposes to raise the pandhari tax . . . . .	266
Also to reduce the district and municipal grants . . . . .	ib.
And introduce a system of tolls on imperial roads and ferries . . . . .	ib.
The small balance remaining will be made up by economies, it is hoped, in the administration of the eight surrendered departments . . . . .	ib.
Relative to the establishments the administrative changes will necessitate . . . . .	ib.
<b>BOMBAY—</b>	
<i>Mansfield, Hon'ble Mr. S., Bombay, dated 1st September 1870 . . . . .</i>	267
Remarks on proposals for the reduction of income tax . . . . .	ib.
The population of that presidency is already burdened with taxation . . . . .	ib.
Sees no possibility of Bombay contributing anything more in the shape of taxation . . . . .	ib.
The 30 years' leases have begun to fall in: the revenue of districts settled between the years 1835 and 1860 will admit of being raised 50 per cent, but doubts the justice of doing so . . . . .	ib.
Considers the continued augmentation of the burdens of the people a source of great political danger . . . . .	268
Universal discontent prevails . . . . .	ib.
The control of the seven disbursing departments is merely nominal . . . . .	ib.
Is opposed to accepting the proposals of the Government of India . . . . .	ib.

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b>	
<i>continued.</i>	
<b>BOMBAY—continued.</b>	
<i>Hon'ble Mr. Tucker, Bombay, dated 24th September 1870 . . . . .</i>	268
Scheme held to be good, but the measures for carrying it out considered unsatisfactory . .	ib.
Great dissatisfaction at present prevails throughout the presidency with reference to present taxation . . . . .	ib.
Taxation of the profits from land, in addition to the assessment and other cesses imposed upon land, amounts to a breach of faith . . . . .	269
Recourse to local taxation as a substitute for the income tax not feasible . . . . .	ib.
If the obnoxious income tax were sufficiently reduced, it might be possible to raise increased funds by the substitution of taxes more in accordance with ancient usage . . . . .	ib.
<i>His Excellency the Governor of Bombay, dated the 1st October 1870 . . . . .</i>	ib.
Places a higher value on the proposals than his colleagues, and concurs in the view taken by the Government of India as to the necessity of the change which the proposals invite . . . . .	ib.
Observations on the opinions of His Excellency's colleagues . . . . .	270
Various objections to the measure might be urged, but its advantages far outweigh them . . . . .	ib.
The difficulties which lie in the way of accepting these proposals considered . . . . .	ib.
Local taxation should have some stability of character and not be open to constant changes, which can only intensify the popular discontent . . . . .	ib.
The manner in which the remedy should be applied . . . . .	ib.
A more comprehensive scheme would be to give the Local Governments the greater part of their local revenues, and put upon them all their local charges, subject to the general control of the Government of India . . . . .	271
If the Government of India are not prepared to go this length, thinks it indispensable to the adoption of their present proposals that specific revenues should be assigned sufficient to meet the eight heads of charge suggested in place of a grant of given amount . . . . .	ib.
So long as the income tax is levied, no addition can be safely made to local taxation . . . . .	ib.
The income tax, as a tax of general application, is utterly unsuited to the Presidency of Bombay . . . . .	ib.
If an income tax be continued, it would be admissible only in a very different form as regards incidence from that in which it is at present imposed . . . . .	ib.
Observations on the policy of financial control . . . . .	272
Hopes ultimately to see a system adopted by which the Local Government will receive and expend all their local revenues subject only to a fixed contribution to the Imperial Exchequer . . . . .	ib.
<b>BRITISH BURMAH, from the Chief Commissioner of, dated 1st November 1870—</b>	
Considers the measure indicative of a radical change in the financial policy of the Empire . . . . .	273

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued.</i>		<i>continued.</i>
	BRITISH BURMAH— <i>continued.</i>		PUNJAB— <i>continued.</i>
	<i>Chief Commissioner—continued.</i>		<i>Memorandum by Sir D F McLeod, late</i>
	Most cordially accepts the new policy set forth in paragraphs 19 and 20 ... 273		<i>Lieutenant-Governor of the Punjab, dated 10th June 1870—</i>
	Cordially agrees in the proposed reduction of the income tax, but demurs to a retrenchment from British Burmah of £51,842, whilst the income tax collected in the province is only £25,000 ... <i>ib.</i>		Enumeration of certain districts in which settlements have expired ... 279
	Earnestly desires a reconsideration of the proposed retrenchment ... <i>ib.</i>		Ditto of certain other districts in which the settlement records carry no engagement to preclude the Government from enhancing the road cess ... <i>ib.</i>
	British Burmah is more heavily taxed per head of population than any other province ... <i>ib.</i>		Ditto of the remaining districts in respect of which there can be no doubt that the Government is at liberty to act as it may think fit, their settlements having terminated, or being on the point of terminating ... <i>ib.</i>
	Has repeatedly expressed objections to any new or additional taxation, and is absolutely opposed to any scheme of local taxation beyond what may already exist ... 274		As regards 26 out of the 32 districts, it seems clear that there is no legal obstacle to Government increasing the road cess ... <i>ib.</i>
	The imposition of new taxes in a newly annexed country is a measure to be avoided ... <i>ib.</i>		Concurs in the belief that the people in the Punjab generally would not regard the increasing of the road cess as a breach of faith ... <i>ib.</i>
	Remarks on the question of crotchets mooted in Mr. Maine's Minute of September 1867 ... <i>ib.</i>		His own opinion is entirely in favour of special local cesses for all local purposes ... <i>ib.</i>
	Asks for an explanation of the method by which the net provincial grant for British Burmah was arrived at ... 275		Considers it of vital importance that the non-agricultural classes be simultaneously taxed ... 280
	Notwithstanding his protest against any increase of local taxation, and against the imposition of any new taxation, is able to propose measures for increasing the existing sources of imperial revenue ... <i>ib.</i>		As respects the non-agricultural classes in villages, the tax might assume somewhat the form of the cesses termed "kamiana," "mutaharafah," "abtarafi," "pandhari," &c. ... <i>ib.</i>
	There is room for a revision of the capitation tax in some parts of the province; a revision of the settlement will lead to increase of land revenue, and an embankment cess might be levied ... <i>ib.</i>		Observations on certain of the foregoing cesses ... <i>ib.</i>
	The Government demand, whether for imperial or local purposes, should be a consolidated one, and, whatever its amount may be, should be held available for all the requirements of the province ... 276		Summary of views in respect to the nature and extent of local taxation for the maintenance of communications, conservancy, and sanitation ... <i>ib.</i>
	Sources from which all charges should be met, which charges could afterwards be divided into imperial and local ... <i>ib.</i>		Further observations in regard to cesses on land ... <i>ib.</i>
	PUNJAB,— <i>Sir H. M. Durand, Lieutenant-Governor of the, dated 22nd November 1870</i> ... 277		Considers that the efforts directed to be made to induce the principal landholders of each district to take an active part in the management of local funds, &c., is one of the very first importance ... <i>ib.</i>
	Remarks on the proposed transfer of eight heads of charge ... <i>ib.</i>		Measures recommended for carrying out the proposals ... <i>ib.</i>
	Remarks on the principle of transferring direct taxation to Local Governments ... 278		Considers the proposal to levy a cess on all goods brought to railway stations for transport by rail, whereby a fund could be formed for the maintenance of railway feeders, an excellent one; and the relief afforded thereby to local funds would be very great ... 281
	Does not consider that the raising of an additional 11 lakhs is a measure that any action of the Local Government can render agreeable to the people, whether raised by augmented assessment of land revenue as cess, or by additional octroi duties ... <i>ib.</i>		The existing road cess has been imposed for the maintenance of district roads, if imperial roads are transferred, an additional cess for their maintenance would have to be imposed ... <i>ib.</i>
	Does not perceive, in the conditions under which financial control is to be entrusted to the Local Governments, that the discretionary powers of the latter are practically at all enlarged ... <i>ib.</i>		A tax on salt for the maintenance of salt patrolling roads is already levied ... <i>ib.</i>
	Estimated assets of the Punjab Local Funds Budget for 1870-71 shows a total of nearly 85 lakhs, and a proposed expenditure of 30 lakhs; and the control of the Local Government over the seven funds, which compose these assets, is much more effective than that proposed in the Circular of 24th August 1870 ... 279		Thinks that the withdrawing of the pachotra, or fee of 5 per cent. on the jumma, at present enjoyed by lambardars, would, in the Punjab, be most unpopular ... <i>ib.</i>
	The period has been too limited for entering fully on this complicated question ... <i>ib.</i>		<i>Memorandum by R E Egerton, Esq, Financial Commissioner, Punjab, dated 27th September 1870</i> ... 281
			Observations on local taxation ... <i>ib.</i>

PAGE	MAYO'S, EARL OF, MEASURE— <i>continued.</i>	PAGE	MAYO'S, EARL OF, MEASURE— <i>continued.</i>
	PUNJAB— <i>concluded.</i>		BENGAL— <i>continued.</i>
	<i>R. E. Egerton, Esq.—continued.</i>		<i>Hon'ble Sir W. Grey—continued.</i>
	Cesses which have already been levied and increased ... 282		These sources of taxation being thus anticipated, is quite unable to undertake the raising of a quarter million by local taxation of any other kind which shall not trench upon any existing means of taxation ... 289
	Regarding the levy of a <i>mutaharafa</i> tax and a wheel tax ... <i>ib.</i>		It would be inexpedient to introduce any other new taxation, in addition to the measure alluded to, of taxing houses and the rental of lands ... <i>ib.</i>
	Non-agricultural classes should be made to contribute as well as the owners of the land ... <i>ib.</i>		Instead of searching for new forms of direct taxation, thinks it would be preferable to adopt the plan which was introduced by Mr. Wilson in 1860 ... 290
	Proposes a tax on trades and professions as a means of assessing those of the non-agricultural class who escape the income tax ... <i>ib.</i>		At the same time he would place on record his strong and unqualified opinion, formed on the experience of some years, of the unsuitableness of direct taxation to this country as a material source of revenue ... <i>ib.</i>
	Thinks that Rs. 6,06,250 might be realized in the manner proposed ... <i>ib.</i>		It is scarcely possible to exaggerate the irritation, discontent, and mischief which have been caused by the attempt to raise a large sum by a heavy tax on incomes during the current year ... <i>ib.</i>
	Is unable to suggest any other sources of new taxation ... <i>ib.</i>		Other objections strongly urged against the increase of direct taxation ... <i>ib.</i>
	Census report on which the calculation of the tax on professions and trades has been made ... 283		Sumptuary taxation, such as taxes on elephants, conveyances, retainers, &c., observations on, ... <i>ib.</i>
	From <i>E. A. Prinssep, Esq., Settlement Commissioner in the Punjab, dated 27th September 1870</i> ... 284		Indirect taxation, to produce any large amount of revenue, must obviously be placed upon some article of large and general consumption; the only article answering this condition would be a duty on tobacco and salt ... 291
	Remarks on the principle of the measure. . . <i>ib.</i>		A tax on tobacco ... <i>ib.</i>
	The mode in which the funds are to be provided ... <i>ib.</i>		An increase of the salt duties ... <i>ib.</i>
	Detail of existing cesses ... <i>ib.</i>		A special duty on salt to be locally appropriated is quite feasible, as shown in detail of statistics ... <i>ib.</i>
	Proposals for enhancing them ... <i>ib.</i>		Extract from 'Tucker's Review of the Financial situation of the East India Company in 1824' ... 295
	Relief to the imperial revenue by the adoption of the proposals would be great ... 286		NORTH-WESTERN PROVINCES, from <i>C. A. Elliott, Esq., Officiating Secretary to the Government of the, dated 1st December 1870—</i>
	From the non-agricultural classes by new ratings another 23 lakhs a year could be raised without difficulty ... 287		Forwarding report of the Local Taxation Committee ... <i>ib.</i>
	<i>Memorandum by T. H. Thornton, Esq., Secretary to the Government of the Punjab—</i>		Rough estimate of the manner in which it is expected that the new taxation, in addition to existing means, will meet the demands required of it ... 296
	Is strongly in favour of the redistribution of budget allotments under the several heads named ... <i>ib.</i>		From the Local Taxation Committee, North-Western Provinces, dated 12th November 1870 ... 297
	Local taxation for the transferred services will be more acceptable to the people than imperial taxation ... <i>ib.</i>		Constitution of the Committee ... <i>ib.</i>
	The arrangements for carrying the proposals into effect require considerable modification ... <i>ib.</i>		Preliminary observations on the subject of extraordinary taxation for the construction and repair of roads ... <i>ib.</i>
	Suggests a fairer plan ... <i>ib.</i>		Attention drawn to the Secretary of State's despatch No. 5 of 12th May 1870, laying down the principles to be aimed at in the assessment of local rating ... <i>ib.</i>
	The restrictions under which the Local Government is to exercise its control require modification ... 288		Recapitulation of the scope of the scheme ... <i>ib.</i>
	The measure gives hardly any power to the Local Government which it does not already possess ... <i>ib.</i>		The work assigned to the Committee arranged under five specified headings ... <i>ib.</i>
	Suggests certain amendments in the powers of control ... <i>ib.</i>		In the present report, the Committee confine themselves to a consideration of the points
	Manner in which the required sum of 11 lakhs of rupees may be raised by local taxation ... <i>ib.</i>		
	Proposal to raise a considerable sum, possibly enough to cover the cost of roads, by the levy of a toll on roads, a tax on railway traffic, and a percentage on salt duties levied on the customs line ... <i>ib.</i>		
	BENGAL, from the <i>Hon'ble Sir W. Grey, dated 25th November 1870</i> ... 289		
	Remarks on the scope of the measure ... <i>ib.</i>		
	The Local Government is now engaged in devising and inaugurating a large and permanent scheme of local taxation for providing funds for roads and eventually for education, ... <i>ib.</i>		
	by the levy of a tax on the incomes of all persons deriving profit from the land and a tax upon houses ... <i>ib.</i>		

	PAGE		PAGE
MAYO'S, EARL OF, MEASURE—		MAYO'S, EARL OF, MEASURE—	
<i>continued.</i>		<i>continued.</i>	
N.-W. PROVINCES— <i>continued.</i>		GOVERNMENT OF INDIA RESOLUTION—	
Local Taxation Committee— <i>continued.</i>		<i>continued.</i>	
indicated under the first three heads,		Observations thereon ...	327
which relate to local finance ...	297	Orders respecting the preparation of the	
Arrangement of topics in eight sections	<i>ib.</i>	Provincial Service estimates on the basis	
Section I.—The advisability of imposing		of these assignments ...	<i>ib.</i>
the municipal and other local cesses at		Publication of yearly estimates by Local	
once in lieu of waiting a regular revision		Governments in the local Gazette ...	<i>ib.</i>
of settlement ...	298	Conditions under which Local Governments	
Section II.—The propriety of extending		will exercise financial control ...	328
local taxes to the permanently settled		Appendix A—Assignments to be made for	
districts ...	299	provincial services ...	330
Section III.—The local objects to which		Appendix D.—Schedule of works for which	
any surplus of the municipal cess may		separate funds will hereafter be provided	
be most appropriately assigned ...	<i>ib.</i>	from the imperial revenue ...	331
Section IV.—The estimated yield of the		GOVERNMENT OF INDIA, to the Secretary of	
cesses on land revenue in the temporary		State for India, forwarding copy of Reso-	
settled districts ...	302	lution of 14th December 1870 ...	<i>ib.</i>
Section V.—The best method of assessing		SECRETARY OF STATE FOR INDIA, dated 23rd	
the local cesses in the permanently settled		February 1871 ...	337
districts ...	305	Reviewing Government of India Resolu-	
Section VI.—The estimated yield in the		tion of 14th December 1870 ...	<i>ib.</i>
permanently settled districts ...	<i>ib.</i>	Approves of the several propositions and	
Section VII.—The sum to be raised by		of the principles laid down in Resolu-	
the Government of the North-Western		tion ...	<i>ib.</i>
Provinces, after taking credit for the		Objects to be kept in view ...	<i>ib.</i>
estimated yield of the local cesses ...	<i>ib.</i>	The success of the measure will greatly	
Section VIII.—The method of raising the		depend on the discretion with which these	
sum required for the North-Western		powers are exercised by the Local Gov-	
Provinces ...	308	ernments ...	338
Appendix I.—Abstract of information		The arrangements now proposed are neces-	
regarding intermediate tenures and division		sarily experimental ...	<i>ib.</i>
of landlords' profits in the Benares Divi-		Observations relative to the question of	
sion ...	314	making in the Local Legislative Council	
Appendix II.—Memorandum on the habi-		an exposition of the Provincial Service	
lity of the domains of the Bajah of Benares		estimates and accounts ...	<i>ib.</i>
to any further demand on account of local		FINANCIAL STATEMENT for 1871-72 by the	
expenditure ...	315	Hon'ble Sir Richard Temple—	
Appendix III.—Abstract of answers to		Form of statement modified to give effect	
Commissioner of Allahabad's circular		to the Financial Resolution by the Gov-	
letter ...	317	ernment of India of 14th December	
Appendix IV.—Statement of towns con-		1870 ...	339
taining more than 5,000 inhabitants, with		Observations on the degree of control	
the percentage of such towns in which		conceded by the Imperial to the Local	
Act XX of 1878, or VI of 1868, is in		Governments ...	<i>ib.</i>
force ...	319	Advantages accruing from the conces-	
Appendix V.—Proposed rules for levy of		sions ...	<i>ib.</i>
fees on arms license ...	320	The importance and wisdom of the financial	
Appendix VI.—Introduction of Act III		principle embodied in the Resolution of	
of 1869 ...	323	December last ...	<i>ib.</i>
Appendix VII.—Comparative statement		Powers and responsibilities conferred ...	<i>ib.</i>
showing income, expenditure, and surplus		Observations on allotments for certain	
from the municipal cess in certain districts		services ...	340
of the North-Western Provinces ...	324	Distribution of allotments ...	<i>ib.</i>
GOVERNMENT OF INDIA RESOLUTION, dated		Special assignment of £200,000 will be	
14th December 1870 ...	<i>ib.</i>	made to Local Governments in addition	
Enlargement of the powers and responsi-		to these allotments ...	<i>ib.</i>
bilities of Governments and provinces in		The financial powers of Local Governments	
respect to the public expenditure in some		under the scheme defined ...	<i>ib.</i>
of the civil departments ...	<i>ib.</i>	In making concession to the Local Gov-	
Income tax imposed at 6 pie per rupee for		ernments, the Supreme Government has	
the current year not intended to be per-		not parted with any of those powers which	
manent ...	325	are needed for the preservation of financial	
It may be possible next year to give		order throughout India ...	341
substantial relief from existing taxation		Enumeration of the receipts arising out of	
without the substitution of any consider-		the services transferred ...	<i>ib.</i>
able new burden ...	326	These receipts are excluded from the	
Services transferred ...	<i>ib.</i>	budget now presented, and have been	
A statement is appended explanatory of		transferred to the category of local funds,	
the method by which the assignments thus		and will be accounted for hereafter in the	
made have been calculated ...	<i>ib.</i>	provincial statements ...	<i>ib.</i>

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued.</i>		<i>continued.</i>
	FINANCIAL STATEMENT— <i>continued.</i>		COLONEL R. STRACHET— <i>continued.</i>
	To secure financial benefit, Local Govern-		The assignments made to the Local Govern-
	ments must reduce expenditure or improve	348	ments might be said to be excessive... 348
	existing receipts, or impose new taxation		No greater error than to talk of the in-
341	... ..		elastic character of the Indian revenues;
	The necessity of caution and moderation		the revenue had increased at the rate of
	in the levy of provincial taxes ... ..	ib.	nearly half a million a year ... ..
	Adverse to the imposition of new taxes that		To establish a perfectly satisfactory con-
	can be avoided ... ..	ib.	dition of the finances in future, Govern-
	THE HON'BLE W. ROBINSON. <i>Debate of</i>		ment has only to stop the growth of the
	<i>17th March 1871—</i>		charges ... ..
	Most earnestly deprecates a needless non-		In reality, it was the increase of expendi-
	tinuance of the income tax, and asks for		ture that had brought the Government
	a general renunciation of this vexatious		into financial difficulties in spite of the
	impost ... ..	342	constant growth of the revenues ... ..
	Does not disapprove of liberal provincial		THE HON'BLE B. H. ELLIS: <i>Debate of 17th</i>
	taxation ... ..	ib.	<i>March 1871—</i>
	Remarks on the existing provincial tax-		Observations on the scheme for enlarging
	ation in the Madras Presidency ... ..	ib.	the control of the Local Governments over
	THE HON'BLE MR. CHAPMAN: <i>Debate of</i>		their own finances ... ..
	<i>17th March 1871—</i>		349
	Approves of the principle of the decen-		Was glad to find that the scheme had met
	tralization measure ... ..	344	with so little opposition, and that those
	The scheme has driven the Local Govern-		who did oppose it had so very little to say
	ments to impose new burdens; had the		against it ... ..
	grants for Provincial Services been con-		The objections taken to the scheme might
	tinued intact, Local Administrations would		be reduced to two—
	have had no excuse for resorting to new		<i>1st</i> , that the Local Governments were
	taxation ... ..	ib.	forced to heavily tax the people under
	This constant increase of taxation is viewed		their control ... ..
	with the greatest anxiety ... ..	ib.	<i>2nd</i> , that the assignments made were
	Enumeration of the taxes which have		starved assignments ... ..
	already been imposed on the population		Neither of these objections was valid ... ..
	in the Bombay Presidency ... ..	ib.	As shown in detail, the assignments for
	The non-agricultural classes were the only		the civil portion of the provincial charges
	section of the community who might		were sufficiently liberal, and there could
	fairly be taxed ... ..	ib.	be no ground whatever for the imposition
	Would have preferred seeing the income		of additional taxation on account of those
	tax retained at one and a half per cent.		departments ... ..
	rather than have obliged the Government		Whether the contraction of the Public
	to put on new taxes ... ..	ib.	Works grant afforded ground for taxation
	THE HON'BLE SIR GEORGE CAMPBELL. <i>De-</i>		remains to be considered ... ..
	<i>bate of 17th March 1871—</i>		350
	Reduction of the income tax has been		Sets forth the measures taken by the Govern-
	effected by turning over a part of the		ments of Madras, Bombay, and Bengal
	deficit, nearly £350,000, to the Local Govern-		in respect of raising money by local
	ments, and requiring them to make		taxation ... ..
	that deficit good in the best way they		ib.
	could ... ..	345	Shows that these measures of taxation were
	This was to be done by local taxation ... ..	ib.	independent of the scheme of the Govern-
	Putting aside local cesses, the invariable		ment of India, and were not in any way
	resources of Local Governments appeared		irritated and forced upon the Local Govern-
	to be the imposition of something in		ment in consequence of that scheme ... ..
	the nature of a license tax ... ..	ib.	There was nothing in the action of the
	Observations on local taxation ... ..	ib.	Government of India to compel the Local
	Observations on the income tax ... ..	ib.	Governments to impose upon the people a
	COLONEL R. STRACHET: <i>Debate of 17th</i>		burden greater than they were able to bear
	<i>March 1871—</i>		ib.
	Supports the measure ... ..	347	The three Governments, which had legisla-
	Great change made in the system of		tures of their own, had either introduced
	financial administration ... ..	ib.	Bills, or had them under consideration for
	Singular difference of opinion that had		some time past, for the raising of funds
	arisen as to the value of the change ... ..	348	for local improvements ... ..
	Places before Council a brief sketch of the		As regards the North-Western Provinces
	expenditure and revenue of the Govern-		and Oudh, Bills for this purpose were
	ment of India during the last ten years,		now before the Council ... ..
	would not go into speculations as to what		ib.
	the probable revenues and expenditure		Trusted that no difficulties would be
	would be during the next year ... ..	ib.	thrown in the way of carrying out the
	In dealing with the <i>future</i> , financiers		so-called measures of decentralization ... ..
	should carefully ascertain and appreciate		THE HON'BLE SIR GEORGE CAMPBELL:
	the actual facts of the <i>past</i> ... ..	ib.	<i>Debate of 27th March 1871—</i>
			He was represented as having accused the
			Government of India of general illiberality
			in their dealings with the Local Govern-
			ments ... ..
			ib.

## MAYO'S, EARL OF, MEASURE—

	PAGE
<i>continued.</i>	
THE HON'BLE SIR GEORGE CAMPBELL— <i>contd.</i>	
This was not, however, his view; explains his view of the position ...	350
The result was, that at the very commencement of this scheme the Local Governments had been driven to create systems of taxation ...	351
In some places it was proposed to impose a license tax, which he had already described as a rough income tax on the lower incomes, to supplement the income tax on the higher incomes ...	ib.
In fact, this was the position: the Government of India taxed the rich and the Local Governments taxed the poor, and between the two every one was taxed ...	ib.
It was desirable to raise something more by the income tax, and so relieve Local Governments from the necessity of reverting to local taxation ...	ib.
It would prevent the clashing of income and license taxes, and the clashing of direct imperial taxation with local taxation for local purposes ...	ib.
HIS EXCELLENCY THE EARL OF MAYO, 27th March 1871—	
Observations on the administrative rule in India; its responsibilities and obligations ...	ib.
In administration, taxation must always form a leading feature ...	ib.
The people of this country never had the power of self-taxation ...	ib.
For good administration in India, vast funds must be provided; great expenditure must be incurred ...	ib.
A burden must not be imposed on the people of this country beyond what we honestly say is necessary ...	ib.
How to avoid unnecessary taxation ...	ib.
Owing to the measures taken, believes that the normal increase of resources which the growing prosperity of the country must yield may be made, and can be made, to suffice for imperial wants ...	ib.
LOCAL RATES OUDH BILL—	
The Hon'ble John Strachey, 10th March 1871—	
Provision will no longer be made from imperial funds for carrying out works of local improvement; all such works must be provided from local resources and not by imperial taxation ...	352
The measures proposed from time to time for enlarging the financial responsibilities of Local Governments have often been called measures for the decentralization of the finances—a more inappropriate term could hardly be found ...	ib.
The powers of the Supreme Government have been increased rather than diminished ...	ib.
An unreal and illusory authority has been abandoned, and in its place a real power of control has been established ...	ib.
It is said that the result of these measures will throw upon the Local instead of the Imperial Government the obligation, by unpopular taxation, to raise the funds necessary for carrying out all sorts of local improvements ...	353
The best answer to such questions is to be found in the measures themselves ...	ib.

## MAYO'S, EARL OF, MEASURE—

	PAGE
<i>continued.</i>	
LOCAL RATES OUDH BILL— <i>continued.</i>	
The Hon'ble John Strachey— <i>continued.</i>	
The actual burden transferred to local resources has been extremely small ...	353
It was therefore thought right to give to those Local Governments, which have no legislatures of their own, power to supplement to a moderate extent their existing local funds by fresh local taxation	ib.
The Bill now asked to be introduced is one of the measures for this purpose ...	ib.
Objects of the Bill ...	ib.
Estimate of the land revenue demand in Oudh ...	ib.
Amount of cesses already levied ...	ib.
The manner in which local rates differ essentially in their nature from land revenue	ib.
Observations on land revenue settlements ...	354
The rate proposed to be levied in Oudh will yield about £32,000 annually ...	ib.
The new charges will be trifling ...	ib.
The principal landholders of Oudh, and the most influential and wealthy of the talukdars, have signified their approval of the measure ...	ib.
Explanation of particular provisions of the Bill ...	ib.
Observations on the leave about to be asked by the Hon'ble Mr. Inghs to introduce a Bill for imposing duties on certain classes of traders in the North-Western Provinces with the object of supplementing provincial funds ...	355
The Hon'ble Sir George Campbell, 10th March 1871—	
Heartily concurs in the views expressed by the Hon'ble Mr. Strachey on the system of local finances ...	ib.
Observations on the financial system of the Public Works Department ...	ib.
Observations on the land revenue and local rates ...	ib.
The Hon'ble John Strachey, 18th March 1871—	
The Bill came before the Council with the authority and consent not only of the Local Government and its officers, but of the very people themselves who would be most affected by the measure ...	357
The rate was very small ...	ib.
The land could well afford to pay it, and the cess was more consonant with the feelings of the people than raising funds by any other means ...	ib.
It was proposed to take power, if necessary, to supplement these funds hereafter by extending to Oudh the license tax on certain sections of the non-agricultural community, the Bill for the imposition of which his hon'ble friend Mr. Inghs would introduce ...	ib.
The Bill was a very simple one ...	ib.
Statement of objects and reasons quoted ...	ib.
Remarks on sections 9, 11, and 12 of the Bill ...	ib.
The Hon'ble Sir George Campbell, 18th March 1871—	
Would make one remark respecting the provision which would enable the zemindars to recover from the occupancy ryots one and a quarter per cent. upon the profit margin of their rentals ...	ib.

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b> <i>continued.</i>	
<b>LOCAL RATES OUDH BILL—continued.</b>	
<i>The Hon'ble Sir George Campbell—continued.</i>	
One and a quarter per cent. on the occupancy ryot's profit of 12½ per cent. would be a very small percentage; indeed so very small that he thought it would not be worthwhile to permit such a deduction to be made	358
<i>The Hon'ble B. H. Ellis, 18th March 1871—</i>	
Entire concurrence in all that had been said by the mover of the Bill	ib.
Observations on the two main principles of the Bill, viz.—	
1st, the assistance to be derived from the co-operation of Local Committees,	
2nd, the restriction of expenditure of the proceeds of the rate to the district from which the tax was raised	ib.
<i>The Hon'ble F. Stephen, 18th March 1871—</i>	
Observations on what had fallen from His Honour the Lieutenant-Governor regarding the recovery by zemindars of the stipulated rate from under-tenants	ib.
<i>His Excellency the Earl of Mayo, 18th March 1871—</i>	
Firmly believes that of all the changes that have lately been made in the financial or administrative branches of our Government, the change which is now proposed by these Bills is perhaps the most important	359
Remarks on the question of supreme control	ib.
Imperial revenue must, as hitherto, be managed by the supreme authority	360
At some future time it may be thought desirable to apportion certain heads of revenue to local authority, reducing proportionately their grants	ib.
All the main objects that have been generally desired will be attained by the present measure	ib.
Eight heads of expenditure of a local character selected for operation enumerated	ib.
Imperial expenditure, observations on the classes of	ib.
Remarks on the administrative powers conferred	ib.
A fixed contribution will be made every year from the imperial revenue to Provincial Governments	361
Local Governments will have a large sum to devote to local objects	ib.
The power of allotment will be left absolutely to them	ib.
Another advantage which this change will bring, is with regard to the savings from year to year	ib.
The former system has led to extravagance	ib.
By this system the Supreme Government will not, as has been alleged, sacrifice some useful control	ib.
Denies that the object of the Supreme Government in proposing these measures has been the increase of taxation	362
The whole policy and the whole object of this Government ever since 1869 has been the speedy decrease and not the increase of taxation	ib.

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b> <i>continued.</i>	
<b>LOCAL RATES OUDH BILL—concluded.</b>	
<i>His Excellency the Earl of Mayo—continued.</i>	
Gives a full exposition of "what has been the effect of the measures of Government with regard to taxation"	362
Remarks on the manner in which local taxation will affect the Local Governments during the ensuing year	ib.
So far as the action of India goes, the public of India will be relieved of income tax to the extent of £1,500,000, and the sum they will be asked to contribute as revenue will only be £131,000	ib.
This disposes in a few words of the extraordinary allegation that has been made that the policy of this Government is to increase the burdens of the people	ib.
The talukdars were not in the least degree hostile to the measure	ib.
Commends this scheme with the greatest confidence to the consideration of this Council of his own countrymen, and to the natives of India	364
<i>The Hon'ble Sir John Strachey, 27th March 1871—</i>	
With regard to section 10, the Committee proposed that, instead of 75 per cent., the whole amount of the rates levied in any one district should be expended in that district	ib.
The Commissioner of Oudh approved of this change	ib.
Remarks on the expediency of making tenants with rights of occupancy responsible for the payment of a share of the rate in the way proposed by the Bill	ib.
The Committee had considered the question, and had adopted finally the views of the local authorities who advocated the measure	ib.
<i>The Hon'ble Sir George Campbell, 27th March 1871—</i>	
Deferred to the opinions of the Chief Commissioner of Oudh and of the Committee, as to the question of imposing a rate on occupancy ryots, and as it was thought better to retain the provision, he would not oppose it	365
Had expressed his opinion that it would be very desirable to make this a local and not a provincial Bill, and was gratified to find that that had been done	ib.
<b>LICENSE TAX BILL, N.-W. PROVINCES AND OUDH.</b>	
<i>The Hon'ble John Inglis, 10th and 18th March 1871—</i>	
Moved for leave to introduce a Bill for imposing a duty on certain trades and dealings in the North-Western Provinces and Oudh	ib.
Objects of the Bill	ib.
Classification	ib.
Assessment	ib.
Yield of the tax in the North-Western Provinces estimated between 9 and 10 lakhs	ib.
For Oudh no estimate had as yet been framed	ib.
<i>The Hon'ble Sir George Campbell, 18th March 1871—</i>	
The Bill was a very important one, being the first of the measures, properly speaking, for new local taxation	366



	PAGE
MAYO'S, EARL OF, MEASURE— <i>continued.</i>	
LICENSE TAX BILL, N.-W. PROVINCES AND ODDH— <i>continued.</i>	
<i>The Hon'ble Sir George Campbell—continued</i>	
The Bill raised most important questions of a most difficult character . . . . .	366
Would not commit himself with regard to the principles or details of this measure beyond what he had attempted in the budget discussion . . . . .	ib.
Had expressed his willingness to carry into effect the system inaugurated by the Government of India . . . . .	ib.
<i>His Excellency the Earl of Mayo—</i>	
For the future, if we could not prevent these heads of expenditure from grow- ing,—and he believed they would grow,— they would have to be supplied and made up from the proceeds of Bills such as they were now discussing . . . . .	ib.
<i>The Hon'ble Sir Richard Temple, 18th March 1871—</i>	
Had no objection to the Bill before Council, but must on this and on every other occasion distinctly object to any com- parison being made between this sort of taxes and an income tax . . . . .	367
Whatever the merit of this tax might be, it must stand by itself . . . . .	ib.
<i>The Hon'ble Sir John Strachey, 15th March 1871—</i>	
Refutation of statements relative to the imposition of onerous taxes on the people of the North-Western Provinces . . . . .	ib.
Observations on erroneous statements that the greater part of the funds required for local purposes were being raised from the non-agricultural and not from the agri- cultural classes . . . . .	368
Congratulates the mover of this Bill in having brought forward what appeared to him to be the very best Bill of the kind that had come before Council . . . . .	ib.
Of late years, license and certificate taxes had been imposed on the commercial classes, but all these Bills, whatever they might have been called, had been in reality income taxes in disguise . . . . .	ib.
The peculiarity of this Bill was one of its greatest merits . . . . .	ib.
It imposed small duties on certain specified trades and dealings, but it did not propose to place any duty on traders and the non- agricultural classes generally . . . . .	ib.
It involved no inquiry into traders' means, and afforded no opportunities for ex- tortion . . . . .	ib.
Every trader who wanted to know what he had to pay had only to look at the schedule . . . . .	ib.
Explained the application of the Bill to the principal towns in the North-Western Provinces where there were now municipal bodies . . . . .	ib.
Our system of taxation had been a great deal too much like the bed of Procrustes . . . . .	369
<i>The Hon'ble John Inglis, 27th March 1871—</i>	
Presentation of the report by the Select Committee on this Bill . . . . .	ib.
It was not intended to proceed with the Bill, as the Lieutenant-Governor of the North-Western Provinces and the Chief	

	PAGE
MAYO'S, EARL OF, MEASURE— <i>continued.</i>	
LICENSE TAX BILL, N.-W. PROVINCES AND ODDH— <i>continued.</i>	
<i>The Hon'ble John Inglis—continued.</i>	
Commissioner of Oudh considered it un- necessary to levy the tax proposed under it . . . . .	369
<i>The Hon'ble John Strachey, 27th March 1871—</i>	
Explained that the Bill was originally drawn from the North-Western Provinces, and it was afterwards thought expedient to extend it to Oudh . . . . .	ib.
There was no present intention of putting it in force in Oudh . . . . .	ib.
So far as Oudh was concerned, the with- drawal of the Bill would in no way affect the former conclusions of the Government . . . . .	ib.
It was thought most satisfactory that the Lieutenant-Governor of the North- Western Provinces should be able to dis- pense with this Bill and meet the wants of those extensive provinces with the existing local and provincial resources, supplemented by the other Bill for im- posing rates upon land . . . . .	ib.
The actual reduction of taxation in the North-Western Provinces and Oudh would be £211,000 as the result of the late measures . . . . .	ib.
<i>The Hon'ble Sir George Campbell, 26th March 1871—</i>	
Observations on the change which had taken place, sight had been lost of the increased burden which must result from the expansiveness of certain departments made over to the Local Governments, Local Governments could not continue in the path of improvement without some additional taxation . . . . .	ib.
LOCAL RATES, N.-W. PROVINCES, BILL—	
<i>The Hon'ble John Inglis, 10th March 1871—</i>	
Bill for the levy of rates on land to be applied to local purposes in the North- Western Provinces . . . . .	370
Explains that this cess had hitherto been levied by an order of the Executive Gov- ernment; it was now proposed that it should be levied in future under the pro- visions of the Bill now introduced . . . . .	ib.
The amount paid by the landlords in the permanently settled districts at present was only one per cent. on their jamas towards local funds, which was inadequate to the wants of these districts . . . . .	ib.
The landlords might, in justice, be called upon to contribute more largely towards local requirements, if this could be done without breach of engagements entered into when the assessment of their estates was sanctioned . . . . .	ib.
Regarding the introduction of the perma- nent assessment into the province of Benares by Regulation I of 1795 . . . . .	ib.
The object of the Regulation . . . . .	ib.
Ruling of the Secretary of State in his despatch No. 5 of 12th May 1870, that, under the existing law, the State had the right to impose special rates or taxes on the holders of land in Bengal . . . . .	ib.
What might be determined payable in Ben- gal would be equally payable by the Benares province . . . . .	ib.

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued</i>		<i>continued.</i>
	LOCAL RATES, N. W. PROVINCES, BILL—		LOCAL RATES, N.-W. PROVINCES, BILL—
	<i>continued</i>		<i>continued</i>
	<i>The Hon'ble John Inglis</i> —continued.		<i>The Hon'ble John Inglis</i> —continued.
	This ruling covered the case of the holders of estates in the permanently settled districts of the North-West, so far as regards their liability to the payment of a rate towards local wants, irrespective of the amount of their land assessment ...	370	lution of the 14th December last to raise by new taxes a larger sum than would be required . . . . . 372
	Regarding the expediency of levying a rate on the landholders in the permanently settled districts . . . . .	ib.	<i>The Hon'ble F. S. Chapman, 18th March 1871</i> —
	Citation of the remarks in the Secretary of State's despatch of 12th May 1870, which, though written with reference to Bengal, applied equally to the North-West . . . . .	ib.	Considered that the burden of the people was being increased, the deficit in the assignment to Provincial Services was five lakhs of rupees; to meet these five lakhs, three times that amount was proposed to be levied . . . . .
	Neither on the ground of right nor of expediency need there be any hesitation in imposing a rate for local purposes in the permanently settled districts in the North-Western Provinces . . . . .	ib.	<i>The Hon'ble Sir George Campbell, 18th March 1871</i> —
	Yield of Rate estimated at £36,000 . . . . .	371	Observations on the title of the Bill: <i>outside</i> , it was styled a Bill for the levy on land of rates to be applied to local purposes, and <i>inside</i> , the rate was to be levied for provincial purposes: the insertion of the word " <i>provincial</i> " raised a larger question . . . . .
	Observations on the assessment of lands in the North-Western Provinces . . . . .	ib.	In drawing this Bill, it did appear that provincial considerations prevailed to a greater extent than was desirable to the levy of rates of this description . . . . .
	<i>The Hon'ble Sir George Campbell, 10th March 1871</i> —		Observations on the character of the rate . . . . .
	Remarks on the proposals for levying the rate in the permanently settled districts, not by an assessment of the rental, but on the acreage of the land . . . . .	ib.	Observations on local expenditure . . . . .
	Plan differs from that proposed for Oudh; different from anything that was possible in Bengal, and entirely different from anything which prevails in the British Isles, or in other parts of the world . . . . .	ib.	Remarks on the nature of the provision made in the Bill for the administration of local funds, and the questionable power exercised over them by Local Committees . . . . .
	It was not equitable that good land and bad land should pay equally for local works or for any other purpose . . . . .	ib.	Further remarks on the subject of the imposition of the rate on area or acreage . . . . .
	The result of the settlement of 1841 compared with the new settlements . . . . .	ib.	Two-thirds of the expenditure was not for the purposes for which local cesses were ordinarily levied, but was to be devoted to the maintenance of village chowkidars; he wished to know whether this expenditure was to be in addition to, or in substitution for, the mode of paying for their services now obtaining . . . . .
	Concurs with Mr. Strachey in thinking that we were giving up a very large proportion of our revenue in the North-Western Provinces . . . . .	ib.	Was unwilling to see the village chowkidar turned into a Government officer at an expense equal to that for maintaining the native army . . . . .
	<i>The Hon'ble John Inglis, 18th March 1871</i> —		It was better to maintain the independence of an indigenous institution like the village constabulary . . . . .
	Hitherto the rate had been levied by an order of the Executive Government; section IV of the Bill provided that this cess should in future be levied under the authority of a legislative enactment . . . . .	372	<i>The Hon'ble B. H. Ellis, 18th March 1871</i> —
	Section VI provides for the levy of a rate not exceeding two annas for each acre of cultivated land in the permanently-settled districts, the cess to be paid by the landlords, who would be empowered to recover one-half of the amount levied on the land held by tenants subordinate to them . . . . .	ib.	Concurred with the greater part of what had fallen from Sir George Campbell in regard to the distinction between local and provincial, he thought it would be a matter for consideration whether the title printed <i>outside</i> the Bill should be adopted, instead of the title as it stood <i>inside</i> . . . . .
	The Government of the North-Western Provinces decided that it was better to levy this cess on the land rather than by a rate on the rent paid . . . . .	ib.	Would be glad if the Committee appointed to consider this Bill would not only adopt the suggestion which had been made as to the amendment of the title, but accept the proposal he would venture to make, that instead of 75 per cent being appropriated to local purposes, the full 100 per cent. should be so used, and that all sums levied under the Bill should be applied to the improvement of the districts in which they were raised . . . . .
	The rate being small, would be paid with ease on all classes of soil . . . . .	ib.	
	Section XIV empowers Local Governments to appoint Local Committees for the management of this fund . . . . .	ib.	
	Remarks on the statement that the Lieutenant-Governor of the North-Western Provinces had taken advantage of the system introduced by the Reso-		

PAGE	PAGE
MAYO'S, EARL OF, MEASURE— <i>continued.</i>	MAYO'S, EARL OF, MEASURE— <i>continued.</i>
LOCAL RATES, N.-W. PROVINCES, BILL— <i>continued.</i>	LOCAL RATES, N.-W. PROVINCES, BILL— <i>continued.</i>
<i>The Hon'ble B. H. Ellis—continued.</i>	<i>The Hon'ble Sir W. Muir—continued.</i>
He believed that amongst the objects on which money was to be expended was "police;" he presumed by the term "police" was meant the police of the vil- lages, he trusted that an assurance would be given that it was not intended to impose a heavy tax to provide a stipendiary force in substitution of the old village police... 374	no proper standard for the normal wants of the North-Western Provinces ... 379
Observations on Local Committees ... <i>ib.</i>	The deficit is not attributable to extra- vagance, but to the inadequacy of the appropriation assigned to these provinces <i>ib.</i>
<i>The Hon'ble Sir Richard Temple, 19th March 1871—</i>	We have then £53,000 to make up in consequence of the short grant for Public Works, besides our share of the imperial deficit, £46,000, or in round numbers £100,000, and thus we propose to do under this Bill by savings from the local cesses ... <i>ib.</i>
The extent to which local taxation had been imposed under the Resolution on the North-Western Provinces was £46,000; the proposed License Tax Bill and Local Rates Bill would produce together something under £130,000; if anything like that amount was raised, it was raised on the responsibility of the Local Government and its local advisers; it was not raised from any compulsion on the part of the Government of India .. <i>ib.</i>	Remarks on the mode of levying the rate, and why preference had been given to the levy of a tax on acreage ... <i>ib.</i>
<i>The Hon'ble John Inglis, 6th April 1871—</i>	The cesses that are now paid in the Benares district for education and the district dāk will be merged in and super- seded by the new taxation ... <i>ib.</i>
Moved that the report of the Select Committee on the Bill for the levy on land of rates to be applied to local purposes in the North-Western Provinces be taken into consideration ... 375	For the satisfactory working of the decen- tralization scheme a Local Financial Council would be most useful ... <i>ib.</i>
The only alteration of any importance made in the Bill was in section X, by striking out the words "such assignment shall not be less than 75 per cent. of the total sum assessed in each district," which made it incumbent on the Local Government to assign for expenditure in each district the full amount raised in it under the Act ... <i>ib.</i>	Asks why there should not be a Local Legislative Council also ... 380
<i>The Hon'ble Sir W. Muir, 6th April 1871—</i>	<i>The Hon'ble Sir Richard Temple, 6th April 1871—</i>
The manner in which the equilibrium of the budget as it now stands has been attained ... 376	Congratulates His Honour the Lieutenant- Governor of the North-Western Provinces on the local budget laid before Council, it was satisfactory to find that, with the Local Rates Bill, but without the License Bill, the local resources, irrespective of the regular income, will amount to half a million, and that the necessity for impos- ing the License Tax Bill has been avoided by reducing expenditure ... <i>ib.</i>
Particularizes the entries in the abstract statement and their application, showing a deficit of some £63,000, instead of £10,700, to be made up from local taxa- tion for the Public Works Department, and attributes this deficit to the inade- quacy of the grant made ... 377	This supplies a good instance of the working of the new plan of local finance Observations on budget assignments ... <i>ib.</i>
This position has been traversed by the Government of India, and more especially by Sir Richard Temple in the debate of the 17th March, when he denied that they imposed anything more than £46,000, and that the utmost that could be raised on compulsion was £46,000 ... <i>ib.</i>	Regarding the Public Works grant, he did not think the position of the North-West- ern Provinces Government was peculiar; all Local Governments have suffered much alike from reduction of grants ... <i>ib.</i>
These statements appear to mean that the grant made is ample for all purposes, and, by implication, that the extra ex- penditure of £60,000 is extravagant ... <i>ib.</i>	The grant for Public Works has been stated as inadequate, the Government of India cannot afford to give more; and if the provinces want more, they must find it ... <i>ib.</i>
Proceeds to show that the demands are not extravagant, but very moderate ... 378	The Government of India has not hesitated, and will not hesitate, to incur responsi- bility, however grave, in respect to taxation, when necessary, but that is no reason why Local Governments should not bear an increased share in deciding whether expenditure shall be reduced, or local taxation augmented ... 381
With increasing wants, the budget has been brought down to £200,000 instead of £217,000, the average of preceding years; to meet these wants, we receive for this and all future years but £147,000 The starved and mutilated grant corre- sponding with the outlay of 1870-71 is ... <i>ib.</i>	<i>The Hon'ble J. FitzJ. Stephen, 6th April 1871—</i>
	One of the objects of the Bill is to autho- rize the Local Government of the North- Western Provinces to impose cesses for certain specified purposes upon the per- manently-settled districts of those pro- vinces ... <i>ib.</i>
	Many persons have maintained that the imposition of such cesses is a breach of the pledge given at the permanent settle- ment ... <i>ib.</i>

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued.</i>		<i>continued.</i>
	LOCAL RATES, N-W PROVINCES, BILL—		LOCAL RATES, N-W PROVINCES, BILL—
	<i>continued.</i>		<i>continued.</i>
	<i>The Hon'ble J. FitzJ. Stephen</i> —continued		<i>His Excellency the President (Lord Mayo)</i> —
	It is evident from the character of that settlement that the present measure in no way interferes with any pledge given at the time of settlement, and that the moral right to levy the rate is as unquestionable as the legal right .. 381		<i>continued.</i>
	Mr Shore's opinion as to the position of zemindars .. 383		Observations on the budget assignments .. 388
	Mr Grant, on the other hand, contended that the State, and not the zemindar, was the proprietor of the land ... <i>ib.</i>		The general policy of the Government stated ... <i>ib.</i>
	What Lord Cornwallis said on the subject in his Minute of 18th September 1789 .. <i>ib.</i>		In endeavouring to meet the gradually expanding wants, the Local Governments will be the best judges of the particular form of taxation which will be found best suited to their provinces .. <i>ib.</i>
	Authoritative ruling of the Secretary of State in his despatch of the 12th May 1870 .. 386		No alarming amount of burden is likely to occur, for the present at all events, from the operation of these measure .. <i>ib.</i>
	Compares it with a passage from one of Lord Cornwallis' Minutes, which throws a curious light on the subject .. <i>ib.</i>		Had never heard that any taxation was popular, and believed that a great deal of unpopularity must always attach itself to every new burden .. 389
	These considerations and authorities appear to him to establish beyond all doubt the broad proposition that the general right of the Government to tax the produce of the land among other forms of property was altogether unaffected by the permanent settlement ... <i>ib.</i>		It is not an unreasonable hope that the people will acquiesce in new taxes, if they be spent for the health, wealth, and comfort of the people ... <i>ib.</i>
	<i>The Hon'ble J. Strachey, 6th April 1871</i> —		The Government of India will give every consideration to any suggestion made by Local Governments as to such administrative changes as may tend to afford greater responsible assistance ... <i>ib.</i>
	With reference to the "starved and mutilated grant," adverted to by His Honour the Lieutenant-Governor of the North-Western Provinces, he must continue to think that the published despatch by the Financial Department had shown that these grants had been in those provinces not only sufficient, but liberal .. <i>ib.</i>		As regards the increase in the number of Local Legislatures, that is a matter that must be most carefully considered; very grave constitutional questions arise in connection therewith ... <i>ib.</i>
	The budget of His Honour the Lieutenant-Governor afforded an excellent proof of the soundness of the principles that had been followed .. 387		Observations regarding Local Committees .. <i>ib.</i>
	All our financial difficulties had arisen from the growth of expenditure on public works and other useful objects, and the only hope of financial success was to check the constantly increasing charge .. <i>ib.</i>		<i>The Hon'ble Sir W. Mair, 6th April 1871</i> —
	He entirely agreed with the Hon'ble Mr Stephen's remark regarding the moral duty of the Government to maintain inviolate the engagements formerly entered into touching the permanent settlement ... <i>ib.</i>		As to the "financial argument," he fails to be convinced, but not the less cheerfully accepts the deficit, and will meet it with the least detriment possible to other interests; "at any rate, we have one consolation left to us, we feel that it is our misfortune and not our fault" .. <i>ib.</i>
	As to the question of the equitable right to impose taxes in the permanently-settled districts, such as those contemplated by the Bill, he hoped that the controversy which had been going on for some years had at last been finally settled by the orders of the Secretary of State to which Mr Stephen's had referred .. <i>ib.</i>		Mr Strachey has quite misapprehended the action of this Government when he says that £35,000 is all the new taxation which has been raised, and this therefore is the extent of our deficit; he has not apparently understood that the local cess is what we have chiefly drawn upon to make up the deficit, and that the deficit thus made up is close on £100,000 ... <i>ib.</i>
	<i>His Excellency the President (Lord Mayo), 6th April 1871</i> —		To effect this, we have diverted funds originally intended for other objects .. <i>ib.</i>
	Thanks, after what has been heard this day from the lips of the Lieutenant-Governor of these provinces, that no other conclusion can be arrived at but that a vast step has been made in the direction of good administration, and that there is not a class in the country, European or native, rich or poor, that will not greatly benefit by the great change that we have made .. 388		Tenders his thanks to Mr Stephen for his clear and eloquent exposition of the liabilities of the Benares landed proprietors .. 390
			Agrees entirely in the principle that taxation of permanently-assessed estates for local purposes is proper, so long as the burden is imposed on landed, in common with other, property .. <i>ib.</i>
			Other property is now taxed through the municipalities, which exist in all our large towns; we have now in these provinces no fewer than 66 municipalities, raising between them an income of some 17 lakhs, or £170,000 .. <i>ib.</i>
			A first cost on this revenue is the city police, and the municipalities, moreover,

PAGE	MAYO'S, EARL OF, MEASURE—	PAGE	MAYO'S, EARL OF, MEASURE—
	<i>continued.</i>		<i>continued.</i>
	LOCAL RATES, N.-W. PROVINCES, BILL—		LOCAL RATES, N.-W. PROVINCES, BILL—
	<i>continued.</i>		<i>continued.</i>
	<i>The Hon'ble Sir W. Murr</i> —continued		<i>Hon'ble Sir W. Murr</i> —concluded
	defray the cost of their roads, drainage, sanitation, &c., many of them also contribute to education, dispensaries, vaccination, poor-houses, &c. ... 390		cardinal and indispensable condition of our prosperity ... 392
	Seeing, then, that the urban population are taxed for the expenses of their police, roads, drainage, &c., the principle of the Bill is fully justified, which imposes corresponding obligations on proprietors of land in the Benares districts ... <i>ib.</i>		<i>The Hon'ble J. Strachey, 6th April 1871</i> —
	The temporarily settled districts in the North-Western Provinces, paying the 10 per cent. cess, are not liable, during the currency of the existing revised settlement, to any additional cess ... <i>ib.</i>		Regarding the desire alleged to have been expressed in some quarters to undermine the stability and integrity of the settlements, disclaimed for his own part having uttered a word open to such a construction; in all the discussions which had taken place, he was not aware that any single authority had even given a hint of an opinion that the settlement engagements ought not to be strictly adhered to, the despatch of the Secretary of State respecting cesses in temporarily settled districts during the currency of a settlement has his hearty concurrence, and it completely expresses his views ... <i>ib.</i>
	Observations on the adequacy of the assessment in the settlements now being revised ... <i>ib.</i>		<i>The Hon'ble Mr. Inglis, 6th April 1871</i> —
	The actual increase of land revenue from revised settlements in the temporarily settled districts has been £203,977, on a previous revenue of £1,430,664, or at the rate of 14 per cent. excluding the permanently-settled districts, the revenue demand subject to revision was £3,440,000; it has already been raised to £3,640,000, and it will probably rise to £3,900,000, exclusive of £560,000 of the permanently-settled Benares division ... 391		The imposition or the increase of a cess during the currency of a settlement was entirely opposed to the principles on which the North-Western Provinces settlement has hitherto been made ... <i>ib.</i>
	Under the existing condition of property and the present advanced state of agriculture, the assessments now being made are, as a rule, not lower, or not materially lower, than is required for the well-being of the people ... <i>ib.</i>		The principle adopted had been to fix at the time of the revision of an estate the full sum to be paid by the landlord on account of revenue and cesses for the whole period of his lease; this was, he contended, the only correct principle ... <i>ib.</i>
	The revenue settlement, which distinguishes British administration from all native administrations, should be strictly observed ... <i>ib.</i>		The rule proposed by Mr. Strachey would be looked upon as a violation of the expectation held out to certain holders of estates when their leases were signed ... <i>ib.</i>
	It is the limitation of our demand that creates a valuable property in land, and whatever tampers with this limitation (excepting always burdens imposed on the broad and equitable principles expounded by Mr Stephen) vitates and undermines the value of property ... <i>ib.</i>		Reasons for not opposing the Oudh Land Rates Bill ... <i>ib.</i>
	Understands that it is advocated in certain influential quarters to alter the present system by which Government enters into engagements, and thus limits its demand both in respect of revenue and of extra payments for village cesses and burdens ... <i>ib.</i>		Did not know of any legal obstacle to the demand on account of cesses being increased at any time at the pleasure of Government, but maintained that it would be a most unwise course to adopt ... 392
	Earnestly trusts that no such alteration will be allowed; trusts that we shall not with one hand ratify the limitation and undo it with the other by retaining liberty to add to the demand, if only it be under the name of "cesses" or under any name other than "revenue" it does not matter under what name the enhancement is taken; it will equally undermine the value and security of property ... <i>ib.</i>		Strongly protests against the application of any rule, such as that proposed by Mr. Strachey, to the temporarily-settled districts of the North-Western Provinces ... <i>ib.</i>
	As regards these Provinces at least, it is hoped that His Excellency's consent will not be given to any relaxation of the integrity of our settlements—an integrity which constitutes their great virtue, the		<i>The Hon'ble Mr. Ellis, 6th April 1871</i> —
			The Council had been told that His Honour the Lieutenant-Governor refrained from pressing the License Tax Bill, because he had been able to make good from other sources of income the amount that it had been proposed to raise by that Bill, and that he made up the amount partly by appropriations from funds raised for other purposes; he thought it was much to be regretted that such appropriations had been resorted to, as it could not be right to devote sums raised for specific objects to any objects other than those for which they have been raised ...
			Regarding the impropriety of imposing cesses on land separately from and outside the engagement entered into for the payment of land revenue, and with respect to the contention that we ought not to impose cesses during the currency of a settlement, and that such cesses ought to be fixed as part of the payments included

	PAGE
MAYO'S, EARL OF, MEASURE— <i>continued.</i>	
LOCAL RATES, N.-W. PROVINCES, BILL— <i>concluded.</i>	
<i>The Hon'ble Mr. Ellis—continued.</i>	
in the engagement for the land revenue, he conceived that the difference between those local rates which were essentially taxes and the land revenue had been overlooked; it is not conceivable how any one who admitted the propriety of levying cesses, notwithstanding a permanent settlement of the land revenue, could object to the same cesses being levied independently of engagements for the land revenue in temporarily-settled districts . . .	393
He did not, however, question the policy of fixing the amount of the cesses, as a rule, at the same time as the land revenue is settled . . .	<i>ib.</i>
<i>The Hon'ble J. Inglis, 6th April 1871—</i>	
Permission asked and granted that "district post" be added to clause 2, section 10 of the Bill, for reasons explained . . .	<i>ib.</i>
Moved that the Bill as amended be passed . . .	<i>ib.</i>
Motion put and agreed to . . .	394
LOCAL RATES, PUNJAB, BILL— <i>His Honour the Lieutenant-Governor of the Punjab, 26th May 1871—</i>	
Introduction of the Bill to provide for the levy of rates in the Punjab . . .	<i>ib.</i>
Objects of the Bill . . .	<i>ib.</i>
To meet an expenditure of £335,611, a sum of only £778,184 is forthcoming, leaving a deficit of £262,427 to be supplied . . .	<i>ib.</i>
There is a disproportion of expenditure under Public Works between "repairs and establishments" and for "original works," resulting from the contraction of the funds available for construction . . .	<i>ib.</i>
The second reason for additional taxation is the growing demand amongst the rural districts for improved communications . . .	395
The possibility of obtaining the required funds from savings and retrenchment had been carefully considered . . .	<i>ib.</i>
The principle on which this Bill is founded is the same as that passed for the North-Western Provinces and Oudh, and the people of the Punjab, though quite as averse to all taxation as their neighbours, will more readily acquiesce in the imposition of a light rate on the land than in any other demand . . .	<i>ib.</i>
Estimated yield of the new rate £110,000 . . .	<i>ib.</i>
The general condition of the country warrants this new burden . . .	<i>ib.</i>
To meet the argument, that there is some inequality in confining the new demands to the agricultural classes, he points out that about two millions of the non-agriculturists are brought under contribution through the agency of the municipalities, and that the town duties have been materially increased by the admission into the schedule of piece-goods and metals . . .	<i>ib.</i>
<i>His Honour the Lieutenant-Governor of the Punjab, 30th June 1871—</i>	
The amendments made in the Bill by the Committee, which were matters of detail,	

	PAGE
MAYO'S, EARL OF, MEASURE— <i>continued.</i>	
LOCAL RATES, PUNJAB, BILL— <i>continued.</i>	
<i>His Honour the Lieutenant-Governor of the Punjab—continued.</i>	
had very much improved it. The principle of the Bill was simple and spoke for itself . . .	395
Observations on the objections raised to the Bill . . .	<i>ib.</i>
He was not in a position to say if the revised assessments were adequate or not . . .	<i>ib.</i>
The whole matter was under discussion, and was now being subjected to a thorough investigation, he entirely concurred in the propriety of a careful and thorough inquiry . . .	<i>ib.</i>
<i>The Hon'ble Mr. Stephen, 30th June 1871—</i>	
Evidently, the imperial land revenue in the Punjab has been under-assessed, or some full explanation should be forthcoming of the reason of the revenue not having increased commensurately with the rise in prices . . .	396
The revenue reports of the Punjab supplied materials for a discussion whether some arrangement of judicial and executive duties might be possible, so that districts on which settlements had expired might be more speedily re-assessed . . .	<i>ib.</i>
<i>The Hon'ble Sir Richard Temple, 30th June 1871—</i>	
Concurred in the remarks made by the Hon'ble Mr Stephen as to the alleged loss of revenue involved in the continuance of old rates under expired settlements. The undertaking of new settlements was entirely a matter for the discretion of Local Governments, and whenever any well-considered scheme for fresh settlements was submitted to the Government of India, it was favourably received and attentively considered . . .	<i>ib.</i>
<i>The Hon'ble Mr. Strachey, 30th June 1871—</i>	
The present Bill was identical, to a large degree verbally identical, with the Acts which had been passed for Oudh and the North-Western Provinces. Everything that might be said as to the principle of this Bill had been said on those occasions, and he only wished that the silence he had observed with reference to this Bill should not be regarded as implying that he in any way under-rated its importance . . .	<i>ib.</i>
TOWNS IMPROVEMENT AND LOCAL FUNDS BILLS, MADRAS PRESIDENCY.	
<i>The Hon'ble A. J. Arbuthnot, 17th February 1871—</i>	
Observations on the decentralization of Indian finance and its close connection with local taxation . . .	397
The provision, that, the Provincial budget shall be discussed and passed in the Local Legislative Council, is an exceedingly valuable part of the scheme . . .	398
Quotes from Mr Laing's Financial Statement of 27th April 1861, paragraphs relating to the enacting of Local budgets . . .	<i>ib.</i>

PAGE	MAYO'S, EARL OF, MEASURE— <i>continued.</i>	PAGE	MAYO'S, EARL OF, MEASURE— <i>continued.</i>
	TOWNS IMPROVEMENT AND LOCAL FUNDS BILLS, MADRAS PRESIDENCY— <i>continued.</i> <i>The Hon'ble A. J. Arbutnot—continued.</i>		TOWNS IMPROVEMENT AND LOCAL FUNDS BILLS, MADRAS PRESIDENCY— <i>continued.</i> <i>The Hon'ble J. D. Mayne—continued.</i>
	The grant assigned for the purpose of carry- ing on the services being inadequate, there is a necessity for providing, in some form or other, additional funds ...	398	was to be voted, modified or negatived by the Legislative Council, that pledge had exercised a material influence upon various sections of the Bill and was used as an argument for leaving some of the clauses in a less definite form than would other- wise have been desired ...
	That the public service may not be pre- judiced it is absolutely necessary that the reduction of grant should be met by additional taxation; it cannot be met to any appreciable extent by refrench- ment ...	ib.	States his views as to the intent and bear- ing of the Appropriation Bill; quotes paragraph 19 of the Resolution, and con- tends that it was not intended that the scheme should depend for its validity upon its adoption by the Legislative Council; to hold that the Council could exercise any useful supervision over the details of a budget would be to indulge in a delusion. States how the budget should be prepared, and thinks that the passing of any law of the character pointed out would be con- sidered by the Governor-General and the Secretary of State so revolutionary, mo- mentous, and dangerous, that it would call forth a veto of the enactment ...
	Unanimity of opinion as to the expediency of abandoning the proposal which was carried in the Select Committee that the local fund circles should be contermi- nous with the revenue talooks ...	ib.	<i>The Hon'ble A. J. Arbutnot, 23rd February 1871—</i>
	<i>The Hon'ble J. B. Norton, 17th February 1871—</i>		Discussed the subject of an annual budget appropriation by the Local Legislative Council; maintained its expediency, answered objections ...
	Waives his intended opposition to the Bills for local taxation, because the decentraliza- tion measure affords a guarantee that funds locally collected shall be locally spent ...	399	Exposition of the legal aspect of the question ...
	Observations regarding Madras native pe- titioners objecting to the objects of these Bills ...	ib.	The same subject of an appropriation of the annual budget by the Local Legislative Council continued by— <i>The Hon'ble R. S. Ellis, 23rd February 1871.</i>
	A distinction has been rightly drawn be- tween imperial and local taxes, showing that the latter are more discriminate in their incidence; that they are likely there- fore to be more thrifly expended, and that they will be more willingly paid ...	400	<i>Lord Napier of Merchistoun, 23rd February 1871</i> ...
	The manner in which the decentralization order has been characterized ...	401	<i>Lord Napier of Merchistoun, 10th March 1871—</i> His Excellency the President enunciates his views on the general scheme of decentra- lization, and desires that they may be regarded as his personal profession of faith ...
	The decentralization which he desires to see is a real decentralization, one under which, as between the Imperial and Local Governments, there would be perfect freedom of action on the one hand and careful supervision on the other ...	ib.	<i>The Hon'ble A. J. Arbutnot, 10th March 1871—</i>
	The language of a sound scheme of de- centralization would say, "Give me so much, and you keep all the rest," otherwise the local populations are cut off from participation in the results of their own increasing prosperity and accumulating wealth ...	ib.	Entirely and unreservedly concurred in every word which had fallen from His Lordship, he thought it only due to the Supreme Government that, as a Member of the Local Government, he should state on this occasion that in the difficult cir- cumstances in which the Government of India had been placed during the last two years, he believed that the policy which had been adopted was a policy which posterity would approve ...
	Observations on budget assignments ...	ib.	With regard to the income tax, all were agreed that, if it could be avoided, it was a tax which it was not desirable to impose; they were all aware, and none more so than the Viceroy and his constituted ad- visers, that the imposition of the income tax in this country was attended with very serious difficulties, but as His Lord- ship had well observed, the tax was already in existence, and the emergency which had occurred was one which had to be met promptly ...
	Further observations on the working details of the measure ...	402	...
	Even if it were a matter of choice, which it is not, it would be most unwise to reject the proffered measure of decentralization; it tends to open up such vast results that it is our duty to work it to its full ...	ib.	...
	<i>The Hon'ble A. J. Arbutnot, 17th February 1871—</i>		...
	Observations on the question of laying the Provincial Funds Budget before the Local Legislative Council ...	ib.	...
	<i>The Hon'ble J. D. Mayne, 20th February 1871—</i>		...
	Called attention to the pledge given by Mr Arbutnot in his opening speech to the effect that the Act should be worked by passing an Annual Act of Appropriation, in which the Local Funds Budget should appear as a Schedule, the whole of which		...

## MAYO'S, EARL OF, MEASURE—

*continued*TOWNS IMPROVEMENT AND LOCAL FUNDS  
BILLS, MADRAS PRESIDENCY—*concluded*  
*The Hon'ble A. J. Arbuthnot—continued*

The numerous suggestions for developing new sources of taxation had failed in striking out any scheme on which the Government of India could take practical action . . . 414

He believed that the scheme of decentralization, which had been lately announced and was now to be carried into effect, to be a wise, a useful, and a valuable project he was persuaded that great benefit to the Government of India and to every province of India would result from this scheme if it were carefully and judiciously administered . . . *ib.*

TOWNS IMPROVEMENT AND LOCAL FUNDS  
BILLS, BOMBAY PRESIDENCY.

*Sir W. S. R. F. FitzGerald, 5th April 1871—*

Official statement of the first provincial budget of the Presidency of Bombay . . . *ib.*

Acknowledges emphatically and unhesitatingly the wisdom and foresight of the principles upon which the system of provincial finance is founded, though the particular measure for starting it is halting and deficient . . . *ib.*

In general terms these proposals proceed upon the basis of imposing a liability on this Government in respect of eight particular heads of charge, and assigning a certain specific sum to meet those charges . . . 415

If the allotment is found insufficient to meet the charges transferred, it will rest with this Government either by vigorous reinforcement to make our means equal to our wants, or to increase our means from other sources . . . *ib.*

Asks the Council to consider what this deduction from the grants is called. It is called a contribution by Local Governments in relief of the Imperial Exchequer . . . *ib.*

Reviews the question of taxation in its several bearings, and draws the inference that the Government is placed in a position which calls for and necessitates an increase of local taxation, which the Government of India must have contemplated from the beginning . . . *ib.*

Hence the responsibility of imposing increased taxation rests with the Government of India alone . . . *ib.*

There is a deficit to be provided for of £95,270, which deficit will not be affected, as explained, by the four lakhs of rupees which the Government of India has given to this Government . . . *ib.*

The administration of local funds is defective; it may be possible, by better administration, to reduce local funds' expenditure, but not yet . . . *ib.*

After the fullest investigation, reduction of provincial funds expenditure has been found impossible . . . 417

We have attempted to raise the larger part of our demand by bringing under taxation the classes that have hitherto

PAGE

## MAYO'S, EARL OF, MEASURE—

*continued*TOWNS IMPROVEMENT AND LOCAL FUNDS  
BILLS, BOMBAY PRESIDENCY.—*continued.*  
*Sir W. S. R. F. FitzGerald—continued*

escaped taxation, and to supplement that taxation by a kind of license which those may avoid who do not wish to spend . . . 417

A fair demand has been made on the wealthier municipalities . . . *ib.*

Notwithstanding that the scheme increases the public burdens, it is sound and valuable, and the benefits to be obtained from the new relations which it establishes between the Supreme and Local Governments cannot be measured merely by their direct and immediate results . . . *ib.*

Considers it of the utmost importance that the proposals of the Government of India have been adopted, they will contribute to increased economy . . . *ib.*

Henceforth the Local Government is no longer a delusion and a sham, but it is a reality . . . *ib.*

The authority and position of this Council is increased, and the force and weight of public opinion is augmented . . . *ib.*

The influence of the Press is also fortified and augmented . . . *ib.*

Believes that these changes will be of unmixed good to the population of this Empire . . . 418

*The Hon'ble H. P. St. G. Tucker, 5th April 1871—*

The policy announced in the lucid and elaborate exposition by His Excellency the President has received his full assent . . . *ib.*

Adverts to the mischief occasioned under the former system, by the microscopic scrutiny to which the details of all administrative measures were subjected—the reform desired had been so long delayed that it did not seem right to refuse only a small instalment of what was greatly needed, because the gift was accompanied by certain drawbacks, and involved conditions which rendered it not nearly so great a boon as it otherwise would have been . . . *ib.*

One of these conditions was the necessity for additional taxation, a necessity which might have been avoided if the expenditure on services which have been retained as Imperial had been reduced, and if the grants for provincial services had been increased . . . *ib.*

The discontent and dissatisfaction occasioned by the sudden and heavy increase to the income tax last year rendered this a very inopportune time for the introduction of new imposts, notwithstanding the substantial reduction which has been made in the amount of that tax, and he would not have become reconciled to any extensive taxation of Western India if the compensating benefits of the scheme of decentralization had been withheld . . . *ib.*

New taxation being a necessity, the Government in selecting new taxes had endeavoured to equalize, as much as possible,



	PAGE		PAGE
<b>MAYO'S, EARL OF, MEASURE—</b>		<b>MAYO'S, EARL OF, MEASURE—</b>	
<i>continued.</i>		<i>continued.</i>	
TOWNS IMPROVEMENT AND LOCAL FUNDS		BENGAL—	
BILLS, BOMBAY PRESIDENCY— <i>concl'd.</i>		<i>The Hon'ble Sir George Campbell, 25th</i>	
<i>The Hon'ble H. P. St. G. Tucker—continued</i>		<i>March 1871—</i>	
the distribution of the public burdens		Had spoken elsewhere of the advantages	
by drawing within the circle of direct		likely to accrue from the scheme of	
taxation those classes who have hitherto		decentralization. The powers conferred	
managed to escape from contributing	418	by the measure were not likely to be	
Explains how it is proposed to distribute		abused by unduly burdening the province	
the weight of new taxation	419	for which the Local Government now	
Concurs with His Excellency the Presi-		legislated; but whilst acknowledging the	
dent regarding the appropriation by the		advantages of the new system, he had felt	
Government of India of the funds accumu-		to the utmost the sense of the responsibility	
lated from the fees paid by the litigants in		of the burdens which had been imposed	422
the Civil Courts of the Mofussil and the		He would like to produce a Provincial Bud-	
Court of Small Causes of the Presidency		get distinct from, and independent of, the	
<i>The Hon'ble Colonel M. K. Kennedy, 21st</i>	<i>ib.</i>	arrangements for local cesses, so as to	
<i>April 1871—</i>		distinguish provincial taxation from local	
Has run through the Budget and has tried		cesses, which taxes, in principle, were	
to show that the wants of the Govern-		quite distinct from one another	<i>ib.</i>
ment are many; that endeavours have been		The Provincial Budget statement shows a	
made to meet them with judgment and		deficit of £35,000 which cannot be met	
discrimination, that the means placed		by retrenchments, because the departments	
at the disposal of this Government have		cannot be carried on upon the very re-	
been fixed at a much lower point than we		duced scale which now prevailed, and	
have ever before had to encounter, thus		provision must be made for the	
throwing clearly and unmistakably upon		growth of the departments which natu-	
this Government the alternative of either		rally grew and were meant to grow for	
increasing its means by fresh taxation		the benefit of the people; hence money	
or encountering a dead lock as regards		must be raised by provincial taxation, or	
works necessary for administrative pur-	<i>ib.</i>	by throwing upon local cesses a part of	
poses, or needful public improvements		the charges hitherto imperial, but now	
The scheme of Provincial Funds frees the		provincial	423
Local Governments from a yoke under	<i>ib.</i>	In other provinces increased and increasing	
which they have hitherto painfully toiled		expenditure might be met by an increas-	
The local funds of the Bombay Presi-		ing land revenue, not so in Bengal. Still	
dency are very large, and they are not	<i>ib.</i>	it was morally impossible that while	
economically administered	<i>ib.</i>	other provinces were being taxed, Bengal	
<i>Sir S. W. FitzGerald, 21st April 1871—</i>		should go free; it would be a scandal	
Stated that if it were possible by retrench-		that because Bengal had a permanent	
ment to make our present means equal		settlement, and that settlement had been	
to our wants that should be our first		respected, Bengal should therefore go	
care, and if the Hon'ble Mr. Stewart or		without the most ordinary comforts and	
any member of the Council can point		improvements	<i>ib.</i>
out how that can be done, he is sure		On the subject of taxation he had not	
the Government would be glad to adopt		fully made up his mind. As far as he	
the suggestion	<i>ib.</i>	had seen, the only new tax that had	
With regard to the hope expressed, that		been proposed by the several Local Gov-	
the Government of India may see reason		ernments was the license tax, and it	
to extend their proposals and to place		would be for them to consider whether	
increased means at their disposal, he		a similar tax should be adopted for	
thought that there is very small ground		Bengal	424
indeed for such hope in the future	420	An additional tax upon salt was quite out of	
<i>The Hon'ble A. B. Scoble, Advocate General,</i>		the question; it was reserved as a source	
<i>25th April 1871—</i>		of imperial revenue	<i>ib.</i>
Adverts to the necessity for additional tax-		Irrespective of that impediment, stated	
ation in consequence of the inadequacy		other reasons for which an additional	
of the allotments	<i>ib.</i>	tax upon salt appeared to him to be prac-	
There will be no increase in the allotments		tically impossible	<i>ib.</i>
for the Provincial Services for a number		A tax on tobacco might be tried	425
of years, but as the necessities of the		It was understood that the income tax	
Government will increase from year to		would be taken off. It was stated to	
year, a scheme of taxation, self-progres-		him by some native gentlemen that	
sive in its yield, should be devised	421	they would prefer the imposition of an	
The direct tax on non-agricultural classes		income tax for provincial purposes to any	
in the mofussil has this merit, among		other. He was not sure whether the	
others, that it will reach the communities		Council would consider such a tax ad-	
of fishermen who live along our coasts in		missible; but if the higher classes really	
large numbers, who are not liable to the		wished it, and the Government of India	
income tax, but whose small incomes		would permit it, it might be considered	<i>ib.</i>
are at least as large as those of their		Observations on the Bill to be introduced	
agricultural brethren who live beside them	<i>ib.</i>	to provide local rating for roads and	

	PAGE
<b>MAYO'S, EARL OF, MEASURE—</b> <i>concluded</i>	
<b>BENGAL—continued</b>	
<i>The Hon'ble Sir George Campbell—con-</i> <i>tinued</i>	
communications. This Bill was intended to be restricted entirely to local purposes, and the funds that would be raised under its operation would be administered by local bodies for their own benefit. It was totally impossible that works of mere local importance should be undertaken from funds derived from the Imperial Government for provincial administration or even from provincial funds	428
Indirect taxation was scarcely possible in restricted localities, in such places local rating of the land is the only possible tax for local purposes	ib.
The cess in Bengal will be confined now to what will suffice for roads, but it will deserve consideration whether in places where voluntary education fails a local rate should not be imposed	ib.
<i>The Hon'ble Ashley Eden, 25th March 1871—</i> Concurred, generally, in the views expressed by His Honour the President, but as allusion had been made to those who were strongly in favour of an increased salt duty in lieu of direct taxation, and as he had taken an active part in supporting that view, he would give his reasons in defence of the position, and he did so at some length	ib.
All the objections to a salt tax were applicable to a tobacco tax, which is obnoxious to the additional objection that it would be vexatious and oppressive, whilst the revenue from salt can be more readily obtained without causing the least irritation or discontent	428
<i>Mr T. M. Robinson—</i> An additional salt duty is the very best way of raising additional revenue	ib.
<i>Baboo Degumber Mitter—</i> The deficit, though apparently only 33 lakhs, was in reality nearly double that amount, as the allotments had been made on the basis of an exceptional year	429
It was not easy to discover any new sources of taxation, but if a choice was to be made from existing ones, an additional tax on salt would be the least objectionable	ib.
Tobacco was one that would reach the masses, but would not be productive	ib.
Both tobacco and cess proposed on land would fall on the poor, but he was not prepared to say that these taxes would be less burdensome or oppressive to them than an additional duty on salt	ib.
<i>The Hon'ble Sir George Campbell, 27th March 1871—</i> Submitted detailed budget estimate of Provincial Funds for 1871-72	ib.
<b>LOCAL CESSES—</b>	
<b>MADRAS PRESIDENCY—</b>	
Madras Council's Act VI of 1863, tax for education up to 1871-72, had been almost inoperative	431
Madras Council's Act III of 1866, for the levy of a district road cess of half an anna on every rupee of land revenue	ib.

	PAGE
<b>LOCAL CESSES—continued.</b>	
<b>MADRAS PRESIDENCY—continued.</b>	
Madras Council's Act IX of 1865 directed that the Municipality of the town of Madras should pay to Government one-half of the total cost of the police of the town	431
Madras Council's Act X of 1865, among other things, provided that the municipality of each town should pay the total cost of police, and that Government should pay to each municipality one-fourth of the total expenditure for police, roads, conservancy, and drainage	ib.
Statements of gross contributions to Police during the years 1867-68 to 1869-70 from interior municipalities and of State payments to municipalities	ib.
Practically the municipalities contributed little or nothing to police	ib.
Origin of the Towns Improvement and Local Funds Bills, and observations thereon	432
Relative to the abolition of the police contribution from municipalities	433
Payment for dispensaries by municipalities	ib.
Taxation provided for by the Local Funds Bill was an enhanced district road cess, a house tax, and an extension of tolls	ib.
Yield of cess on land revenue in 1874-75	ib.
The principal points of discussion regarding the application of the road cess	ib.
Two-thirds of local rate reserved for roads	434
Transfer of Imperial charge for roads to cess funds	ib.
The fiscal part of Local Funds Bill recited	435
The house tax was put in abeyance, 1873-74	ib.
Repeal of Acts VI of 1863, III of 1866, and IX of 1865, by the passing of the Towns Improvement and Local Funds Bills	ib.
Abandonment of the contribution required from the municipality, under Act IV of 1865, of one-half the Police charge	ib.
Provisions of Act I of 1870, Canal and Ferry Fund	ib.
Act IV of 1864, for the maintenance of village officers in the Revenue and Police Departments, recited that certain fees in money and kind are payable by the people towards the maintenance of village officers in Revenue and Police Departments. In lieu of these fees, the Act prescribed that a cess on the land revenue, not exceeding one anna in every rupee of assessment, shall be levied, and the proceeds devoted to the payment of village servants employed on revenue and police duties within the village or group of villages or townships in which such cess is imposed	436
<b>BOMBAY PRESIDENCY—</b>	
Provisions of Act VIII of 1865 recited	437
Paragraph cited from the Administration Report of the Bombay Presidency for 1863-64 regarding cesses	ib.
The four points which have to be illustrated for present purposes, namely—	
1st—The levy of the anna cess on abkaree contracts	ib.
2nd—Rate of the cess compared with the rate in the N.-W. Provinces	ib.

LOCAL CESSES— <i>continued</i>	PAGE	LOCAL CESSES— <i>continued</i>	PAGE
<b>BOMBAY PRESIDENCY—<i>continued</i>.</b>		<b>BOMBAY PRESIDENCY—<i>concluded</i>.</b>	
<i>3rd</i> —The conditions which were once held to limit the application of funds ...	437	<i>Sir S FitzGerald, 5th April 1871</i> ...	445
<i>4th</i> —The proportion of the cess originally devoted, and the smaller proportion of it which will in future be devoted to expenditure on roads ...	<i>ib.</i>	<i>Colonel Kennedy, 21st April 1873</i> ...	<i>ib.</i>
The <i>anna</i> cess was introduced into the province of Sind by Bombay Act VIII of 1865, and into the rest of the Presidency by Bombay Act III of 1869	441	Orders passed by the Government of Bombay on 30th November and 23rd December 1874, placed Executive Engineers in charge of works executed from local funds, subject to certain conditions and limitations which preserve to Local Funds Committees all proper control over those works ...	<i>ib.</i>
Three Bills in furtherance of local taxation were introduced in 1871, designed to provide funds for meeting a deficit of 10 lakhs in the estimated expenditure compared with the estimated receipts of Provincial Funds ...	<i>ib.</i>	Some of those conditions and limitations specified ...	<i>ib.</i>
Deficit shown £ 95,270 ...	<i>ib.</i>	Resolution recorded on 7th April 1875 by the Government of Bombay, setting forth that the foregoing changes for bringing the Local Funds Committees into close relations with Public Works officers took effect on 1st April 1875, and that they had been determined on by Government in the general interests after very mature consideration and deliberation ...	446
Regarding the withdrawal of £10,000 a year from the Bombay Municipality	442	<b>BENGAL—</b>	
To provide for the deficit of 10 lakhs, the following Bills were introduced.—		In Bengal provision for local expenditure for schools, hospitals, and sanitary purposes is only derived through municipal taxation	<i>ib.</i>
<i>1st</i> —A Bill for the cost of police in towns and suburbs;—estimated yield Rs 1,50,000	<i>ib.</i>	In Bengal there are three classes of municipalities,—under Act XX of 1856, Act III of 1864, and Act VI of 1868, the provisions of these Acts described ...	<i>ib.</i>
<i>2nd</i> —A Bill for imposing duties on the non-agricultural classes;—estimated yield Rs 4,50,000 ...	<i>ib.</i>	Under Bengal Council's Act II of 1873 the surplus arising under Act III of 1864 or Act VI of 1868 may be applied further to the establishment and maintenance of schools ...	<i>ib.</i>
<i>3rd</i> —A Bill to impose a duty on feasts;—estimated yield Rs. 4,00,000 ...	<i>ib.</i>	Observations made in the discussions which resulted in the passing of Act II of 1873	<i>ib.</i>
Withdrawal of the third Bill	<i>ib.</i>	<i>Mr Bernard, 5th December 1871</i> ...	<i>ib.</i>
In discussing the first Bill, the propriety of requiring municipalities to pay for the police of towns, as in all other parts of India, was repeatedly affirmed	<i>ib.</i>	<i>Sir George Campbell</i> ...	<i>ib.</i>
<i>Sir S FitzGerald</i> ...	<i>ib.</i>	<i>Mr Bayley</i> ...	<i>ib.</i>
<i>Mr. Ravenscroft</i> ...	<i>ib.</i>	<i>Rajah Jotenáro Mohén Tagore</i> ...	447
<i>Mungoldass Nathoochoy</i> ...	<i>ib.</i>	<i>Baboo Desumber Mitter</i> ...	<i>ib.</i>
<i>Mr Stewart</i> ...	<i>ib.</i>	Every town or populous place, and almost every village, has one or more Patahalas for giving a very tolerable education in the "three Rs" ...	<i>ib.</i>
<i>Mr. Tucker</i> ...	443	<i>Mr Bayley</i> —regarding dispensaries and respecting the support willingly given them by municipalities ...	<i>ib.</i>
<i>Mr. Mansfield</i> ...	<i>ib.</i>	Observations regarding village chowkedaree or rural police ...	<i>ib.</i>
More than half the income generally of municipalities in the Bombay Presidency is derived from town duties. In the North-Western Provinces, the Punjab, and Central Provinces, where municipal income is largely derived from octroi, municipalities pay the entire charge of their Police ...	<i>ib.</i>	<i>Sir George Campbell, 6th January 1872</i> ...	<i>ib.</i>
The Bills Nos. 1 and 2 were passed into law as Bombay Acts I and II of 1871, the latter does not state the object for which it was imposed, nor direct the application of the tax to any specific purpose ...	<i>ib.</i>	Provision for roads under Bengal Council Act X of 1871 ...	448
Act II of 1871 was placed in abeyance in 1871 ...	<i>ib.</i>	<i>Sir George Campbell</i> ...	<i>ib.</i>
Act I of 1871 was placed in abeyance in 1873 ...	<i>ib.</i>	Cess on land, though eventually levied for roads, originated in a scheme of village schools for Bengal ...	449
Act I of 1871 was repealed by District Act VI of 1873 ...	<i>ib.</i>	The whole subject was reviewed by Sir William Grey in a letter dated 30th April 1869, which was referred by the Government of India for the decision of the Secretary of State ...	<i>ib.</i>
Act VI of 1873: provisions of—	<i>ib.</i>	Passages quoted from that despatch	<i>ib.</i>
A Bill was introduced in 1875 for amending the law relating to tolls on roads, the object of which is not to impose new taxation, but to legalize existing practices ...	<i>ib.</i>	Secretary of State for India replied in a despatch dated 12th May 1870, quotations therefrom cited ...	<i>ib.</i>
Substance of remarks on local cesses in the Bombay Presidency ...	<i>ib.</i>	Estimates of the probable proceeds of the cess	451
Remarks made in the discussion of the budget estimate of provincial funds for 1871-72 respecting the administration of the Public Works expenditure from the two-thirds of the one-anna cess ...	445	Bengal Administration Report for 1873-74: remarks on the subject ...	451
		Bengal Administration Report for 1855-56: remarks on the subject ...	<i>ib.</i>

PAGE	LOCAL CESSES— <i>continued.</i>	PAGE	LOCAL CESSES— <i>continued.</i>
	<b>BENGAL—<i>continued.</i></b>		<b>N. W. PROVINCES—<i>continued.</i></b>
	Bengal Administration Report for 1872-73	452	The Government of the North-Western Provinces responded with a scheme of additional taxation
	Baboo Degumber Mitter, 3rd June 1871	<i>ib.</i>	The principal heads of expenditure stated at £650,000
	Mr Bernard, 3rd June 1871	<i>ib.</i>	Provision proposed to be made to meet that expenditure
	Subordinate only to the main object of spending the cess on roads was the policy of spending it in the district in which the cess is raised	453	Explanation of the circumstances that had altered the requirements of the province since they were estimated in 1870
	Observations made in the course of discussions on the Bill respecting— <i>1st</i> , the limitation of expenditure to the district in which the rate may be raised; <i>2nd</i> , the security provided by such limitation for thrifty management of the funds	<i>ib.</i>	Alleged insufficiency of the Provincial Assignment to the North-Western Provinces to carry on public works, roads, irrigation and railways
	Baboo Degumber Mitter	<i>ib.</i>	Views adopted on further consideration by the local Government as observed in the Administration Report for 1870-71
	Sir George Campbell	<i>ib.</i>	Two important points were noticed in the discussion of the additional cesses
	Mr. Schalch, observations on the mode of assessing and collecting the road cess	454	<i>The Hon'ble Mr. Inglis—</i> His observations on the question
	Administration Report for 1871-72: process of collection of the tax described	455	Similar opinions had been expressed by the North-Western Provinces Government in the previous correspondence of 1870-71
	Statement of outlay on roads in Bengal from 1861 to 1867	<i>ib.</i>	The cesses on land revenue, regarded as an alienation of imperial land revenue, are a tax, and not a voluntary contribution by the owners of the land
	Corresponding figures at the close of 1874 are not available for comparison, except as regards metalled and bridged roads, particulars of which are given	456	New cesses on land revenue introduced between one revision of the settlement and the next could not be imposed without a breach of the engagements at the last settlement these views were controverted by Sir J. Strachey and the Hon'ble Mr. Ellis
	Distribution statement of means of communication in 1862-63	<i>ib.</i>	On the same subject
	Statement of expenditure incurred by Public Works officers, and from the amalgamated District Road Fund, on works of communication in Bengal from 1861-62 to 1874-75, inclusive	457	<i>Sir J. Strachey</i>
	<b>NORTH-WESTERN PROVINCES—</b>		<i>The Hon'ble Mr. Inglis</i>
	Specification of cesses in the North-Western Provinces, <i>viz.</i> :—		The character of the cesses on land eventually established
	<i>A—</i> in temporarily-settled districts		Estimated yield of the acreage cess, £36,000
	<i>B—</i> in districts permanently-settled	459	Estimated yield of the 10 per cent. cess stated at £330,669
	Rate of land cess under Act XVIII of 1871 of two annas per acre	<i>ib.</i>	<i>Sir J. Strachey—</i> His observations regarding this rate
	The 10 per cent cess dates from 1866 in respect of districts whose settlements have been revised since that year; the Local Rates Act of 1871 simply legalized the levy of this 10 per cent rate in anticipation of a revision of settlement in districts under an expired settlement	<i>ib.</i>	The cess <i>plus</i> rural police charge in Qudh, if reckoned collectively as a rate upon the land revenue, exceeds the 10 per cent cess in the North-Western Provinces
	Until 1871 the permanently-settled districts, in addition to cesses for roads, the district post and a voluntary school cess, supported their village police by a grant of land termed <i>Jagir</i> land; those <i>Jagir</i> lands were exempted from assessment on the express understanding that they might be resumed at any future time should Government determine to free the proprietors from their responsibility for the payment of the village police	<i>ib.</i>	The increase of assessment of imperial land revenue is about 13 to 14 per cent.
	In 1871 the <i>jagir</i> lands were resumed, and the rent is now credited to Local Funds of the North-Western Provinces as a set-off to corresponding payments for village police	460	<i>The Lieutenant-Governor, 6th April 1871—</i> His observations on the subject
	Sources of new income in the permanently-settled districts	<i>ib.</i>	Allotment of proceeds of cesses under the Local Rates Act
	Sources of new income in the temporarily-settled districts	<i>ib.</i>	<i>Sir G. Campbell</i>
	Contribution in relief of the imperial finances reduced from £150,000 per Home Department's Circular of 21st February 1870 to £48,000 per Resolution of December 1870	<i>ib.</i>	Objects of expenditure from local rates on land
			465
			<b>PUNJAB—</b>
			Details of cesses existing in the Punjab before and since the passing of the Punjab Local Rates Act XX of 1871
			The old cesses amounted to 2½ and 2 per cent. on the land revenue
			With the new local rate imposed in 1871, they now amount to 8½ to 8¾ per cent. on the land revenue, exclusive of provision for rural police
			In the North-Western Provinces the gross local rate is 10 per cent., including nearly 5 per cent. of rural police

	PAGE		PAGE
<b>LOCAL CESSES—continued.</b>		<b>LOCAL CESSES—continued.</b>	
<b>PUNJAB—continued.</b>		<b>CENTRAL PROVINCES—continued.</b>	
<i>The Hon'ble Mr. Ellis</i> ...	467	Ra. 1,000 a year were subjected to pandhari tax ...	474
<i>The Lieutenant-Governor of the Punjab</i> , on introducing Punjab Local Rates Bill on 26th May 1871 ...	ib	The deficit in the allotment for provincial services as finally settled in March 1871, which these Provinces were required to make good, was fixed at £19,583 ...	475
The deficiency in the allotment made over by the Government of India in 1871 was £62,427 ...	468	Regarding the levy of cesses on land revenue during the currency of an existing settlement ...	ib
Provision for roads ...	ib	The Secretary of State's decision, insisted upon by Sir J. Strachey and Sir B. H. Ellis, is that a cess which is thus leviable in permanently-settled districts may, at least with equal propriety, be levied at any time in temporarily-settled districts ...	ib
Provision for public works establishments ...	ib	<i>Sir D. F. Macleod's</i> observations on the subject in a Minute dated 10th June 1870 ...	ib
Remarks generally, and on the yield of the local rate ...	ib	The scheme of provincial funds highly approved by Colonel Keatinge, except that it did not go far enough ...	475
Estimated yield of the local rates cess by the Financial Commissioner of the Punjab ...	ib	Deprecates an increase of the cess on land revenue; would meet the reduction of the gross provincial assignment by a re-appropriation of the pandhari tax, and by levying tolls on imperial roads and ferries ...	ib
Respecting the taxation of non-agriculturists ...	ib	Observations referring to a working surplus of £1,824 exhibited in the Budget of Provincial Funds for 1871-72 ...	ib
Coincident with the levy of the new cess on land the land revenue was at a rate much lower than the proper rate ...	469	This result was attained without starving any local funds services through the appropriation of the pandhari tax for provincial services ...	476
<i>The Hon'ble Mr. Stephens's</i> observations on the subject ...	ib	Tolls have not proved successful ...	477
Section 6 of Act XX of 1871, respecting the application of the proceeds of the cess ...	ib	<b>BRITISH BURMAH—</b>	
Section 7 of Act XX of 1871 noticed ...	ib	Origin of the 5 per cent. cess on land revenue, including fisheries ...	479
Punjab Administration Report for 1872-73: remarks on the subject ...	ib	Regarding the levy of cesses on the land revenue ...	480
<b>ODDH—</b>		The Government of India letter Nos. 314—319 of January 1865, sanctioning cesses on the land revenue only ...	ib
Detail of cesses in Oudh ...	470	Cesses imposed on the authority of that letter, viz., cesses on land tax, fisheries tax, and net tax ...	ib
Exclusive of charge for rural police, the cesses on land revenue amounted to 2½ per cent. up to 1870 and to 5 per cent. since that year ...	471	<i>The Hon'ble E. C. Bayley</i> , on introducing Bill to regulate ferries in British Burmah, 5th September 1872 ...	ib
Increase of cess urged by the Home Department's Circular of 21st February 1870 ...	ib	Administration Report, British Burmah, for 1872-73, on the subject of appointing Municipal Committees in British Burmah ...	481
Proceeds of cesses in Oudh according to the estimates for 1875-76 ...	ib	<b>ASSAM—</b>	
Including charge for rural police, the cesses in Oudh amount to more than 10 per cent. on the land revenue ...	ib	Lands included in the term "Government estates" ...	ib
<i>Sir J. Strachey</i> on moving for leave to introduce the Oudh Local Rates Bill ...	ib	Definition of the terms "khas mehals" and "ryotwari lands" ...	ib
The new cess has yielded above £40,000, where only £30,000 or £32,000 had been estimated, but the imperial revenue will have to give up almost a corresponding amount of revenue, in which case there will not have been any increase of taxation ...	472	Sanctioned expenditure in respect of khas mehals ...	ib
Sections 9, 10, and 11 of Act XVII of 1871: the provisions of— ...	ib	Application of proceeds of khas mehal funds ...	482
The manner in which the proceeds of cesses levied in each district is to be allotted under the Act ...	ib	Abolition of the khas mehal fund deprecated by the Government of Bengal ...	ib
<i>Sir George Campbell</i> ...	473	Government of India Resolution of 12th July 1872 maintained the order of 28th January 1871 ...	483
<b>CENTRAL PROVINCES—</b>		Renewed applications by the Government of Bengal for concessions for the improvement of certain specified Government estates, and setting forth the ground of its claim ...	484
Detail of cesses on land revenue in the Central Provinces ...	ib	Extracts from correspondence bearing on the subject ...	ib
Excluding the patwari cess (of from 4 to 5 per cent.), the total cesses on the land revenue are 4½ per cent., except in two districts in the Chutteesgurh Division, in which the total is 5½ per cent., and one or two isolated instances in which the total is 5½ or 2½ per cent. ...	474		
There is no cess for village police who are maintained by the landholders without the payment passing through the Government accounts ...	ib		
History of the pandhari tax ...	ib		
Alteration of the certificate tax in 1869 into an income tax ...	ib		
On abolition of the income tax in 1873, non-agriculturists on incomes exceeding—	ib		

	PAGE
<b>LOCAL CESSES—continued.</b>	
<b>ASSAM—continued.</b>	
Authorities cited who have held that local cesses on land revenue in temporarily-settled districts are really an alienation of imperial land revenue for local purposes, viz—	
Sir William Grey.	
Sir George Campbell.	
Bombay Settlement Officers.	
Sir William Muir.	
Hon'ble J. D. Inglis.	
Lieutenant-Governor of the Punjab...	486
Order passed by the Government of India on the preceding application is contained in Financial Resolution No. 652, dated 27th May 1873	ib.
Respecting the proposal to allot to local funds a percentage on the revenue collected from Government estates and in ryotwari districts	ib.
Respecting Assam and the Bhutan Duars	487
It was ultimately agreed that the assignment of one anna per rupee should be credited to local funds direct and be calculated on the gross revenue after deducting assignments of revenue	ib.
The foregoing concession to Assam was allowed also for Cachar until its re-settlement in 1879	ib.
Distribution of the income of the local fund, and instructions relating thereto, by an order of the Chief Commissioner, dated 24th September 1874	ib.
Assignments for local purposes to cesses whenever a local rate is levied outside the amount of the existing imperial revenue demand	488
Statement of the land revenue demand in the temporarily-settled Valley districts of Assam proper	ib.
The bulk of the increase of the land revenue to what attributable	ib.
Administration Report, Bengal, 1872-73; remarks on the subject	489
<b>BRITISH INDIA—</b>	
Review of the growth of cesses on land revenue in British India	ib.
Village police maintained in all parts of India by grants of land or from rates on land	491
In the North-Western Provinces and British Burmah only are the rates and corresponding charges passed through the accounts of local funds as cesses on land revenue and as charges of rural police	ib.
In Upper India and in British Burmah there is a cess on land revenue for the district post, but not in the Madras and Bombay Presidencies	ib.
With the exceptions stated, the cesses on land revenue in the three presidencies are devoted to schools and roads, and of late years, outside British Burmah and the Central Provinces, are applied to hospitals, dispensaries, and sanitary purposes	ib.
Acreage cess and tax on commuted jagirs are a complement of the land cesses in permanently-settled districts in the North-Western Provinces	ib.
In Bengal, Lower Provinces, the cesses are for roads; there is no similar cess for education	ib.

	PAGE
<b>LOCAL CESSES—concluded.</b>	
<b>BRITISH INDIA—continued.</b>	
The receipts from land cesses (including acreage cess and commuted jagirs in the North-Western Provinces) as per statement	491
Since 1865-66 there has been a gross increase of cesses on land revenues of one million sterling, but deducting charges for rural police, the increase is nearly £300,000	492
Statement showing to what extent the several provinces have benefited as to amount of excess in 1875-76 over 1867-68	ib.
Statement of land revenue receipts from 1870-71 to 1875-76, inclusive	ib.
Statement of cesses on land revenue receipts for the same period of time	ib.
Rates of yield of cesses on land revenue	493
Receipts from cesses on land revenue per actuals for 1875-76	494
Statement of receipts from cesses both enhanced and new sources of income since 1870-71	ib.
Improvement in 1875-76 over 1870-71 of £488,183, and the causes stated to which that improvement is attributable	ib.
<b>OPINIONS IN PARLIAMENT ON CENTRALIZATION AND THE EARL OF MAYO'S SCHEME.</b>	
<i>Sir Stafford Northcote, 12th August 1867—</i>	
Cites a passage from Mr. Massey's speech on the license tax, which he wishes to connect with the question of irrigation	495
The license tax, applied to the whole of India, though unpopular and displeasing, may in some parts of the country be accepted and recognized as a convenient form of taxation	ib.
The transfer of the power of local taxation to Local Governments would be advantageous	ib.
Local control would facilitate the recovery of advances for reproductive works	ib.
A relaxation of the principles of centralization will give fairer and fuller play to the development of the country in its remote districts	ib.
Is anxious to pay attention to the valuable recommendations contained in the report of the Famine Commissioners in Orissa	ib.
Would be glad to see some improvement in the relations between zemindars and ryots	ib.
We must endeavour so to shape our measures and our policy as to give full play to all portions of the country committed to our charge	ib.
<i>Duke of Argyll, 28th July 1870—</i>	
Provision for public works from local cesses	ib.
The levy of cesses in permanently-settled districts in Bengal opposed by Sir William Grey, Lieutenant-Governor of Bengal, as a breach of faith	496
The question ultimately referred for the opinion of Her Majesty's Government	ib.
The copy of the despatch, now laid on the table, settled the question as far as regarded the opinion of Her Majesty's Government	ib.
The argument, based on the permanent settlement in Bengal, would apply equally for a certain time to all other settlements in India	ib.

	PAGE
<b>OPINIONS IN PARLIAMENT—continued.</b>	
<b>DECENTRALIZATION &amp; EARL MAYO'S SCHEME—continued.</b>	
<i>Duke of Argyll—continued</i>	
There was nothing whatever in the permanent settlement which disentitled the Government of India from throwing upon local resources the expenditure necessary for local purposes	496
The local cesses are to be made as far as possible with the co-operation and concurrence of the natives of India	ib.
The natural tendency of events was at present in favour of the centralization of the management of finance in Calcutta, but this project of local cesses had a most important bearing in the direction of decentralization	ib.
Local improvements not directly remunerative to be met by local taxation	ib.
<i>Mr. Grant Duff, 5th August 1870—</i>	
Financial decentralization to be carried out experimentally	ib.
Explanation of the nature and extent of imperial assignments for provincial services	497
<i>Mr. Stephen Cave, 24th February 1870—</i>	
Where faith was pledged, it must be kept even to our own hindrance; but there was no reason why the landlord should afterwards lay out large sums in raising artificially the value of the same land without demanding from the tenant a percentage of the cost; in England a land tax, redeemed in most cases at a fixed rate, does not preclude the levy of rates for local purposes; and surely we might ask for local aid to railways and irrigation works, which have enormously increased the value of land and its products	ib.
<i>Sir C. Wingfield, 24th February 1871—</i>	
The measure is good, but it does not go far enough; the Local Governments should further be allowed control over their receipts	498
Great danger will result to India should increased taxation be uncompromisingly persevered in	ib.
In England local taxation meant self-taxation, but in India the additional taxes would be levied under Acts of Legislative Councils in which the natives were not represented	ib.
Already serious discontent and irritation had been aroused by attempts to raise new cesses and imposts	ib.
If additional taxation for local purposes was sought to be imposed, it could only safely be done with the co-operation of the people; to that end Councils should be established at the seat of each Provincial Government, composed mainly of the leading members of the landed and commercial interests	ib.
Heavy taxes levied from a poor people only further impoverishes them, and every year the people grow less disposed to submit without murmur to taxation, which they regard as oppressive or as a breach of faith	ib.
<i>Mr. C. B. Dawson, 24th February 1871—</i>	
While hoping that the scheme of decentralization would be successful, feared it would involve an addition to local taxation of burdens which it was found inexpedient to couple with imperial taxation	499
<i>Marquis of Salisbury, 11th May 1871—</i>	
In England the income is adjusted to the	

	PAGE
<b>OPINIONS IN PARLIAMENT—concluded.</b>	
<b>DECENTRALIZATION &amp; EARL MAYO'S SCHEME—concluded.</b>	
<i>Marquis of Salisbury—continued</i>	
expenditure, the ideal of finance of Asiatics, he believed, was repose; taxation in India should be permanent, and the expenditure should be adjusted to it, it was for the Home Government to consider whether the excitement of annual budgets and new taxes should not be avoided as a political danger	499
The Local Governments had strongly declared for greater financial decentralization, and the hesitating steps already taken in this direction, by which some accidental sources of revenue had been handed over to them to deal with as they pleased, would not settle the question	ib.
There was a great tendency in the lower offices to exceed the estimates, and a general belief prevailed that the expenditure did not produce anything like the results which one had a right to expect, in the Department of Public Works that impression especially prevailed; he had been asked to move for the appointment of a Royal Commission, but he could not comply with that request, he, however, earnestly recommended the subject to the attention of the Duke of Argyll	ib.
<i>Duke of Argyll, 11th May 1871—</i>	
Objected to annual budgets and the imposition of new charges	
The Government of India were divided on the point, and the Home Government and the majority of the Council decided in favour of the perfect legitimacy of the plan of raising local taxes for local expenditure in India	500
The importance of the step taken by Lord Mayo related chiefly to the branches of expenditure which he had relegated to the Local Governments which were comprised under eight heads	ib.
The object being that the Local Government should be thrown on their own resources	ib.
After long consideration the Government of India came to the conclusion that it would be unwise to alienate permanently the land revenue, and that over a large area of country it would be unwise to make a permanent settlement; large questions of public policy were connected with the question, his own opinion was that a permanent settlement was the wisest settlement, and that it was better for wealth to accumulate in the hands of the people than to flow into the treasury	ib.
The Local Governments of India were now preparing measures for raising local cesses, but Lord Mayo had been informed of the necessity of great caution in developing this system, and of the importance of carrying along with us, if possible, the feelings of the people	ib.
<b>OPINIONS IN ENGLAND—[EXTRACTS FROM MINUTES OF EVIDENCE BEFORE THE SELECT COMMITTEE ON INDIAN FINANCE].</b>	
<b>CESSSES ON LAND REVENUE—BOMBAY.</b>	
<i>Sir H. B. E. Frere—</i>	
Special charges added to the land revenue settlement sanctioned in Western India by the Regulations of 1827	50

**OPINIONS IN ENGLAND—continued.**  
**CESSES ON LAND REVENUE—BOMBAY—continued.**  
*Str H. B. E. Frere—continued.*  
 The charge deferred in some parts from the idea that it would be a breach of the 30-years' settlement ... 501  
 In all new settlements it is made a part of the original settlement, and has the same force as the imperial assessment ... *ib.*  
 Estates alienated for ecclesiastical and other purposes would in most cases be subject to the extra cesses, but not invariably ... *ib.*  
 It would be premature to raise a question whether a cess on land revenue could be imposed for the expense of a railway ... *ib.*  
 Railways increase immensely more than roads the price of produce ... *ib.*  
 The difficulty with regard to India is certainly greatly increased by the expenditure on railways ... *ib.*  
 In principle, there would be no reason against the levy of a cess for railways, but it would be dangerous to raise the question prematurely ... *ib.*  
 It is doubtless a right principle, if the Government can spare it, that it should spend some part of its income derived from landed estates on works that will develop the produce of the land ... 502  
 Difference between land revenues and cesses imposed on land revenue defined: the former is rent for which you give back nothing; the latter is a source to the producer for carrying his goods to market and improving his condition by producing more ... *ib.*  
 A cess on land for the construction of railways would differ from one for the construction of roads: it would be unwise to press the former upon the country at present ... *ib.*  
 Land may be increased in value by the construction of a road or railway, and the assessment at the end of 30 years may be raised: with regard to roads, the benefit is practical and immediate; railways are more distant, the interests of the people and the Government are in the long run identical ... *ib.*  
 Does not see why Bengal, where there is a permanent settlement, and where the lands, as in other places, have been much increased in value by railways, should not contribute towards the expenses ... *ib.*  
 The levy of cesses in Bengal for road-making would not be in contravention of the terms of the permanent settlement ... *ib.*  
 It would be but just that those who have benefited by this outlay should contribute something towards it ... *ib.*  
 There is a special reservation in the Bombay Regulations of the power of Government to levy such additional taxation as imperial circumstances may require ... *ib.*  
**BENGAL—**  
*Mr. R. D. Mangles—*  
 Dissented at first from the view that found favour with the Secretary of State in Council, but gave in at last, as it appeared so desirable to the view that the permanent settlement in Bengal did not bar the imposition of an education and road cess in the way in which it was proposed to impose it ... 503

**OPINIONS IN ENGLAND—continued.**  
**CESSES ON LAND REVENUE—PUNJAB.—**  
*Str R. Montgomery—*  
 The arrangement of the settlement is that, in addition to the half net return, the proprietors have been called upon to pay 1 per cent. for roads and 1 per cent. for education ... 503  
 The levy of additional cesses does not form any part of the understanding at time of settlement; the understanding is that they were not to pay more than the assessment fixed, and the assessment now formed is plus 1 per cent. for roads and 1 per cent. for education; if more than that were taken, it would be considered a grievance ... *ib.*  
 The road cess ought to be spent in the district in which it is levied ... *ib.*  
 There is no objection to the road cess ... *ib.*  
 No proclamation has been issued generally reserving the right of the Government to impose additional revenue to meet the emergencies of the State ... *ib.*  
 The Government is bound in good faith, during the 30 years' settlement, not to increase the land revenue ... *ib.*  
 The cesses levied on the revenue of 1 per cent. for education and 1 per cent. for roads do not cover those items of charge ... *ib.*  
 The 1 per cent. road cess is as much a fixed part of the settlement by the present arrangement as the regular land revenue ... *ib.*  
 As a general rule, the natives dislike roads, because they consider them as a source of great oppression, and would prefer being without roads ... *ib.*  
 Engagements are taken at time of settlement for the cesses and land revenue in one ... 504  
 Practically, the cesses come out of the land revenue ... *ib.*  
**MADRAS—**  
*Mr. R. A. Dalgell—*  
 Rule for the imposition of cesses on the land revenue is reserved in all settlements ... *ib.*  
 There is no guarantee that the Government shall not put on a special tax for special purposes in the middle of a settlement ... *ib.*  
 Railways and large trunk roads are always considered to be not local, but imperial works ... *ib.*  
 Large works of irrigation are also imperial ... *ib.*  
**CENTRAL PROVINCES—**  
*Mr. J. H. Morris—*  
 A local tax in a district for a railway which benefits it is justifiable ... *ib.*  
 No reservation made at time of settlement of any immunity from special taxation ... *ib.*  
 There would be no injustice in imposing a tax for the purpose of paying the interest of a loan for the construction of a railway or other works that might benefit the people ... *ib.*  
 An irrigation cess would be unobjectionable ... *ib.*  
 A cess for irrigation works or railways could not be negotiated with the people by mutual arrangement ... 505  
 Under the settlement, a local charge for roads conferring direct benefits could be made ... *ib.*  
 Is aware that the right of Government to impose a road cess is denied in Bengal ... *ib.*



PAGE	PAGE
	PAGE
OPINIONS IN ENGLAND— <i>continued.</i>	OPINIONS IN ENGLAND— <i>continued.</i>
CESSSES ON LAND REVENUE—CENTRAL PROVINCES— <i>continued.</i>	CESSSES ON LAND REVENUE— <i>continued.</i>
<i>Mr J. H. Morris—continued.</i>	<i>Sir C. J. Wingfield—continued.</i>
There might be objections raised in the Central Provinces to a road cess, but it would be just; and what would be just in the one case would be just in the other . . . . .	Practice observed under Native Governments . . . . .
505	509
Lands of which the Government have sold the proprietary right in the Central Provinces pay the road cess . . . . .	The Government deliberately said only 10 years ago that a cess of 2½ per cent. would suffice for local purposes, and they gave a distinct assurance to the people that that would be the limit of the cesses throughout the term of settlement, and it ought not to be raised during that term . . . . .
<i>ib.</i>	<i>ib.</i>
These lands are dealt with exactly the same as rent-free tenures; they do not pay the Government revenue, but they pay the road and educational cesses . . . . .	The proceedings of Government are decidedly injurious . . . . .
<i>ib.</i>	<i>ib.</i>
Compulsory cesses are justifiable, provided there is some direct and immediate benefit from them to the district . . . . .	Even if the right to increase the rate for cesses during an existing settlement had been reserved, that right must be exercised with caution . . . . .
<i>ib.</i>	<i>ib.</i>
The cess, if legalized and not paid by cultivators, would be realized by the process of distraint . . . . .	It is absurd to limit the assessment on the land for land revenue and then to retain power to put on cesses to any extent, because for all practical purposes that amounts to an increased demand from the land . . . . .
<i>ib.</i>	<i>ib.</i>
No remonstrance has been made against the cess . . . . .	These cesses have been imposed, not with reference to the means of the man assessed, but with reference to the value of the land he holds . . . . .
<i>ib.</i>	<i>ib.</i>
As regards irrigation, if the people did not take the water, they should hardly pay the rate . . . . .	Disapproves of the decentralization scheme, because it places the Local Governments more under a direct motive to screw as much as they can out of the people; knows by experience what crochets and fancies Local Governments have . . . . .
<i>ib.</i>	<i>ib.</i>
The land revenue is simply land revenue and not a final tax; Government have the right of imposing other taxes . . . . .	It is not desirable that the Local Governments should have the power which is given under this decentralization scheme: if the Government of India interposes no check, or places no restriction on their power of levying local rates, it would be most dangerous . . . . .
<i>ib.</i>	<i>ib.</i>
In the North-Western Provinces, no doubt, the people look on the extra cesses as being as fixed and immutable as the land revenue . . . . .	The plan of giving Local Governments fixed assignments is not altogether a good one; it offers no inducement to economy, and those who asked most would get most: approves of the plan of Sir Charles Trevelyan to leave the Local Governments whatever surplus remains after defraying imperial expenditure and civil establishments . . . . .
506	510
Does not recollect any particular case of remonstrance made by holders of rent-free tenures to the road and educational cesses, and does not recollect whether the Government take these cesses from rent-free tenures in the Central Provinces . . . . .	In the communication made to the India Office regarding the levy of additional cesses in Oudh, no opinion was expressed as to whether the 2½ per cent. cess imposed at the settlement was sufficient to carry out the local requirements of the district . . . . .
<i>ib.</i>	<i>ib.</i>
For works of improvement the levy of cesses might be objected to, but it would not be a valid objection, but one that might be overruled . . . . .	Attention was given by them to the question of breach of faith, as he always considered that the most important point to be attended to was that the Government should preserve its character for strict observance of its promises, and that no expediency under any circumstances should induce it to break that faith . . . . .
<i>ib.</i>	<i>ib.</i>
Would not make people pay for water from canals if they did not use it . . . . .	Explains the term "breach of faith" . . . . .
<i>ib.</i>	<i>ib.</i>
The cess proposed for meeting the expenses of the Raepore Railway would be a tentative measure . . . . .	Considers the definition of the land revenue and declaration set forth in the preamble of the Regulation of 1827 was not alone sufficient to levy a contribution from the land in the Bombay Presidency for the payment of the expense of roads and bridges, the best proof of which insuffi-
<i>ib.</i>	
The people in the Central Provinces are a more simple and a quieter race than those in the North-Western Provinces and the Punjab . . . . .	
<i>ib.</i>	
ODUH—	
<i>Sir C. J. Wingfield—</i>	
Steps taken to impose local cesses in Oudh at time of the 30-years' settlement, and the imposition of an additional levy of 2½ per cent. during the currency of the settlement . . . . .	
<i>ib.</i>	
Ramonstrated against the increase of cesses fixed at the settlement . . . . .	
507	
When the cess is imposed at the time of settlement, a knowledge that it is to be imposed notoriously affects the amount of the Government share when the settlement bargain comes to be made . . . . .	
508	
Practice in Bombay, and the introduction of Act of 1869 to legalize it . . . . .	
<i>ib.</i>	
The settlement for 30 years is a contract in the fullest acceptation of the term . . . . .	
<i>ib.</i>	
The land revenue fixed at a settlement is a limitation of the Government demand . . . . .	
<i>ib.</i>	
The road cess is a different branch of revenue, but in Oudh it is incorporated in the Government demand . . . . .	
<i>ib.</i>	

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>CESSES ON LAND REVENUE—OUDH—concluded.</b>	
<i>Sir C. J. Wingfield—concluded.</i>	
ency was the introduction of an Act in 1869 to enable the Government to levy the cesses	510
The practice has always been, as pointed out in Sir Frederick Halliday's Minute, to fix cesses at the time the settlement is made when they are engaged for, with the rest of the revenue	511
Cesses which can be increased at the pleasure of Government during the currency of a settlement are incompatible with property in land which depends on the limitation and moderation of the Government demand	ib.
According to the action which the Government has taken, the present proprietors in Oudh have no security whatever that if the exigencies of the Government increase, they may not find cess after cess imposed	ib.
Regarding the manner in which it has been proposed to apply the proceeds of these cesses levied on the land revenue	ib.
Understands that the scheme of decentralization has been made the plea for the imposition of cesses to enable the Local Governments to meet deficits by local taxation	512
<b>BRITISH BURMAH—</b>	
<i>Colonel Sir A. P. Phayre—</i>	
The Government have a right to assess the people for the execution of public works	ib.
In British Burmah a cess has been levied for public roads, education, and rural police, which cess has been cheerfully paid, and the benefits derived from it are appreciated	ib.
<b>BRITISH INDIA—</b>	
<i>Mr. S. Laing—</i>	
Cesses for local objects, such as education, roads, &c., levied in districts permanently settled are justifiable	ib.
The imposition of local cesses is quite beyond the objects for which the settlement was made	ib.
The man who holds under a permanent settlement is in the position of an English landlord with his land tax redeemed; you have no right to increase that specific assessment, but he may be fairly subjected to local rates for purely local objects from which he derives benefit	ib.
But the principle must not be carried so far as to make it appear that you are throwing on the estate what is purely imperial taxation	ib.
Impatience of local taxation is stronger in India than in England	ib.
Unpopularity of local authorities in India, who are most assiduous in devising local improvements	513
The road cess falls upon the ryot half directly and half indirectly	ib.
Generally, throughout India, expenditure has enormously increased the prosperity of the country and the rate of wages paid for labour	ib.

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>CESSES ON LAND REVENUE—BRITISH INDIA—continued.</b>	
<i>Mr. S. Laing—continued.</i>	
In all cases of expenditure for such purposes, whether wise or unwise, the question is one rather of degree than principle	513
The people in India discriminate between what are called local authorities and what is called Her Majesty's Government as regards responsibility for what is done in a district	ib.
<i>Sir C. Wingfield—</i>	
The value of property in land in India depends on moderation in taxation	ib.
Millions of acres of land in the Madras Presidency were left uncultivated in consequence of the excesses in the land tax, and it was moderation in the demand that restored the prosperity of that country	ib.
Can fully believe that, when Lord Harris lowered the cess, in one district alone, upwards of 60,000 acres were brought under cultivation	ib.
The people of the Madras Presidency most heartily and willingly gave their labour for making all irrigation works	514
The expenditure of the road cess will not appreciably add to the value of the land	ib.
Better roads would give facility of intercourse as a general principle, but that is much modified by local circumstances. Sir C. Metcalfe said that a native road was as good a road as the country people wanted	ib.
That observation would not apply to bridges, the money on which would be well laid out, but the question of getting value for the increased cess might have been left to the people, who are very good judges of what improves the value of their land	ib.
In addition to Oudh, cesses have similarly increased in the North-Western Provinces and in the Punjab	ib.
Objection of the people to an increase of cesses during the currency of a land settlement is universal	ib.
Regarding the practice of forced labour for the repair of roads	ib.
There are no grounds of complaint in respect of the cess levied at the time of the settlement under the settlement engagements; the ground of complaint is against arbitrarily doubling that cess	515
Objection is taken to the increase and not to the levy itself; when the settlement expires, and new engagements are made, there is no objection to enhancing the cess double or treble, if the zemindars agree to it	ib.
These remarks apply not only to Oudh, but wherever the settlement engagements have been departed from	ib.
The application of the rule to Bengal has been widely controverted, opinions have been given both ways. Mr. Stephen supported the levy of cesses in Bengal, on the ground that the permanent settlement left the question of cesses untouched, that is his ground; nobody thought of cesses in those days, nobody thought of education or district post, or anything of that kind, and therefore he said, you cannot suppose that they precluded themselves from dealing with	

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>CESSES ON LAND REVENUE—BRITISH INDIA—concluded.</b>	
<i>Sir C. Wingfield—continued.</i>	
such questions at a subsequent time; but in the North-Western Provinces, Oudh, and the Punjab, the question of cesses was dealt with and provided for; it is the breaking of this engagement by adding to the cesses which affords ground for complaint	515
The talukdars have an Association in Oudh which they call the British Indian Association, and they signified their consent by doubling the cesses	ib.
The small proprietors were never consulted, and, so far as they were concerned, the measure was perfectly arbitrary	ib.
The word "local" is quite arbitrarily used in India	ib.
There is no analogy between local taxation in India, which is taxation by the Government, and local taxation in England, which implies self-government and self-taxation	ib.
The road cess in Oudh was not levied for the whole of Oudh, it is the practice to let each district spend whatever it contributed as road fund	..
The districts averaged about £120,000 of land revenue a piece	516
In the minds of the landholders there is not the least difference between imperial and local taxation	ib.
Object of sending up his memorandum to the India Office explained	ib.
It would be politic to withdraw the recently enhanced cesses in the North-Western Provinces, Punjab, and Oudh	ib.
<b>DECENTRALIZATION OF INDIAN FINANCES.—</b>	
<i>Mr. S. Laing—</i>	
The reduction of income tax has been accompanied by a great increase of local taxation	ib.
The expenditure of local taxes for local purposes must reconcile the people to the taxes	ib.
Danger of pushing local taxation to excess greater with local than with imperial taxation	517
Imposition of local taxation in the face of strongly expressed opposition from public opinion	ib.
Petitions against local taxation	ib.
Unpopularity of the income tax causes more discontent than all the local taxes put together	ib.
The people of India are very impatient of taxation	ib.
<i>Mr. Dacosta—</i>	
Meaning of the term "local taxation"	ib.
The direct local taxes are the income tax, the certificate tax, the license tax, and the chaukidari tax	518
Explanation of the chaukidari tax	ib.
The other taxes are the increased house tax, the road cess, and the education cess	ib.
A tax upon feasts was also proposed	ib.
And another upon marriages and tobacco	ib.
Discontent arising from taxation	ib.
Income tax as a local tax in Bombay reached incomes of £5	ib.
Manner in which the chaukidari tax is levied	ib.

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—continued.</b>	
<i>Mr. Dacosta—continued</i>	
The portion of the road cess payable by the proprietors of the land would ultimately fall on the ryots or cultivators	514
Change in the attitude of the natives towards Government not observable	ib.
Discontent, irritation, and despondency have been caused by the increase of taxation	ib.
The spending of local taxes for local objects does not reconcile the people to the taxes	519
The money, instead of being applied to the objects for which it is raised, probably goes to pay some deficit in the local fund, as most of the municipalities are in debt	ib.
The people have no security that money raised for any particular object will be spent for that object	ib.
The decentralization scheme is a means of increasing taxation by throwing on Local Government the burden of taxation	ib.
The increase of taxation has been so great during the last 10 years that there should now be a reduction of expenditure	ib.
<i>Sir C. E. Trevelyan—</i>	
Management of the finances by the East India Company	ib.
Since the Mutiny nothing has been done except inventing, discussing, and elaborating new taxes	ib.
The evil described as resulting from this state of things is not to be estimated by the financial burden which they impose on the country, but the greater part is due to the worry, irritation and alarm which they cause	ib.
Perpetual discussion of new taxes	ib.
Taxes obviously spent for the benefit of the people are more willingly paid	520
<i>Sir C. Wingfield's</i> experience in India was that it is utterly immaterial to the people how the tax is spent	521
Moderation in taxation as regards military expenditure is very important	ib.
The object of the Government of India in putting forward the scheme	ib.
<i>Lord Lawrence—</i>	
The people do not like to pay direct taxes and it was wise to limit the indirect taxes for municipal purposes	ib.
The tendency to increase local taxation	ib.
The great development of local taxation took place under the decentralization policy	ib.
<i>Major-General R. Strachey—</i>	
Remitting of authority over public works to the local Governments	ib.
Imposition of local taxes subject to the consent of the Governor General, and the Act which imposed it subject to the veto of the Secretary of State	522
The amount of municipal taxation is considerable	ib.
The statement made by Mr. Chapman, that in some districts the local taxation which had been levied amounted to 50 per cent. of the land revenue, held to be inaccurate	ib.
It is possible that General Norman, Military Member of the Calcutta Council, may have stated that local taxation was causing a much graver discontent than that produced by imperial taxation	ib.

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—continued.</b>	
<i>Major-General R. Strachey—continued</i>	
It is possible that Mr. Robinson, a Member of the Madras Council, may have stated that a great deal of the existing local taxation is intolerably bad; and the grant of unlimited powers of taxation to local authorities should be very strictly controlled	522
Does not think that under the decentralization scheme local taxation must necessarily increase	ib
Is not aware that there is any necessary call for increased expenditure on public works	523
The schemes which he had recommended were proposed to be carried out entirely by loan, and would not affect in the least the local taxation	ib
There has been no definition of the works to be thrown on the imperial revenues and those to be carried out through provincial agency	ib
There is no direct security that some portion of the public works extraordinary expenditure will not be defrayed by local taxation	ib
Consultative councils, which would represent the feelings of the natives, are necessary to restrain any tendency to over-taxation under the schemes of decentralization	ib
The exercise of economy in the expenditure of public money by the Local Governments was the main object of the scheme	524
It did not confer on the Local Governments greater powers of taxation than they before possessed	ib
It did not afford greater facilities to the Local Governments to tax the people than before existed	525
India is not over-taxed, as evidenced by the natives, being immensely richer and more prosperous in 1872 than they were in 1856	ib
The main object of the scheme of decentralization was to relieve the imperial revenues by transferring charges heretofore borne by those revenues to local resources to be provided by local taxation	ib
The income tax was imposed to meet a financial emergency, and its remission cannot be pleaded as a set-off to increased local taxation	526
The provincial assignment was permanent in the sense that it would not be increased, though on serious emergency it might be reduced	ib
<i>The Right Hon'ble W. N. Massey—</i>	
Objects and issues of the scheme or system of local finance	ib
Reasons for giving preference to a license tax instead of an income tax	527
Expression of views on the principle of Indian finance	ib
Expediency of accommodating expenditure to income	528
Regarding military expenditure	ib
Regarding civil expenditure	ib
The control which the Central Government exercises over expenditure is of the weakest possible description	ib
Regarding local taxation	529
The measure of decentralization should be gradual and tentative	ib

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—continued.</b>	
<i>The Right Hon'ble W. N. Massey—continued.</i>	
The Local Governments are under far less control now than in 1884	530
There has been a tendency of modern circumstances to divest the Government of India, even the Governor General, of responsibility	ib
The Governor or the principal administrator of every province in India should be held responsible to the Secretary of State for the government of his province	ib
The functions of an Indian Council ought to be consultative and not executive	ib
Observations on the question whether the economy of administration has been weakened by the separation of the Government of India from the Financial Administration of India	ib
The only mode of enforcing economy in the expenditure is really to hold the Governor General in his case, and the Governors themselves responsible, individually, for administering their governments within the finances	531
The tendency of the scheme of decentralization is to stimulate Local Governments to increase local taxation	ib
By this scheme the Supreme Government relieves itself immediately to the extent of £350,000 a year, and from all prospective liability to increased charges	ib
Complete relinquishment of control over certain sources of revenue by the Central Government would be highly impolitic and injurious	ib
When the system becomes more matured, the excise and salt revenues might be surrendered to the Local Governments	532
Definition of the term "local taxation"	ib
Views regarding a system of financial administration	533
Views regarding local taxation	ib
Bombay, Madras, Bengal, and the Central Governments are the present centres of legislative power	ib
The system of local finance suggested would involve a separation of the revenue into imperial and local	534
What heads of revenue should be retained as imperial and what local	ib
The items of expenditure would follow the items of receipts	ib
"Administration" of departments would be partly imperial and partly local	ib
The term "administration" comprises only the more important offices of the administration	ib
Whether the administration of the Local Governments should be imperial or local involves a very important question in the scheme	ib
Enumeration of those heads of service which should be imperial and those which should be local	ib
Distinction between public works of a local and of an imperial character	ib
Regarding port improvements	535
Regarding customs revenue	ib
Question of discontent arising from the revenue of one centre of administration	ib

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—</b>	
<i>continued.</i>	
<i>The Right Hon'ble W. N. Massey—concluded, being applied for the benefit of one of the other administrations</i> . . . . .	535
Principles of local government under the scheme suggested . . . . .	536
The economy of such a system of finance . . . . .	<i>ib.</i>
Opinion on the working out of such a system of finance with regard to the machinery employed . . . . .	<i>ib.</i>
The proposed system does not involve the necessity for the abolition of the Executive Councils of Bombay, Madras, and Bengal . . . . .	537
The proposal to make the Police a branch of local administration does not involve a conflict of jurisdiction . . . . .	<i>ib.</i>
The powers and responsibilities of the Local Governments would be materially increased by the proposed change . . . . .	<i>ib.</i>
The plan involves a simpler form of local government than the present system . . . . .	<i>ib.</i>
Revenues of India and the amounts appropriated relatively to imperial and local purposes . . . . .	538
Municipal Governments have their own separate systems of taxation entirely independent of the imperial system . . . . .	<i>ib.</i>
The economy of having one system of collection for imperial and local purposes . . . . .	<i>ib.</i>
Observations on the Resolution of the Government of India of 14th December 1871 . . . . .	<i>ib.</i>
The Government of India in the inauguration of that system have shown very great caution and wisdom . . . . .	<i>ib.</i>
Concurrence in the statements made in the several paragraphs of the Resolution referred to . . . . .	<i>ib.</i>
When the Local Government is armed with power of local taxation, that power will be very cautiously exercised . . . . .	539
Local taxation invalid until sanctioned by the Imperial Government . . . . .	<i>ib.</i>
Economy exercised by Local Governments has led to the accumulation of reserved funds, which is a practical test of the results of the new system of local finance . . . . .	<i>ib.</i>
If the new system succeed, the Local Governments might be allowed control over taxation as well as expenditure . . . . .	<i>ib.</i>
Is not at all hopeful of new systems of taxation every effort should be made to reduce expenditure . . . . .	<i>ib.</i>
It is a hopeless task for the Supreme Government to attempt to introduce economy into the details of Indian expenditure; the Local Governments must do it . . . . .	<i>ib.</i>
The fact of the permanent settlement being in operation would not make any difference in the application of local taxation . . . . .	<i>ib.</i>
The landholders of Bengal are sufficiently acute to understand and appreciate the distinction between taxation for imperial and taxation for local purposes . . . . .	540
The road cess is a burden put upon the locality. If they want a road in Bengal, there is the road cess; if they want a school, there is the school cess; and that is done under the authority of the Local Government: no portion of the funds so raised find their way into the imperial treasury . . . . .	<i>ib.</i>

	PAGE
<b>OPINIONS IN ENGLAND—continued.</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—</b>	
<i>continued.</i>	
<i>Sir C. E. Trevelyan—</i>	
The enforcement of economy held to be the main point—the key to the solution of the whole problem . . . . .	540
Decentralization is not a new idea; it was an early aspiration of our Indian Administrators, and has had a gradual growth and development . . . . .	<i>ib.</i>
As early as Lord Amherst's time, an Act was passed by which local funds were established and local agents were appointed that was merely a small germ of local administration . . . . .	<i>ib.</i>
Mr. Liang and Mr. Massey had the same aspirations; the Resolution of 31st August 1864 was the first occasion on which any general substantial application was given to the principle by which it was arranged that the expense of the police of the towns of every part of British India should be charged upon local funds; the final application was Lord Mayo's Resolution of the 14th December 1870, by which certain branches of administration were placed under the Local Governments . . . . .	<i>ib.</i>
Highly approves of the arrangement, it is an excellent first step, but is of a provisional and imperfect character . . . . .	<i>ib.</i>
The scheme is open to some obvious objections, which are adverted to . . . . .	<i>ib.</i>
The functions of the Supreme Government should be defined or limited, and everything else should be left to the Local Governments, who, paying their quota of charge, would retain all surplus revenue . . . . .	541
Obviously, instead of setting apart particular branches of local administration, and making special assignments for carrying them on, the services under the immediate charge of the Supreme Government ought to be eliminated; and for carrying them on, a sufficient sum should be annually taken out of the general revenue. If the foregoing plan be carried out, the necessity for local taxation would disappear. The necessity from which additional taxation arises . . . . .	<i>ib.</i>
The system of indefinite taxation restrained by representation . . . . .	<i>ib.</i>
Constitution of Provincial Councils . . . . .	542
No new or additional taxation should be permitted without the express previous sanction of the Supreme Government . . . . .	<i>ib.</i>
The effect of the British Government playing off two governments upon the people . . . . .	<i>ib.</i>
The responsibility of finance should rest with the Executive Government . . . . .	543
Preparation and submission of annual budgets . . . . .	<i>ib.</i>
Application of the change of system in respect of public works . . . . .	<i>ib.</i>
The change would be specially blessed in reference to irrigation . . . . .	<i>ib.</i>
Regarding alienations of revenue . . . . .	<i>ib.</i>
It is expedient to decentralize the government of India and to adopt local government . . . . .	544
Would retain the existing eight Local Governments . . . . .	<i>ib.</i>

	PAGE
OPINIONS IN ENGLAND— <i>continued.</i>	
DECENTRALIZATION OF INDIAN FINANCES— <i>continued.</i>	
<i>Sir C. E. Trevelyan</i> — <i>continued</i>	
Definition of the functions of the Supreme Government ...	544
Mode in which expenditure of the Supreme Government for the performance of services should be provided for ..	<i>ib.</i>
Appropriation of land revenue ..	546
Constitution of Councils ...	<i>ib.</i>
The administration of public works should be decentralized and placed under the several Local Governments ..	<i>ib.</i>
Great irrigation works should be localized ..	<i>ib.</i>
The general management of railways should be under the general Government; would leave the detail arrangement to the Railway Companies in communication with the Local Governments ..	<i>ib.</i>
Justification of certain imposts on produce raised in Bengal ...	<i>ib.</i>
India at large is entitled to some compensation for the vast sums spent in the Province of Bengal by the Government ..	<i>ib.</i>
Scope of provincial control ..	547
Control over extravagant expenditure ...	<i>ib.</i>
Provincial control over, and construction of, irrigation works...	<i>ib.</i>
Public works loan not to be raised without the sanction of the Supreme Government	<i>ib.</i>
The practical result of lowering the income tax ...	548
New provincial taxation wrongly attributed to the reduction of the income tax; it was really owing to an unsound financial arrangement ...	<i>ib.</i>
The English system of decentralization is too consolidated to furnish a model for the re-arrangement of India; Switzerland and the United States come nearer the mark	<i>ib.</i>
Would give to Local Governments autonomy in every respect which was not inconsistent with the general interests ..	<i>ib.</i>
Maintenance of the Civil Service on the basis of existing arrangements ...	549
Does not disapprove of making over to the Local Governments of certain special services, but disapproves the reduction made in the grants for those services, and then telling the Local Governments, "you must raise the balance somehow or other as you can" ...	<i>ib.</i>
Practically, a great deal more fuss has been made of this decentralization order than it was worth ...	<i>ib.</i>
Cannot imagine anything more calculated to disturb the public mind than novel and incessant taxation at the mere discretionary will of the Government	<i>ib.</i>
The term "exigencies of the State" in the minds of the natives means any pretext that the State likes to put forward ..	<i>ib.</i>
Local cesses are only intended to meet local expenditure ..	<i>ib.</i>
Constitution of Municipal Committees ...	<i>ib.</i>
<i>Sir C. J. Wingfield</i> —	
If local Committees fairly represented public opinion, they might possibly not levy any taxes at all ..	550
The limit of taxation and expenditure is at present entirely in the hands of the Government ..	<i>ib.</i>

	PAGE
OPINIONS IN ENGLAND— <i>continued.</i>	
DECENTRALIZATION OF INDIAN FINANCES— <i>continued</i>	
<i>Sir C. J. Wingfield</i> — <i>continued.</i>	
The Municipality of Bombay is not representative; the Justices of the Peace are the Municipality ...	550
Decentralization was a scheme to relieve the Imperial Government of certain charges, and to throw the odium of raising certain taxation on the Local Governments ..	<i>ib.</i>
There was a great deal of fallacy regarding the powers conferred on Local Governments of spending their money on local objects, and therefore exercising greater economy ..	<i>ib.</i>
Local taxation should be regulated by representative bodies ...	<i>ib.</i>
The effect of the decentralization scheme has been that the Local Governments have had recourse to the landholders to make up the sums that are wanted ...	<i>ib.</i>
Objects to the landholder being singled out for local taxation; considers that, if we are to raise additional taxation, the income tax would be the most equitable ...	<i>ib.</i>
Distinction between a local rate levied by the Local Government and a rate imposed by the Imperial Government ..	551
The character of local rates in England ...	<i>ib.</i>
<i>Mr. J. M. Maclean</i> —	
The cardinal defect of the decentralization policy is, that it takes away what may be called the only available check in India on the ambition of subordinate officials ...	<i>ib.</i>
The greatest curse of India is often a zealous official ..	<i>ib.</i>
There has been too great a disposition to embark in novel enterprises, great zeal for expenditure, and very little desire for reduction in any way ...	<i>ib.</i>
There has been too great a disposition on the part of individuals, not on the part of the community, to stimulate the Governor General and Council to embark in all kinds of undertakings ...	<i>ib.</i>
Results of the policy of decentralization in the Presidency of Bombay ...	552
Deficit of £ 100,000 thrown on the Government of Bombay by the Government of India, which must be made good somehow	<i>ib.</i>
This was proposed to be done by the levy of new taxes ..	<i>ib.</i>
A tax on feasts was brought forward and afterwards withdrawn; it was strongly objected to by the natives ..	<i>ib.</i>
A tax on the rural non-agricultural population was levied; also a contribution on the large and wealthy cities of the presidency towards the general expenditure of the police ..	<i>ib.</i>
The result of the decentralization measure was to substitute, in Bombay, an income tax on incomes of £5 and under, for an income tax on incomes of £75 a year ..	<i>ib.</i>
The yield of the tax was estimated at 4 lakhs of rupees ...	<i>ib.</i>
Indian journalism relative to communications from the natives ..	<i>ib.</i>
The control the Supreme Government exercised over the Local Governments was very judicious, and was, as a rule, in favour of economy; by this decentralization	<i>ib.</i>

	PAGE		PAGE
<b>OPINIONS IN ENGLAND—concluded.</b>		<b>MAYO'S, EARL OF, MEASURE—contd</b>	
<b>DECENTRALIZATION OF INDIAN FINANCES—concluded.</b>		<b>REPORTS OF LOCAL GOVERNMENTS UPON ITS OPERATION—continued.</b>	
<i>Mr. J. M. Maclean—continued.</i>		<i>Bombay—His Excellency Sir P. Wadehouse</i>	
policy they shifted responsibility on to the Provincial Governors, and became less anxious to control expenditure	552	—continued,	
Responsibility of the Bombay Legislative Council	553	percentage of the general revenues be assigned to them to meet the expenditure they have been, or may be, permitted to control, to bring the question to an issue, suggests the appropriation of 10 per cent of the revenues from the sources enumerated	557
Objections to the scheme of decentralization	ib	<i>Hon'ble A. Rogers, 28th August 1872—</i>	
<i>Lord Lawrence—</i>		It would be highly beneficial if a percentage of the revenue were transferred to the Local Governments	559
Is averse to the shifting of the duties of taxation from the Government of India to the Local Governments	ib	This would be preferable to the alternative plan of leaving their whole revenues to each Local Government, less a deduction for imperial charges, because the provinces of India can never become a federation of States, controlled in some matters by the Central Government, without a clashing of interests which would wreck the system	560
Objected to the idea that the Local Government was to be at liberty to increase its expenditure, provided that it got the means of paying it from local taxation	554	<i>Hon'ble H. P. St. G. Tucker, 29th August 1872—</i>	
Did not think it expedient that local taxation should come in contact with imperial taxation	ib	The scheme has worked well, except that an insufficient assignment having been made for heads of service under which the expenditure must increase, the Local Governments have been forced to resort to local taxation, some of which in the Bombay Presidency has caused considerable dissatisfaction: the necessity for such taxation would be obviated by making over to Local Governments a percentage of the general revenues	560
The Supreme Government assigned to the Local Governments an amount of expenditure without assigning the full income that was necessary to meet it	ib	<i>Hon'ble E. W. Ravenscroft, 4th September 1872—</i>	
The character of the taxes levied under the decentralization scheme	ib	Papers resubmitted to the Hon'ble Mr. Tucker, with the remark that His Excellency the Governor had stated that, in his opinion, the percentage should be made on the gross and not on the net revenue; and in order to prevent any chance of the allotment being too small, he would say 12, instead of 10 per cent. His Excellency further pointed out that as one part of his scheme was "that any surplus at the end of the year should revert absolutely to the Government of India," that Government would be inclined to accede to our proposal, without exacting a too strict debit and credit account, in considering whether 10, 11, or 12 per cent. of the gross revenue should be allotted	561
The effect of imposing the cess on land was to make the people doubt the validity of that settlement	ib	<i>Hon'ble H. P. St. G. Tucker, 4th September 1872—</i>	
It would have been more consistent and judicious to have continued the income tax, instead of throwing this petty taxation broadcast all over India	ib	A condition that the surplus from transferred revenue should at the end of the year revert absolutely to the Government of India would vitiate the whole scheme, is unable to assent to this particular proposal, and is further unable to agree to the proposal to submit a representation to the Government of India for a percentage of certain revenues until it can be supported by clear and accurate calculations	561
As a rule, it is not desirable that there should be two taxing powers in India	ib	<i>Hon'ble A. Rogers, 6th September 1872—</i>	
There must be some central authority which is to look after the Local Governments, constrain them, control them, and direct them	555	The idea of asking for a percentage of the revenues from certain defined sources in	
The Government of India at present controls the Local Governments, being itself controlled by the Secretary of State in Council, which is an infinitely better system than anything of the kind suggested by Sir Charles Trevelyan	ib		
Power to a Local Government does not measure the principle of economy being carried out; the economical Governor would be economical, and the extravagant Governor would be extravagant, under the one system as under the other	ib		
<b>MAYO'S, EARL OF, MEASURE—</b>			
<b>REPORTS OF LOCAL GOVERNMENTS UPON ITS OPERATION.</b>			
<i>Madras—Government of, dated 9th January 1873—</i>			
The general results of the measure are favourable, but more departments, especially the Forest Department, should be transferred, and the great inequality in the assignments to the several provinces should be corrected	557		
<i>Bombay—His Excellency Sir P. Wadehouse, 31st December 1872—</i>			
His objections to the scheme, which are detailed, apply to the mode of supplying the Local Governments with funds, strongly urges that the Local Governments should not be required to supplement the imperial assignment by provincial taxes; recommends, instead of that arrangement, that a			

	PAGE
MAYO'S, EARL OF, MEASURE— <i>contd.</i> REPORTS OF LOCAL GOVERNMENTS UPON ITS OPERATION— <i>continued</i>	
<i>Bombay—Hon'ble A. Rogers—contd.</i> place of a fixed sum emanated from this Government; and we should be laying ourselves open to the taunt of financial in- capability if we sent it up in a crude form, unsupported by figures. the Financial Secretary and the Accountant General should be instructed to lose no time in laying the necessary calculations before the Council, surplus at the end of the year from transferred revenue should not revert to the Government of India . . . 561	
<i>His Excellency the Governor, 16th September 1872—</i> Concurs in the opinion that the Local Government should have a direct interest in the economical administration of the principal branches of the revenue, hopes his colleagues may yet be willing to propose with him the abandonment of provincial taxation, without insisting on the substitu- tion of an assignment of revenue, sees no reason for supposing that the Government of India would give to the Local Govern- ment a control over the chief sources of revenue: a careful calculation of the per- centage on the gross revenue is needed for submission to the Government of India, the balance at the end of the year should revert to the Supreme Government... <i>ib.</i>	
<i>Hon'ble H. P. St. G. Tucker, 4th October 1872—</i> The decentralization measure is shown to have been based on a correct principle, and that the errors have been confined to details, more especially to the limited and inelastic character of the provincial assign- ment to revert to the former system would be a retrograde step: all that is wanted now is that some of the more productive branches of revenue and the corresponding services be assigned to us, or that the annual provincial grant should be allowed to grow with the growth of the imperial revenues for this object he is willing that it should be based on a per- centage of the net revenues under the heads which have been specified, cannot assent to giving up voluntarily the benefit of the yearly savings . . . 562	
<i>Hon'ble A. Rogers, 7th October 1872—</i> If we get our percentage on the net revenue, it does not matter how uneconomically the finances are administered, if on the gross revenue, the more economically they are managed, the larger will be the provin- cial income: if by the abandonment of provin- cial taxation is meant that all taxation, even for provincial purposes, should be imperial, he must dissent, as it would bring us back to the old centralization policy . . . 563	
<i>His Excellency the Governor, 10th October 1872—</i> Divergence of opinion in the views of Members of Council regretted . . . <i>ib.</i> So far from being opposed to the decen- tralization system, he believes it would be sound policy for the Government of India to develop it more and more . . . <i>ib.</i>	

	PAGE
MAYO'S, EARL OF, MEASURE— <i>contd.</i> REPORTS OF LOCAL GOVERNMENTS UPON ITS OPERATION— <i>continued</i>	
<i>Bombay—His Excellency the Governor of—contd.</i> Further powers of control he would prefer receiving as the unsolicited concession of the Government of India . . . 563 Adheres to his recommendation of the abolition of provincial taxation . . . <i>ib.</i> Taxation applied to such an area as the Bombay Presidency cannot be regarded as local . . . <i>ib.</i> The admission of Local Governments to a share of the imperial revenue preferable to local taxation . . . <i>ib.</i> Does not wish to provoke further discussion on the question, whether a percentage on the gross or on the net revenues be asked for, and whether any balance saved at the end of the year should not revert to the Government of India having stated his views on those points, is content to leave them to the decision of higher autho- rities . . . 564	
<i>Bengal—Government of, 13th December 1872—</i> The income tax had better be transferred to the Local Governments . . . <i>ib.</i> Extract from Administration Report of the Lieutenant-Governor of Bengal for 1871-72, which furnishes a general review of provincial finance, local taxation, and self-government . . . <i>ib.</i> The decentralization measure described . . . <i>ib.</i> The provincial service scheme . . . 565 Assignments under the new scheme . . . <i>ib.</i> Assignments under the old system . . . <i>ib.</i> Expenditure in Bengal compared with other provinces . . . <i>ib.</i> Expenditure on Police, Education, and Public Works . . . <i>ib.</i> Views of the Lieutenant-Governor on provincial taxation . . . 566 Lower Bengal with her permanent settle- ment ought to provide a large amount of local taxation, but for the first year of the scheme of provincial funds the Lieutenant- Governor thought it expedient to dispense with such taxation . . . <i>ib.</i> Results of the system pursued during the year shown to be very favourable the finan- cial year closes with a surplus of £180,000 . . . <i>ib.</i> Provincial taxation unnecessary . . . <i>ib.</i> Local self-taxation for local benefits will be elaborated and carried into execution, and in respect of which, it is hoped, a sort of finality for the present has been reached . . . <i>ib.</i> Disposal of the surplus . . . <i>ib.</i> The wisdom and the practical efficiency of the system of provincial finance have been manifest . . . 567 Local taxation for local purposes—road funds sources, appropriation, and yield of . . . <i>ib.</i> Postal cess source and yield of . . . <i>ib.</i> Illegal cesses levied by zemindars on their ryots and in contravention of the perma- nent settlement regulations . . . <i>ib.</i> Number and nature of the cesses imposed . . . 568 Illegal transit and market dues . . . <i>ib.</i>	



PAGE	PAGE
MAYO'S, EARL OF, MEASURE— <i>contd.</i>	MAYO'S, EARL OF, MEASURE— <i>contd.</i>
REPORTS OF LOCAL GOVERNMENTS ON ITS OPERATION— <i>continued.</i>	REPORTS BY LOCAL GOVERNMENTS UPON ITS OPERATION— <i>continued.</i>
<i>Bengal—Government of—continued.</i>	<i>N. W. Provinces—Government of—contd.</i>
The great success of the decentralization measure in Bengal is attributable to the absence of narrow restrictions, and the consideration shown by the Supreme Government to all matters of provincial finance . . . . .	The Forest branch hardly comes within the same category; these might be made provincial, and the revenues and charges placed at the discretion and responsibility of Local Governments . . . . .
568	573
The manner in which the decentralization system has affected the measures of the Local Government under each head of service . . . . .	If the scheme be thus extended, the Local Government should be provided with responsible councillors . . . . .
569	ib
Observations on the practice pursued in Bengal with regard to provincial expenditure . . . . .	The financial effects of the working of the scheme . . . . .
ib.	ib
Proposed mode of meeting expenditure on primary education . . . . .	The administrative effects of the working of the scheme . . . . .
ib	571
Funds available to aid the road funds of poor districts, and to contribute to other necessities over and above the imperial assignment for provincial services . . . . .	The conditions, particularized in paragraph 21 of the Resolution of December 1870, unnecessarily hamper the independent action of the Lieutenant-Governor . . . . .
ib	ib
The decentralization measure should be extended gradually to other departments of the Government . . . . .	It is not right that so great a responsibility in respect of the allotment of funds should be put solely on the Lieutenant-Governor without the means of securing advice from independent and responsible councillors . . . . .
ib.	ib
The responsibility of Local Governments under orders of December 1870 has been confined to expenditure no department of the revenues or receipts has been made over to the Local Governments to administer, improve, or reduce . . . . .	Existing arrangements are not such as to secure invariably the punctual rendering of the provincial accounts . . . . .
570	ib
The income tax might with great advantage be made over to Local Governments, with a percentage of all revenues, except opium . . . . .	<i>Punjab—Government of the—</i>
ib	There is no feeling on the part of the people against those cesses which are realized by a percentage on the land revenue, such as the road cess, educational cess, and the district dāk cess, they are recognized as legitimate adjuncts of the land revenue demand and are paid without objection . . . . .
ib	ib
In making over revenue, a particular revenue should not be told off for meeting expenditure under a particular grant . . . . .	The imposition of the new local rates cess is not considered, generally, as a breach of faith on the part of the Government as being an enhancement of the land revenue during the term of settlement . . . . .
571	ib
A separate accounting office for the accounts of provincial funds is desirable . . . . .	There is no other manner in which the same amount of money could have been raised in a less unpopular form . . . . .
ib.	571
<i>North-Western Provinces—Government of, 25th December 1872—</i>	Observations on water-rate . . . . .
The measure of decentralization has worked so well that all the services provincially administered might advantageously be treated on the same principle, excepting Postal, Telegraph, Customs, Salt, and Opium . . . . .	Observations on the grazing dues . . . . .
ib.	ib
Two plans suggested as conducive to giving full effect to the proposed extension of provincial control . . . . .	Abstract of the provincial receipts and expenditure in the Punjab for 1871-72 . . . . .
ib.	ib
The first plan considered . . . . .	Observations thereon . . . . .
ib.	ib
The second plan considered . . . . .	The scheme of decentralization has worked successfully . . . . .
572	ib
Observations on a third proposal which has been put forward of transferring the various departments with their respective charges as they stand . . . . .	Observations on the surplus of 10½ lakhs of rupees . . . . .
ib	ib
Objections to this third proposal . . . . .	The one point in the scheme of decentralization which might be modified with advantage is that which makes allotments from the imperial revenues for provincial services fixed, instead of fluctuating with the increase or decrease of provincial requirements . . . . .
ib.	ib
The first plan recommended, as the system proposed therein would remove what has been noticed as a defect of the decentralization scheme, and would sweep away all antagonism; there will no longer be any provincial charges as distinct from those of imperial departments administered by the Local Government, and the rivalry will cease . . . . .	The grant to the Local Government of a percentage on general revenues of the province would seem to limit the demand on the imperial treasury for services now made provincial in as complete a manner as the grant of fixed assignments . . . . .
573	ib
Revenue and charges from canals would naturally fall under the same treatment Salt, Customs, and Opium Departments, though administered by Local Governments, would, necessarily, be exceptions from the rule . . . . .	<i>Oudh—Chief Commissioner of—</i>
ib.	The land should be relieved of the burden of the income tax . . . . .
ib.	57
ib.	The majority of landholders regard the enhancement of cesses under Act XVII of 1871 as a direct breach of faith . . . . .
ib.	ib

PAGE	PAGE
MAYO'S, EARL OF, MEASURE— <i>contd.</i> REPORTS BY LOCAL GOVERNMENTS UPON ITS OPERATION— <i>continued.</i>	MAYO'S, EARL OF, MEASURE— <i>concl'd.</i> REPORTS BY LOCAL GOVERNMENTS UPON ITS OPERATION— <i>concluded.</i>
<i>Oudh—Chief Commissioner of—continued.</i> The scheme generally has worked well ... 576	<i>Central Provinces—Opinion of Mr. R. W. Jones—continued</i>
<i>Central Provinces—Chief Commissioner of—</i> Yearly budgets, and the dread of new taxes as their accompaniments, are productive of evil among a people who regard new taxes with apprehension and their foreign rulers with suspicion ... 577	It was a serious defect in the decentraliz- ation scheme that it compelled Local Gov- ernments to initiate new taxation .. <i>ib.</i>
The prominence given to the Financial Statement forces upon the people's atten- tion the one among the many functions of Government most unpalatable to them .. <i>ib.</i>	Dissents from the idea that provincial taxa- tion is less distasteful to the people or less dangerous than imperial taxation 581
Most of the Local Governments were obliged to supplement the smaller allot- ments made to them from the imperial treasury by new taxes, or by increasing the weight of old ones .. <i>ib.</i>	Distinction between imperial, provincial, and local taxation ... .. <i>ib.</i>
This general discussion of new taxes had a baneful effect on the popular mind .. <i>ib.</i>	Definition of a local tax ... .. <i>ib.</i>
Cites the emigration of a tribe to the Nizam's dominions under groundless apprehension of income tax ... .. <i>ib.</i>	Seeing that local taxation is a plant of slow growth, and believing provincial taxation to be a dangerous fallacy, would urge that Local Governments be allowed to share in the progressive increase of imperial revenue .. <i>ib.</i>
Most proprietors entertain the belief that they get no adequate return for their road cess .. .. <i>ib.</i>	Increase of stamps and excise revenue might be made over to Local Governments .. <i>ib.</i>
Cesses on land revenue are not the cause of any discontent ... .. <i>ib.</i>	The problem of extending local taxation is one which demands most careful considera- tion
The income tax is disliked, and particularly resented by one class, which political economy would urge us to tax and policy would urge us to spare .. 578	Notwithstanding a local cess should be confined to objects that are strictly local, it is a fair question whether the local cess in the whole of a country to be benefited by a railway may not be appropriate for the expense of its construction ... 582
The pandhari tax presses severely on the people, and has all the disadvantages pos- sessed by a direct tax ... .. <i>ib.</i>	Consideration of the question whether the benefits of the December Resolution should not be extended to the ministerial portion of our civil and revenue establish- ments .. .. <i>ib.</i>
The income tax might be transferred to Local Governments and dealt with as a provincial tax .. .. <i>ib.</i>	MINUTES AND NOTES IN 1872 AND 1873 IN THE FINANCIAL DEPART- MENT OF THE GOVERNMENT OF INDIA SINCE THE INTRODUCTION OF THE SCHEME OF PROVINCIAL FUNDS
No new taxation or increase of taxation should be thought of ... .. <i>ib.</i>	MINUTE BY LORD NAPIER OF MERCHISTOUN ( <i>Viceroy</i> )—
The less a country, governed by foreigners and not by the will of the people, feels of taxation, the better for its governors ... <i>ib.</i>	The introduction of fixed provincial assign- ments in several of the Civil Departments of Government was a positive and fruitful benefit to the Government of India and to the subordinate Governments ... 583
The constant change from year to year is not desirable in matters of taxation ... <i>ib.</i>	The measure of success which has attended the scheme of provincial funds may be regarded as satisfactory ... .. <i>ib.</i>
The system of provincial funds has succeeded and many advantages have accrued there- from ... .. <i>ib.</i>	The plan followed in the introduction of provincial assignments, though practical and prudent, involved some injustice, and it is susceptible of development .. <i>ib.</i>
The fixed amount of the assignment is, however, a blot on the system .. 579	The re-partition of imperial revenues was unjustifiably unequal ... .. <i>ib.</i>
The distinction attempted to be drawn be- tween imperial and local taxation is a fallacy The people cannot be made to contribute more than a certain amount in the way of taxes, whether the taxes be imperial, pro- vincial, or local rates or cesses ... <i>ib.</i>	The assertion illustrated .. <i>ib.</i>
Provincial taxation on a large scale must always affect the revenue from imperial taxes ... .. <i>ib.</i>	Method suggested for a more equitable distribution of the assignments ... 584
All revenue, less a portion for meeting im- perial charges, should be made provincial <i>Opinion of Mr. R. W. Jones, Officiating Commissioner of the Nerbudda Division, on the working of the scheme of provincial fixed allotments, introduced by the Reso- lution of 14th December 1870</i> ... 580	Provincial assignments might be fixed for all the provinces at a normal rate of 12½ per cent on their respective revenues, excluding Customs and Opium .. 585
Increased freedom of action to Local Governments has been most fully attained Economy has been promoted by the change Local Governments have not been indiffer- ent to the development of imperial revenue .. <i>ib.</i>	Observations regarding the declarations in the 17th paragraph of the Resolution of the 14th December 1870 ... .. <i>ib.</i>
	Reference made to the Government of In- dia letter of 20th August 1870, paragraph 18, and the reply of the Government of Madras of 27th September 1870, para- graph 12, on the subject of the inequality in the distribution of imperial grants

PAGE	PAGE
MINUTES AND NOTES IN 1872 AND 1873— <i>continued</i>	MINUTES AND NOTES IN 1872 AND 1873— <i>continued</i> .
MINUTE BY LORD NAPIER OF MERCHISTOUN— <i>continued</i> .	NOTE BY THE HON'BLE SIR J. STRACHEY, 28th July 1872, replying to the Viscount's note of 23rd <i>idem</i> —
for provincial services, and observations thereon .. 585	The system of provincial assignments should be applied, not only to expenditure, but to income .. 589
Desirability of developing the system of provincial assignments by delivering over to the Local Governments some additional departments of expenditure .. 586	Local Governments have no personal inducement to develop the public revenues, and this inducement ought to be given them .. 16.
Recommendations for trial the departments of Land Revenue, Forest, Ecclesiastical, and Medical Establishments ... .. 16	So far as the principle is concerned, it has to a certain extent already been admitted and acted upon in giving to the Local Governments the whole of the receipts on account of the services transferred: this was clearly an assignment of imperial revenue .. 16
Annexure to the foregoing Minute .. 16	Whatever further development be given to the system of permanent assignments, the arrangements made in December 1870 should remain untouched: if revenues be assigned to Local Governments, a corresponding amount of fresh charges should be transferred from imperial to provincial .. 590
NOTE BY THE HON'BLE SIR RICHARD TEMPLE, 9th July 1872—	Charges enumerated that might be properly transferred ... .. 16
The points touched upon by Lord Napier are more or less controversial; the Local Governments which would benefit by the adoption of his views would agree, those which would not benefit, would disagree .. 16	The charges in question are growing charges, and that there is a limit to the power of economizing makes it right that the Local Governments should have a growing income .. 16
Admits that there is some unavoidable inequality in the assignments, though not so great as Lord Napier supposes: in future would try to distribute the gifts (if there be any) among the Local Governments so as to remedy any existing inequalities ... .. 16	The measures taken in December 1870 were incomplete, because the allotment for growing heads of expenditure was a fixed amount. this would be corrected by transferring a portion of revenue as the assignment for a corresponding transfer of imperial charge .. 16
MINUTE BY HIS EXCELLENCY THE VICEEROY (LORD NORTEBROOK), 23rd July 1872—	The charges above described, if thrown on Local Governments, would be approximately covered by an assignment of one-half of the income tax, one-half of the stamps, and the whole of the court fees .. 16
Asks the opinion of Sir John Strachey on the following points of Lord Napier's Minute—	In assigning to each Local Government a certain proportion of the revenues, it would be desirable to fix a minimum amount as the share of the Imperial Government .. 16
1st, the alleged inequality of assignments .. 16	If the revenue should expand, the Local Government would receive 50 per cent. of the increase .. 591
2nd, the propriety of still further extending the new system, and whether the system could be applied to any sources of revenue, e.g., Akbari ... .. 587	Organic changes in the administration of any branch of revenue will subject the percentage of revenue transferred to modification .. 16
NOTE BY THE HON'BLE SIR J. STRACHEY, 27th July 1872—	The assignments of transferred revenue should be revised from time to time .. 16
It would be quite impossible to carry on the Government on any such principle as is based on Lord Napier's argument .. 16	Regarding the transfer of a portion of the revenues derived from land, forests, and salt, difficult questions are involved, which it is not now necessary to discuss ... .. 16
The distinction between imperial and provincial expenditure is one which it is convenient for certain practical purposes to make, but it is in reality purely arbitrary ... .. 16	Table to illustrate approximately the foregoing propositions .. 16
The object at which the Government aimed in introducing the new system of provincial assignments was not to attempt the impossible task of making a theoretically equitable distribution of imperial revenues between the various provinces, but to make better practical arrangements for meeting actually existing charges .. 16	MINUTE BY HIS EXCELLENCY THE GOVERNOR GENERAL (LORD NORTEBROOK), dated 27th July 1872—
If the principle advocated by Lord Napier were admitted and acted upon, the results would be different from those at which His Excellency has arrived ... .. 16	Various questions of detail affecting provincial funds ... .. 592
To regulate assignments according to the amount of revenue paid by the several provinces would be fallacious, as illustrated by the salt revenue ... .. 588	Inquiries by the Public Works Department? What the Government of the North-Western Provinces suggest regarding drainage works carried out by local funds? .. 16
Facts such as these vitiate the figures on which Lord Napier's conclusions are based, and for these reasons does not think His Excellency's proposals can be accepted .. 16	
There is no standard, except that of existing expenditure, by which the assignments to different provinces can ordinarily be regulated ... .. 589	

PAGE	MINUTES AND NOTES IN 1872 AND 1873— <i>continued.</i>	PAGE	MINUTES AND NOTES IN 1872 AND 1873— <i>continued.</i>
	<b>MINUTE BY HIS EXCELLENCY THE GOVERNOR GENERAL (LORD NORTHBROOK)—<i>continued.</i></b>		<b>NOTE BY THE HON'BLE SIR RICHARD TEMPLE—<i>continued.</i></b>
	Regarding the revenue derived from mines and quarries? ... 592		Municipal fines may be credited to municipal revenues ... 594
	Whether the excess expenditure of a specific sum allotted to provincial funds may be charged to provincial funds? ... <i>ib.</i>		Excise revenue of the seaports of British Burmah cannot be made over to local funds ... <i>ib.</i>
	Whether an extra grant should be given to Bengal on account of the Burdwan fever? Proposes the grant of Rs. 1,00,000 ... 593		A further provincial assignment might be made over to British Burmah, if imperial finance shall admit of it ... <i>ib.</i>
	Whether a house for the Political Agent, Hill Tipperah, shall be paid for from provincial or imperial funds? ... 592		The transfer of "Medical Services" altogether to the provincial category cannot be effected ... 595
	<b>NOTE BY THE HON'BLE SIR RICHARD TEMPLE, 29th July 1872—</b>		Imperial dues on quarries, gravel pits, and the like, ought not to be credited to provincial services ... <i>ib.</i>
	If a source of imperial revenue is developed by provincial expenditure, thinks it impossible under the existing system to give to provincial funds any share in the revenue derivable therefrom ... 593		A separate officer for provincial accounts should nowhere be allowed ... <i>ib.</i>
	Cannot alienate any part of the imperial revenue ... <i>ib.</i>		Financial Council cannot conveniently be allowed in any Lieutenant-Governorship ... <i>ib.</i>
	A charge ought to be wholly defrayed from imperial resources, or wholly from provincial ... <i>ib.</i>		Any general increase of allotment to any Local Government cannot be made, special sums may, occasionally, be added on cause shown ... <i>ib.</i>
	Cannot concur in the proposal to grant a lakh of rupees to the Government of Bengal for the Burdwan fever when Bengal has so large a surplus and can so well afford to meet the charge ... <i>ib.</i>		That a moderate sum may thus be specially allowed to Madras for light-houses and light-ships ... <i>ib.</i>
	Forming a precedent of the nature of special grants for such objects should be avoided, for reasons stated ... <i>ib.</i>		<b>FINANCIAL SECRETARY, 5th September 1873—</b>
	<b>NOTE BY SIR JOHN STRACHEY (AND OTHER MEMBERS OF COUNCIL), 29th July 1872—</b>		Précis of answers to Circular No. 2019 of 17th August 1873 ... <i>ib.</i>
	Agrees on all points with His Excellency the Governor General ... 594		Whether an assignment of revenue should be substituted for a fixed allotment for charges? ... <i>ib.</i>
	Remarks that, under Resolution of 14th December 1870, nearly £700,000 have been made over to Local Governments ... <i>ib.</i>		The resources at the disposal of Provincial Governments have proved sufficient for their need ... <i>ib.</i>
	<b>NOTE BY THE HON'BLE SIR RICHARD TEMPLE (System of allotments for Provincial Services), 15th September 1873—</b>		The measure of 1870 having advisedly fixed for some years the expenditure for certain growing heads of charges, allotment of revenue to facilitate growth of expenditure would be unsound, and it would infringe the principle by which surplus is hypothecated for reduction of debt ... <i>ib.</i>
	Is not prepared to recommend any extension of the provincial service system ... <i>ib.</i>		The prosperity of the Indian finances and the economical success of the new financial arrangements for provincial services has made actual provincial taxation little necessary ... <i>ib.</i>
	Is not convinced that the Local Governments would, or could, improve any branch of revenue by reason of their having a financial interest in its expansion ... <i>ib.</i>		Provincial Governments should not have any direct or separate interest in the development of the imperial revenues ... <i>ib.</i>
	The Government of India cannot afford to surrender its claim to all increases in the revenue ... <i>ib.</i>		The Imperial Government should not part with absolute freedom of control over taxation, or give to Local Governments any share or separate interest therein ... <i>ib.</i>
	Objections to making over any branch of revenue in whole or in part; Stamps and Law charges less objectionable than any other ... <i>ib.</i>		The supposition that taxation is more acceptable from the hands of the Imperial Government than when imposed by the Local Government is a profound delusion ... <i>ib.</i>
	No deviation should be allowed from the principle that additional allotments should not be made for provincial services, unless the purpose comes strictly within the category of those services ... <i>ib.</i>		The instinctive sense of caution and responsibility can never be so great in a Local Government as in the Government of India ... <i>ib.</i>
	Rules needed to prevent Local Governments from pledging their successors to local expenditure to an excessive degree ... <i>ib.</i>		The older Governments would profit least by the transfer of revenue ... 596
	The necessity of a general watchfulness over provincial services by the Government of India ... <i>ib.</i>		If revenue be made over, it should be transferred <i>net</i> ... <i>ib.</i>
	Draws a clear distinction between provincial and local funds ... <i>ib.</i>		Whether any share should be allowed in the following revenues:—
	Would not make any charge on provincial services for pensions or leave allowances of officers employed thereon ... <i>ib.</i>		Land Revenue ... <i>ib.</i>
			Tribute ... <i>ib.</i>
			Forest ... <i>ib.</i>

MINUTES AND NOTES IN 1872 AND 1873— <i>continued.</i>	PAGE	MINUTES AND NOTES IN 1872 AND 1873— <i>concluded.</i>	PAGE
<b>FINANCIAL SECRETARY—<i>continued.</i></b>		<b>FINANCIAL SECRETARY—<i>concluded.</i></b>	
Excise .. .. .	596	Regarding the appropriation by the Bombay Government to local funds of the fees hitherto credited to imperial revenue . . .	601
Assessed Taxes .. .. .	597	Observations on the question whether Bengal should be allowed a separate office for the provincial accounts . . .	<i>ib.</i>
Customs .. .. .	<i>ib.</i>	Should a Financial Council be appointed to assist the Lieutenant-Governor of the North-Western Provinces? The proposal has hitherto been negatived. . . .	<i>ib.</i>
Salt .. .. .	<i>ib.</i>	Complaints from the Madras and Bombay Governments of assignments being insufficient, await disposal . . .	<i>ib.</i>
Opium .. .. .	<i>ib.</i>	<b>COMPULSORY IRRIGATION RATES ON LAND—</b>	
Law and Justice .. .. .	<i>ib.</i>	<b>MEMORANDUM by Colonel R. Strachey, 17th April 1867—</b>	
or in various other heads . . . . .	<i>ib.</i>	Deprecates the procedure of forcing cultivators to pay for the use of water from irrigation works at the Government rate, whether they desired the use of it or not . . .	602
Separate financial provincial interest can be created only under the heads of—		<b>NORTHERN INDIA CANAL AND DRAINAGE BILL—</b>	
Land Revenue, including Burmah poll tax . . . . .	<i>ib.</i>	<b>HIS MAJESTY'S SECRETARY OF STATE FOR INDIA, 11th January 1870—</b>	
Forest .. .. .	<i>ib.</i>	Great objections to section 56 of the Bill . . .	<i>ib.</i>
Excise .. .. .	<i>ib.</i>	Objections stated . . . . .	<i>ib.</i>
Stamps .. .. .	<i>ib.</i>	Section 56 can be so far modified as to obviate the objection . . . . .	603
Law and Justice . . . . .	<i>ib.</i>	Suggests an alteration which may render the section comparatively unobjectionable . . .	<i>ib.</i>
Strong objections against so treating any heads whatever but Stamps and Law and Justice, and it would be better to keep even these revenues imperial . . . . .	<i>ib.</i>	<b>COLONEL THE HON'BLE R. STRACHEY, 21st January 1870—</b>	
If it is thought desirable to give the Provincial Governments any interest in the revenues, the best plan would be to divide amongst them 10th percentage of any surplus upon the whole . . . . .	<i>ib.</i>	Regarding the proposal contained in section 56 of the Bill, stated that it was novel to the country, and therefore at first likely to be viewed with some hesitation, but Government has thought it to be the most likely method of arriving at a final conclusion which shall be generally satisfactory to make a definite proposal in the form which, on the whole, seems best suited to meet the requirements of the case . . . . .	<i>ib.</i>
Consideration of the question whether additional heads of service should be transferred to Provincial Governments . . . . .	598	<b>MAJOR-GENERAL THE HON'BLE SIR H. M. DURAND, 21st January 1870—</b>	
Whether savings at the end of the year should not revert to Local Governments . . .	<i>ib.</i>	Would not oppose the introduction of the Bill, though he did not entirely approve of its principles; adverted to the somewhat arbitrary powers taken by the Bill for the imposition of a water-rate on irrigable lands; the Bill was permissive rather than absolute on this point; a Lieutenant-Governor might levy the water-rate after the prescribed period of short receipts, and responsibility was thrown on him to decide whether the cess should be imposed or not after the prescribed period; he would have preferred that the opinions of Lieutenant-Governors upon this point of a water-rate imposable on irrigable land had been before the Council . . . . .	604
Whether the charges of collection of the revenue should be made provincial . . . . .	<i>ib.</i>	<b>COLONEL THE HON'BLE R. STRACHEY, 18th February 1870—</b>	
Whether parts of grants should be transferred in any case . . . . .	<i>ib.</i>	Observations on the policy of the Bill . . . . .	<i>ib.</i>
Heads of service enumerated under "Expenditure" which cannot be made provincial . . .	599	It was clear that the particular part of the community that benefited by an irrigation work should make a surtable contribution in the shape of interest and profit to the general revenue . . . . .	<i>ib.</i>
Upon the whole, it is evident that very few imperial services can be made provincial without more or less objections . . . . .	<i>ib.</i>		
No further transfers should be attempted . .	<i>ib.</i>		
Whether provincial funds should be expended on any service which has not been transferred to those funds?—They should not . . . . .	<i>ib.</i>		
Whether any measure chargeable to provincial funds, but involving new and lasting financial obligations, should be carried out by a Provincial Government without the sanction of the Government of India? . . .	600		
Cases in point referred to,—negatively answered . . . . .	<i>ib.</i>		
May the Provincial Governments lend or invest provincial and local funds? . . . . .	<i>ib.</i>		
Practically, this question has not pressed for solution, but it should be solved after consulting the Provincial Governments . . . . .	<i>ib.</i>		
Pension and absentee allowances of officers paid from local funds should be borne by the Government of India . . . . .	601		
Fines levied, under section 34, Act V of 1861, may be credited to Municipalities . .	<i>ib.</i>		
Whether the excise revenue of the towns of Rangoon, Moulmein, and Akyab may be made over to the local funds of those towns . . . . .	<i>ib.</i>		
Opposed in this Department to any assignments of the kund from imperial revenues . . . . .	<i>ib.</i>		
Observations regarding question of the special help to British Burmah . . . . .	<i>ib.</i>		
Observations regarding the transfer to the category of Provincial of the remainder of the head of Medical Services . . . . .	<i>ib.</i>		

PAGE	PAGE
<p><b>NORTHERN INDIA CANAL AND DRAINAGE BILL—<i>contd.</i></b>  <b>COLONEL THE HON'BLE R. STRACREY—<i>continues</i></b>                      The second important change which the Bill proposed was to permit of a compulsory rating of land which was irrigable from a canal, but not irrigated, if, after a lapse of a certain period, the net income was not sufficient to cover the charge for interest on the capital expended on the works ... 604                      The financial consequences of the very large sums of borrowed money that would be applied to irrigation works and railways which the Government was about to undertake were extremely serious, and financial disaster and collapse of a very alarming character might readily follow an inadequate line of action in such operations. . . 605                      The outlay on public works extraordinary may in 8 or 10 years entail a yearly charge of £600,000 for interest, and £600,000 for maintenance, or, including certain very large projects not yet sanctioned, the annual charge may amount to several millions sterling, the remunerative character of the works would insure the payment of interest, but the compulsory irrigation rate would afford additional security ... .. 606                      This additional security was very important for maintaining the credit of Government in the course of extensive borrowing involved in the prosecution of irrigation works and railways in India ... .. 606                      The burden of these several millions sterling of annual charge must be borne somehow, and without doubt it should be borne by that section of the community in whose behalf the works were executed ... .. 607                      It is not necessary to discuss whether, among the community to be benefited by the irrigation works, the consent of the majority of the class interested should bind the minority, because the consent of the persons interested could not in reality be obtained in a form that would give it the slightest real value ... .. 607                      The Government contemplated giving additional facilities for the execution of agricultural improvements by means of what were commonly known as <i>taccaves</i> advances, and one of the classes of work to which such advances might be applied would be the minor water-courses requisite for the introduction of irrigation ... .. 607                      The main point to attend to was that the burden to be imposed should only fall on those who could really benefit by the works, thus the Executive Government might see to ... .. 608                      The sole intention of the Government was to place the future of these most important works on a thoroughly satisfactory footing, both as regards the interests of the agricultural community for which they were primarily designed, and the general financial interests of the State ... .. 608  <b>SIR W. MANSFIELD—</b>                      It could not be too clearly declared that the provinces, the districts, the populations which benefited by the productive works</p>	<p><b>NORTHERN INDIA CANAL AND DRAINAGE BILL—<i>contd.</i></b>  <b>SIR W. MANSFIELD—<i>continued.</i></b>                      must be responsible for the expenditure incurred on account of them ... 607  <b>MAJOR-GENERAL THE HON'BLE SIR H. M. DURAND—</b>                      Since permission was asked to introduce the Bill, the Council had obtained the views of Local Governments, and some of them were very hostile to a particular clause of the Bill, section 56 ... .. 608                      Quotes what Sir W. Muir said in respect of that section; and ... .. 608                      what the Punjab Financial Commissioner urged in regard to it ... .. 608                      Views of the Commissioner of Oudh were equally hostile ... .. 608                      What the Punjab Board of Revenue said on the subject ... .. 608                      In the Central Provinces, where there was not much experience in these matters, the Chief Commissioner was favourable to a compulsory rate ... .. 609                      The principle of charging water-rate to those who naturally benefit by a canal might be admitted, but this would not cover the levy of a compulsory rate in a whole district, because parts of it may benefit by a canal if the section imposing a compulsory rate be struck out, the Bill was a good Bill ... .. 609                      The account of each irrigation work should be kept distinct, without any jumbling up of one work with another ... .. 609  <b>THE HON'BLE F. S. CHAPMAN—</b>                      Objected to the principle of section 56; it seemed to contain an ingenious provision for guarding against the effects of errors of construction or of calculation ... 610                      Held to the belief that if irrigation works were only well conceived, there need be no fear about their financial success ... 610  <b>LORD MAYO, 21st January 1870—</b>                      The objection to a compulsory irrigation rate may be removed by limiting the meaning of the words "irrigable land" ... 610                      By thus restricting the meaning of the words, the law would be such that no people could be made to pay for canal water who are not directly benefited thereby, unless the water is actually brought upon the farms ... .. 610                      It is equally unjust to throw on the general revenues the loss occasioned by errors in the construction of works designed for the benefit of a particular locality, more especially as the profit from successful works beyond a certain minimum will go entirely to the proprietors of the land ... 611  <b>LORD MAYO, 12th October 1871—</b>                      The Government has long since declared its opinion in favour of a compulsory water-rate, to be levied under fixed conditions and certain well-defined limitations ... 611  <b>THE HON'BLE R. E. EGBERTON—</b>                      In the Punjab, where the demand for water is very great, there will never probably be occasion to enforce the compulsory clause ... 612  <b>THE HON'BLE F. R. COCKERELL, 26th October 1871—</b>                      The new Bill puts no limit to the amount of compulsory irrigation rate which may</p>

	PAGE		PAGE
<b>NORTHERN INDIA CANAL AND DRAINAGE BILL—contd.</b>		<b>NORTHERN INDIA CANAL AND DRAINAGE BILL—contd.</b>	
<b>THE HON'BLE F. R. COCKERELL—continued.</b>		<b>THE HON'BLE SIR RICHARD TEMPLE—contd.</b>	
be levied; the opinion of the Lieutenant-Governor of the North-Western Provinces on the amended Bill in regard to this point is that it is even more objectionable than it stood in the original Bill, in the original Bill the character of the imposition of rate was marked, and its range well defined and limited, in the present Bill neither cause nor limit is assigned	612	The compulsory rate will not be levied to cover the cost of failures	610
Whether the rate be levied or not, in principle it, is wrong, because it would be levied without the consent of the payers	ib.	<b>THE HON'BLE JOHN STRACHEY, 26th October 1871—</b>	
There is no analogy between the levy of special taxation for municipal improvements and this compulsory water-rate	ib.	The principle of a compulsory irrigation rate, leviable under the conditions defined by the Government of India, has been repeatedly declared, and its enforcement is a virtual necessity	617
Observations on the arguments put forward in favour of the levy of this special rate on grounds of humanity no less than on sound financial considerations	613	The objects and benefits of irrigation works	ib.
When the work failed to achieve the general object of its design, it would not be just to saddle certain persons with the cost who have derived no advantage from the work, and have had no option whatever in the matter of its construction, merely because it was designed for their benefit	ib.	Lord Sandhurst's remarks on the subject	610
Where these works are wisely designed and carried out, they are sure to answer their purpose without the aid of section 44	ib.	An irrigation rate would be on precisely the same footing as the cesses for roads, schools, &c., indeed no works exist of which the purely local benefit is so certain and so immediate as that of an irrigation canal: by no possibility could an irrigation rate be heavy, as it would only make good the difference between the actual income from works and the income required to protect the State against loss, and to secure the gradual repayment of the borrowed money	619
<b>THE HON'BLE B. H. ELLIS, 26th October 1871—</b>		It would be unjust to levy the water-rate from people where it is not their interest to take canal water, but nothing of this kind has ever been contemplated	619
If anything was to be said against the principle adopted, it would be that it was fenced round by conditions so varied, complicated, and difficult of proof, that, if anything, there were too many safeguards rather than too few against oppression and injustice to the people	ib.	Ignorance, and not the absence of beneficial return, prevents the use of canal water; the mischievous consequences of this ignorance injure the whole country until the pressure of a famine compels resort to canals, of which the use is thereafter permanently continued; a compulsory irrigation rate would simply apply the pressure which is now supplied by famine	620
In the Punjab, where the people were only too glad to get canal water, the compulsory clause would be virtually inoperative	ib.	Ruling of the High Court of Allahabad in respect of facilities for irrigation provided by landlords at their own cost which their tenants with occupancy rights can avail themselves of, if they choose	ib.
The Bill did not charge the people with engineering failures	614	The Government, the chief landlord of the country, asks only for a power which private landlords possess already, of requiring a rate from the lands which have been permanently improved in value by irrigation works	ib.
If, however, from ignorance, wilfulness, or other cause, the people refused to avail themselves of the water which was made available to them for their profit, then there was no hardship that these people should pay to insure the financial success of what was carried out for their benefit	ib.	The justice of a compulsory rate from lands which have been improved in value by irrigation works has been admitted by Sir H. Maule, Sir H. Durand, Lord Sandhurst, Sir D. MacLeod, three successive Lieutenant-Governors of the Punjab, and three out of four Local Governments of Northern India	621
<b>THE HON'BLE THE LIEUTENANT-GOVERNOR OF THE PUNJAB, 26th October 1871—</b>		<b>LORD MAYO, 26th October 1871—</b>	
It is not in any way inequitable to put a rate upon land which the owner has it in his power to improve by bringing water to it under the conditions proposed in the sections of the Bill	ib.	Local works of a beneficial character should, as far as possible, be defrayed from local resources; a compulsory irrigation rate simply enforces this principle	ib.
Lands already irrigated from wells could not be brought under the compulsory rate	ib.	Does not concur in the opinion that, if errors in design and mistakes in construction occur, the incidence of repayment should be changed and placed on the shoulders of the people at large	622
<b>THE HON'BLE SIR RICHARD TEMPLE, 26th October 1871—</b>		Considers that the parallel drawn by the Hon'ble Mr. Strachey in quoting the Calcutta water-works to be most apt	ib.
The Secretary of State has not condemned the levy of a rate on irrigable, but not irrigated, land, on the contrary, he suggests possible conditions under which a rate might be leviable from such land	615	Experience shows that if canal water is once taken by the cultivator, the use of it is seldom completely renounced; as com-	ib.
The analogy of municipal taxation in towns and cities distinctly applies to the proposed compulsory rating of irrigable lands	ib.		
A compulsory irrigation rate does not differ from a road or school cess	ib.		

PAGE	PAGE
<p><b>NORTHERN INDIA CANAL AND DRAINAGE BILL—concl'd.</b>  <b>LORD MAYO—continued</b>                      pulsory irrigation rate will simply render the people more disposed to take the water                      Unless this principle be adopted, there will be future difficulty from the uncertainty as to your security for those vast loans, and as to how, and when, and by whom, such works are to be paid for ... 1b.  <b>LORD NAPIER OF MAGDALA, 24th October 1871—</b>                      Objections raised to the 44th clause of the Bill, on the whole, considers the compulsory rate unnecessary and unjust ... 622  <b>HER MAJESTY'S SECRETARY OF STATE FOR INDIA, 14th March 1872—</b>                      Cannot regard the provisions of section 44 of the Bill in any other light than an encroachment on private rights, and concurs generally in the views set forth in the Minute of Lord Napier of Magdala ... 1b.                      Desires that a new Bill may be introduced into Council omitting the clauses which have challenged objections and re-enacting the general provisions ... 1b.                      Thinks it expedient to include the North-Western Provinces within the provisions of the new measure ... 1b.  <b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—</b>  <b>EXTRACTS FROM MINUTES OF EVIDENCE—</b>  <i>Major-General R. Strachey, 11th June 1872—</i>                      Where land revenue is spoken of, obtained from irrigation, it means irrigated from the works and not from tanks ... 624                      The difference between wet and dry rates on land includes revenue, which, before the land was irrigated from canals, may have been irrigated from tanks and wells. If the whole of that difference be credited as revenue from irrigation, there would be a certain amount of fallacy, but the element of error is so small that it may be neglected ... 1b.                      Wherever the canal water is taken the wells are driven out ... 1b.                      The cultivator prefers the canal to the well ... 1b.                      Regarding the illustration submitted that "people in Oudh do not want water from the Sardah canal, that they have abundant means of irrigation, and are going to petition the Secretary of State against the making of canals in Oudh" ... 1b.                      There has been a deal of discussion as to the propriety of carrying out certain projects for canals in Oudh, and thinks if the Committee want to ascertain what the facts are on the subject, they had better get the correspondence from the India Office ... 1b.                      The first Canal Act did not absolutely provide that landholders within reach of irrigation from the canal were to pay a certain rate, even though they did not use the water, but that they might be called upon to pay such a rate ... 625                      The Secretary of State directed the Government to repeal that portion of it bearing on compulsory irrigation, which he disapproved ... ... 1b.</p>	<p><b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—cont'd</b>  <b>EXTRACTS FROM MINUTES OF EVIDENCE—</b>  <i>continued</i>  <i>Major-General R. Strachey—continued.</i>                      The Government of India came to the conclusion that it was not expedient to pass that Bill for the North-Western Provinces, and that it should be made exclusively applicable to the Punjab; the Lieutenant-Governor had accepted it as being suitable to the Punjab ... 625                      That Act was recently passed for the Punjab, in which the same principle was affirmed with some modification ... 1b.                      The making of such a provision does not at all indicate a conviction on the part of the Indian Government that if the people are left free to take water or not as they please canals will not pay ... 1b.                      The Act was discussed by the Government of India; it passed with the assent of the late Viceroy Lord Mayo, Sir John Strachey, Sir Richard Temple, Mr Ellis, Mr. Stephen, the present Lieutenant-Governor of the Punjab, and Mr Egerton, the Chief Revenue Authority in the Punjab ... 1b.                      Estimated returns from the Godavey water-works ... 626                      Reduction in the rate of water-supply from the Orissa canals ... 1b.                      In the revenue account of the irrigation works, the income should be held to include all increase of land revenue actually obtained in consequence of the land being irrigated ... 1b.                      Accounts have not been kept in a sufficiently clear and intelligible form for arriving at any distinct results as to the amount of profit which these irrigation works yield over and above the fixed irrigation rate ... 627.                      Expenditure suggested in future years on account of irrigation works ... 1b.                      The estimated cost, length, and other particulars of the Eastern Jumna Canal ... 1b.                      The heavy character of the works of the Ganges Canal and the magnitude of the cost explained ... 1b.                      If all the increase of land revenue since an irrigation work began be credited to irrigation, the account would be fallacious ... 1b.                      When the charge for irrigation is not separate from the land revenue, there is no possible way of ascertaining what increase in the value of land arises from irrigation ... 628                      The original estimates have, in some instances, been exceeded, and their revenues have also in some instances fallen short of what was expected ... 629                      The estimates of revenue on which the Orissa Canal Company originally carried out those works were not only not approved by the Government, but strongly discredited ... 1b.                      Reason ascribed for the purchase by the Government of India of the Orissa Canal works at so high a valuation ... 1b.                      An irrigation canal benefits not only the cultivators who use it, but the whole country in which irrigation goes on ... 1b.</p>



PAGE	PAGE
IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION— <i>concl'd.</i>	ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i>
EXTRACTS FROM MINUTES OF EVIDENCE— <i>concluded.</i>	GOVERNMENT OF INDIA— <i>continued</i>
<i>Major-General R. Strachey</i> —concluded.	Arguments put forward by the Lieutenant- Governor of Bengal, and the great stress laid on an argument drawn from the works of Mr Mill noticed . . . 6
A compulsory rate for irrigation is a sort of insurance against famine . . . 630	The gist of the latter argument stated . . . 6
There is every reason to suppose that the Orissa Canal works will eventually be profitable . . . <i>ib.</i>	It is an error to assume the identity of the cesses with the land revenue . . .
There was something of the sort in the Punjab Canal Act, which provided that if the canal did not pay seven per cent, the people who did not use the water should be taxed for it or be compelled to use it . . . <i>ib.</i>	The Government has not waived its right in Bengal or anywhere else to impose local cesses
which clause the Secretary of State direct- ed should be repealed . . . 631	The permanent settlement does not exempt the zemindars in Bengal from charges which are thrown upon the land in other parts of British India
Interpretation of section 44 of the Punjab Canal Act . . . <i>ib.</i>	There is no reason why Bengal alone should evade the burden of defraying the cost of the education of the agricultural population . . .
Modification of that clause in the subse- quent provisions of the Act . . . <i>ib.</i>	The quotations from the speeches of Mr. Wilson and Sir Barnes Peacock offer no objection to the levy of a local cess on the land, always provided that the cess be devoted to the agricultural population, that it be no more than is levied on land- holders in other parts of India, and that it be general on towns and villages . . .
The Act distinctly contemplates, under cer- tain circumstances, that if people do not use the water, they shall be charged a rate . . . 632	What Mr Wilson said on the subject . . .
There is in this Punjab Act a power given to the Government of obtaining compul- sory labour, and the Secretary of State, with the advice of his Council, has allow- ed that part of the Act to stand . . . <i>ib.</i>	Reason urged by the Government of Bengal why the inhabitants of the province should be exempted from any special bur- den, and that if further taxation is neces- sary, it should be imperial and not local
There is an obligation to labour, but it is only a statutory obligation; reads the clause in its entirety . . . <i>ib.</i>	Regarding the Lieutenant-Governor's pro- tests against the entire charge of pri- mary education being thrown on the land
Receipts for water voluntarily taken, and a tax levied upon the people who did not make use of the water, if realised, would appear in the accounts as canal revenue. . . <i>ib.</i>	Regarding the opinion expressed by the Government of India in May 1859 that a cess could not be imposed in Bengal
<i>Lord Lawrence</i> —	Mass education as defined by the Govern- ment of Bengal . . .
A compulsory rate for irrigation works is neither necessary nor expedient . . . 633	Dissent from the opinion expressed in 1859, which seems to have then been concurred in, "that a cess for the encouragement of education cannot be imposed in Bengal"
ROAD AND EDUCATIONAL CESS IN BENGAL—	GOVERNMENT OF BENGAL, No 1868A of 30th April 1869, to the Government of India, Home Department—
GOVERNMENT OF INDIA to Her Majesty's Secretary of State for India, No. 17 of 31st December 1869—	The letter of 28th October 1867 intimates that imperial revenues cannot be charged with the expenditure required for the ex- tension of the improved patshala scheme in Bengal, it is accordingly declared to be the opinion of the Governor General in Council that the main burden of vernacu- lar education in Bengal should not fall on the imperial revenues, but, as elsewhere, on the proprietors of the land . . .
The conclusion arrived at by His Honour the Lieutenant-Governor of Bengal is that a separate tax for education in the permanently-settled districts is very un- advisable . . . 634	The Lieutenant-Governor is directed to re- consider the whole subject, with reference to the above remark, and submit such a modified scheme for extending vernacular education as may on further examination seem to be practicable . . .
Instructions issued to the Lieutenant-Gov- ernor of Bengal to take the necessary steps for imposing a cess upon the land for the maintenance of roads . . . <i>ib.</i>	Letter of 25th April 1868, in continuation of the foregoing, modifies the opinions expressed in it on some important points
After a local cess shall have been imposed in Lower Bengal for the construction of roads, a mere addition to the rate of cess would give everything that is required for educational purposes . . . 635	Letter of 27th April 1868, forwarding two resolutions of the Financial Department, both dated 31st March 1868 . . .
The Government of India differ largely from the views expressed in the letter of the Government of Bengal of 30th April 1869 as to the propriety and possibility of levying a tax for local purposes in the Province of Bengal . . . <i>ib.</i>	The questions raised in these letters have received the Lieutenant-Governor's most careful and anxious consideration
The children of forty millions of the people of a great province require to be educated; roads have to be made, and, by sanitary measures, life has to be saved, the real question therefore is, are we justified in levying a cess and making it mainly chargeable on the landed property of the province? . . . <i>ib.</i>	

	PAGE
ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i>	
GOVERNMENT OF BENGAL— <i>continued</i>	
Reports called for from all Commissioners of divisions on the expediency and feasibility of raising an educational cess in Bengal similar to that now paid in those districts of the North-Western Provinces, where the permanent settlement is in force	641
Director of Public Instruction asked to report on Mr. Long's proposals	ib
British Indian Association invited to offer suggestions as to the best means of levying a cess	ib
Landholder's and Commercial Association asked to give an expression of their views on the question	ib
Lord Stanley's remarks quoted from his despatch of April 1859	ib
Report of British Indian Association Meeting of 2nd September 1863 gives a detailed expression of the views of the Association. It was resolved at that meeting to petition the Governor General in Council, praying for reconsideration of the subject	ib
Landholders' and Commercial Association's reports forwarded	ib
Commissioners of the Cooch Behar, Bhau- gaipore, Burdwan, and Presidency Divi- sions' also forwarded	ib
Permission requested to deal with the entire question which has been raised, for reasons stated	ib
Definition of the several terms "proprietors of the land," "proprietors of the soil," and "landholder"	ib
Inapplicability of the proposed cess to certain districts	642
Draws attention to certain misconceptions under which the Governor General in Council is laboring in respect of the proprietors of the soil	ib
The increased profits from extended area of cultivation and enhanced prices of produce do not reach the zemindars and others who are under direct revenue engagements with the Government; for, in a large number of cases in Lower Bengal, the zemindar has long ago made arrangements which reduce him to the position of an annuitant on the estate	ib
The zemindar has created perpetual tenures at fixed rents which effectually deprive him of all further participation in any increase of profits from the estate	ib
The holder of the tenure in the first degree has generally in the same way created subordinate permanent tenures of the second degree, and the holder of the tenure of the second degree has created tenure of the third degree	ib
Since the settlement, estates have to a very great extent exchanged hands by sale, and the purchaser has paid the full market value of the estate calculated on its profits and prospects at the time of purchase	ib
Such a purchaser receives no more than the annual return for the capital which he has invested in the land, and yet it is on this very purchaser that it is	ib

	PAGE.
ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i>	
GOVERNMENT OF BENGAL— <i>continued</i>	
now proposed to impose a tax on the specific ground that he enjoys an undue proportion of the profits from the land, as compared with that which the State draws	642
There is little or no identity between the persons who have benefited by the increased value of land and those whom it is now proposed to tax	643
By a cess on the proprietors of land the Lieutenant-Governor understands a cess on the zemindars only	ib
Observations in regard to a very common misconception, that the Government revenue derived from land is a true form of taxation and as a corollary to that opinion, that Bengal is more lightly taxed than other portions of the Empire	ib
Citations from the writings of Mr. Mill	ib
The time chosen for re-adjusting the proportion of rents to be retained by the State, with advertence to its increasing duties connected with education, has generally been that at which a contract of settlement was to be made or renewed between the State and the zemindars	645
The practice followed in the Punjab	ib
Educational cess was levied for the first time in Oudh at the commencement of the regular settlement which is now in progress	ib
Owing to the incomplete state of the settlement operations in the Central Provinces no cess was levied until the year 1862-63	ib
The North-Western Provinces had enjoyed the exceptional advantage of having half the cess defrayed by the State	ib
Manner in which cess is being consolidated in the new settlements now in progress	ib
The Governor General in Council may fully rely on the Lieutenant-Governor to give no encouragement to any notions that the permanent settlement entitles the zemindar to evade his just share in the taxation of the country, but on the other hand His Honour is confident that the Government of India will never deliberately contemplate any step which in the judgment of disinterested and well-informed economists would amount to a real breach of faith with the zemindars	ib
The true principle by which the permanent settlement should be interpreted	646
Observations on taxation	ib
Comparative statement of net receipts from taxation from 1st May 1861 to 31st March 1867 for Bengal, North-Western Provinces, Punjab, Madras, and Bombay	647
Comparative statement of net cost of local administration for the same period	ib
The Lower Provinces alone of all the provinces of the Empire pay for their local administration entirely from the proceeds of the taxation proper levied from the inhabitants	648
If taxation is necessary, it ought to be imperial and not provincial	ib
If Bengal is to be specially taxed, the general principle of the equality of taxa-	ib

	PAGE		PAGE
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—<i>contd.</i></b>		<b>ROAD AND EDUCATIONAL CESS IN BENGAL—<i>contd.</i></b>	
BENGAL GOVERNMENT— <i>concluded</i>		SECRETARY OF STATE FOR INDIA— <i>continued</i>	
tion should not be lost sight of within the province itself ...	648	Regarding Article VII of that Regulation	655
If any tax is to be imposed for the education of the lower classes, in the interests of justice, it should be general ...	649	The great object and purpose of that settlement, as clearly defined in Article VI, should govern our interpretation of its terms	<i>ib</i>
The proposal to levy a cess has been laid on previous occasions before various authorities, and the conclusion hitherto arrived at has been adverse to the expediency of it ...	<i>ib</i>	The principal distinction in respect of the application of the term "public demand"	<i>ib</i>
Quotation from Sir F. Halliday's minute of 24th March 1859 ...	<i>ib</i>	Consideration of the contention that the rates levied in other provinces in India are essentially distinct in principle from the rates which it is proposed to levy in Bengal	656
Quotation from Lord Stanley's despatch of 7th April 1859 ...	<i>ib</i>	Her Majesty's Government are of opinion that it cannot be said with justice that to impose rates in Bengal would be to impose a special tax on that province which is not imposed in other parts of India	<i>ib</i>
Sir John Peter Grant's scheme of vernacular education ...	<i>ib</i>	Bombay Act No III of 1869 is an important step in the practical decision of this question, it imposes rates upon all holders of land without making any distinction between those who received and those who did not receive a notice at the time of settlement; no exemption of any class of landholder is admitted, on the contrary, the holders of rent-free, of alienated villages, and of other permanent tenures are expressly subjected to the rates	657
Fortified with this weight of authority, the Lieutenant-Governor feels justified in expressing his conviction that a special tax for education in the permanently-settled districts is very inadvisable	<i>ib</i>	The conclusion arrived at by Her Majesty's Government on the subject of rating for local expenditure	<i>ib</i>
Observations on the indigenous schools of Bengal ...	650	The expediency and policy of exercising the legitimate power of the Government in imposing local rates in Bengal considered	658
Comparative statement of expenditure on education for the 11 months of 1866-67 in the North-Western Provinces, Punjab, Bombay, Madras, and Bengal	651	<i>1st</i> —The proportion which the existing land tax bears to the whole resources of the people on whom it is proposed to place new taxes	<i>ib</i>
The case of roads shown to be mainly different; and His Honour, while earnestly protesting against an educational tax, is prepared to admit the necessity of a local tax upon land for the maintenance and construction of local roads	652	<i>2nd</i> —The mode of levying them so as to reach fairly the different interests in the property assessed	<i>ib</i>
SECRETARY OF STATE FOR INDIA, <i>12th May 1872</i> —		<i>3rd</i> —The machinery through which the levy is to be made	<i>ib</i>
Unless the country is to remain without drainage, roads, and education, local rates must be established for the purpose	653	<i>4th</i> —The persons to whom the expenditure is to be entrusted	<i>ib</i>
Local rates for meeting the necessities of local improvement have been levied over and above the land revenue in the Punjab, North-Western Provinces, Central India, Oudh, Sind, and throughout the Presidency of Bombay	654	<i>5th</i> —The special purposes to which rates are to be applied	659
Sir Stafford Northcote in Council, in his despatch of the 28th October 1868, approved of the proceedings of the Government of India, in which the proposal was made to levy a rate for local purposes in Bengal	<i>ib</i>	Local rating, although it may be imposed in the first instance by imperial authority, must become a powerful means of further educating the people in an intelligent management of their own affairs	660
Consideration of the specific objection that the Government of India is precluded from imposing special rates in Lower Bengal, because of the binding promises made to the landowners of that province under the terms of the permanent settlement	<i>ib</i>	MR MACNAUGHTON— <i>Dissent, 12th May 1870</i> —	
The question whether the Government of India has or has not the right to impose taxes upon land in Bengal, even for the general purposes of the Empire, has been ruled and decided in the case of the income tax	<i>ib</i>	Dissents from the despatch of the Secretary of State for India, dated 12th May 1870, because the tax, if levied at all, ought to be general in its application; secondly, because the mode suggested of providing the means of extending elementary education among the masses of Bengal would fall on the agricultural population alone, which would have to provide education not only for their own families and dependents, but also for the families and dependents of their more wealthy neighbours, the fundholders and the capitalists generally	<i>ib</i>
That ruling was not, and could not be arrived at by any mere construing of the words in which the promises of the permanent settlement were made; it was necessary to go outside altogether of the four corners of the document in which the permanent settlement is recorded	<i>ib</i>		

PAGE	ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i>	PAGE	ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i>
	SIR E. PERRY— <i>Dissent, 14th May 1870</i> —		SIR E. H. MONTGOMERY— <i>continued</i> .
	Objects to the despatch of the 12th May 1870, because, even in its modified form, it seems to decide, and does decide, that there is nothing in the language or promises of Government in 1793 to preclude the present Government from levying local taxes in Bengal for local objects	661	of the holders and cultivators of land, the benefits to them of improved communications are immediately apparent and willingly provided for
	Views expressed as to the meaning and sanctity of the permanent settlement	<i>ib.</i>	MR. H. T. PRINSEP— <i>Dissent, 19th May 1870</i> —
	With regard to cesses, additional to land revenue, having been imposed in other parts of India, is of opinion that the Secretary of State has not interpreted the facts correctly, and that the exposition of the Lieutenant-Governor of Bengal is the correct one	662	Direct taxation of any kind is nothing more than a fixed contribution
	The levy of cesses in the four permanently-settled districts of Benares was imposed with the distinct assent of the landholders, but has not been attempted in any other permanently-settled district in India	<i>ib.</i>	The exigencies of the State may be so great as to compel resort to such a means of supplying its treasury, if a Government does so by legislation, no one can deny the legality of the Act, but there are limits to what a Government may do even by legislation: it is on this ground the Secretary of State and Council are urged to consider how far it is proper to proclaim a policy of unlimited direct taxation at the arbitrary will of the Government for any purposes it may consider beneficial.
	Bombay Act of 1869 relied on as a precedent of procedure for imposing a compulsory cess on lands under settlement	<i>ib.</i>	The income tax imposed by Mr Wilson in 1861 is not a precedent to encourage the belief that the Government may safely exercise this arbitrary power; that case was one of extraordinary emergency, created by the exertions and expenditure required to suppress the mutiny of the Bengal Army
	Considers that more pecuniary support would be obtained for educational purposes by pursuing the present system than by levying on zemindars an educational cess	663	Aid is required for education and for roads, and there may be no limit to which expenditure may go on for both these objects; trunk roads may include bridges, and the principle would extend to railways
	SIR F. CURRIE— <i>Dissent, 16th May 1870</i> —		It is proposed to extend the same principle of a forced levy to extravagantly expensive canals in tracts where people are not prepared to recognize the urgency of their want
	Concurs with Sir Erskine Perry in the observations recorded in his dissent, on the grounds that the precedents quoted from the later settlements in temporarily-settled provinces are inapplicable to permanently-settled Bengal; that the income tax is no precedent, because it was not laid on holdings of land, but was a general tax on all classes; and that the obligations of landlord attach to the Government, which received 90 per cent. of the rental at the permanent settlement, not to the zemindars, who received only 10 per cent as managers	<i>ib.</i>	He protests therefore against the assertion of any such claim to the right of arbitrary taxation by direct taxes, which are in the nature of a forced contribution, and will be so regarded by the population
	SIR H. E. MONTGOMERY— <i>Dissent, 18th May 1870</i> —		The measure further objected to on the ground of its constituting a breach of the proclamation of Lord Cornwallis, which definitely settled the jumma upon each estate in 1769
	Unable to concur in the Despatch of the 12th May 1870	664	MR. R. D. MANGLES— <i>Dissent, 25th May 1870</i> —
	It cannot be denied that, with the promises given at the time of the permanent settlement, and with subsequent declarations made, some grounds exist for the claims advanced by the zemindars of Bengal; a Government should not voluntarily place itself in a position of laying it open to be charged with a breach of faith	<i>ib.</i>	Fears that the imposition of a compulsory cess for the education of the masses will so disgust those who have already been found willing to furnish pecuniary aid towards the education of their poorer countrymen, as to induce them to withdraw their contribution to that end
	Looks upon the imposition of an educational cess in Bengal as a retrogressive step in the cause of education	<i>ib.</i>	Thinks that the Council were agreed that the pledges given by Lord Cornwallis absolutely forbade the imposition of a novel tax, cess, or rate upon the zemindars of Bengal alone for any purpose whatever; and further thinks that all, or nearly all, the Council would have consented to the imposition of a rate for either or both purposes, provided it were assessed upon all rateable property, by whomsoever held
	Without the hearty co-operation of zemindars any attempt to force education would be futile	<i>ib.</i>	
	Voluntary contributions advocated as feasible	<i>ib.</i>	
	The formation and repairs of roads has always been a recognized duty on the part	<i>ib.</i>	

PAGE	PAGE
ROAD AND EDUCATIONAL CESS IN BENGAL— <i>contd.</i>	ROAD AND EDUCATIONAL CESS IN BENGAL— <i>concluded.</i>
MR. R. D. MANGLES— <i>continued.</i>	SIR F. J. HALLIDAY— <i>continued</i>
The imposition of a cess of 2 per cent. upon the back of an income tax would be irritating in the extreme to every person subjected to it; trusts the Government of India will hold its hand and wait a more convenient season; the temper which the educational income tax has aroused may perhaps be a sufficient warning ..	prescribed by the Government of India and by the Secretary of State, Sir Charles Wood, and Sir John Lawrence went so far as to record his opinion that to levy such a cess after the settlement had been made (the very thing now proposed in Bengal) would be looked upon as a breach of faith ...
669	671
SIR F. J. HALLIDAY— <i>Dissent, 12th May 1870—</i>	Notwithstanding this, the Government of Bombay passed an Act last year, apparently, if not actually, in opposition to these pointed instructions, it is the only part of India in which such a thing has been attempted, and it has not been long enough in operation to show whether the people there will fulfil Lord Lawrence's expectations by denouncing it as a breach of faith ...
Review of the system of education established in 1835 by the genius of Lord Macaulay and the wise determination of Lord Wilham Bentinck ...	It is to be lamented that this singular and exceptional proceeding of the Government of Bombay, in defiance of precept and precedent, should be dwelt upon in the Secretary of State's despatch of 12th May 1870 as a good, and indeed the chief, reason for doing the like elsewhere, especially as paragraph 17 may well be read as threatening to extend the same sharp practice to temporary as well as permanent tenures; that is to say, not only to the zemindars of Bengal, who are now protesting, but also to the zemindars of Oudh, the North-Western Provinces, and the Punjab, among whom no such practice has ever yet been attempted, and who, if they so understand that despatch, will not fail to add their remonstrance to those of their brethren in Bengal ...
ib.	ib.
The dissatisfaction of the Government of India with regard to that system and its progress ...	It has transpired that although there was hope in the plan of levying a special cess for roads, there is none now, because the zemindars have found out that if they give up the point as to roads, they will next be taxed for education, for sanitary improvements, and, in fine, for any project which the swiftly varying mind of the Government of India may come to devise
ib.	672
Education thrust upon the masses at the expense of the zemindars of Bengal ...	The zemindars have themselves stated that the large contributions now readily made for education, when this tax is proposed, will be made no more ...
ib.	ib.
Remonstrance of the zemindars, and support given to that remonstrance by the officials consulted in Bengal ...	The just observations made by the Secretary of State on the proposal to impose a compulsory water-rate on landholders in respect of canals, whether they used the water or not, would be justly applicable to education ...
670	ib.
Over-riding of the pledges of the permanent settlement ...	LAING'S SCHEME, MR. S ( <i>Addendum to Chapter II</i> )—
ib.	PUNJAB— <i>Government of—5th April 1861—</i>
The zemindars pleaded the distinct and solemn promises of the permanent settlement of 1792, when Lord Cornwallis assured them that the rate then assessed on their lands was "irrevocably fixed for ever," and that "they should in all future time be free from any further demand of rent, tribute, or any arbitrary exaction whatever" ...	Local taxation to supplement imperial assignment for local public works ...
ib.	673
The despatch which it has been resolved by a very narrow majority to send to India does not give, especially on the momentous question of the alleged violation of the permanent settlement, and on the objections of the zemindars generally, such a clear and unambiguous decision as the latter have a right to expect ...	Tobacco tax,—as prepared with the sanction of the Supreme Government to impose this tax, opinion reserved as to the best mode of assessment ...
ib.	ib.
Regarding the pledges of the permanent settlement, offers further observations ...	INDIA— <i>Government of—20th April 1861, to the Government of the Punjab—</i>
ib.	Tobacco tax approved in principle; scheme to be submitted in detail to enable this
The injustice, independently of all promises, of saddling an educational tax on the class connected with the land ...	
671	
In the North-Western Provinces the Government may be said to pay the whole cess, and not the zemindar ...	
ib.	
In the Shahabad district of Behar the zemindars at the time of settlement agreed to pay a cess of one-half per cent. on their <i>jummas</i> for roads, provided the Government would pay another half; and this has been done ever since ...	
ib.	
In the permanently-settled districts of Benares the zemindars were, not long ago, persuaded to agree to a special cess for education; but no attempt was ever made to impose it without their consent ...	
ib.	
In Madras no cess is ever levied without the consent of the people ...	
ib.	
In all other provinces named (but one) the cess is imposed, but only at the time of making the settlement, and never after it is made, as it is now proposed to do in Bengal ...	
ib.	
In Bombay, the only exception to this practice, the rule of making a cess before and not after the settlement was very strictly	

PAGE	PAGE
LAING'S SCHEME, MR S. ( <i>Addendum to Chapter II</i> )—continued	LAING'S SCHEME, MR S ( <i>Addendum to Chapter II</i> )—concluded.
INDIA— <i>Government of</i> —continued	PUNJAB— <i>Government of</i> —continued
Government to decide on it finally, and, if necessary, to cause it to be embodied in an Act of the Legislature ..	and professions" . 673
PUNJAB— <i>Government of</i> —18th May 1861—	Represents the importance of not disturbing the minds of the people by new fiscal measures without real necessity ..
License tax has been assessed and registered for every village and town throughout the Punjab . . .	ib.
Estimated yield, 6½ lakhs . . .	MADRAS— <i>Government of</i> —22nd April 1861—
Asks for sanction to levy this license tax as it has already been assessed, and to defray with proceeds the cost of such public works as are excluded from the imperial budget . .	Orders issued for raising the monopoly price of salt in this presidency by ½ annas per Indian maund . . .
If this proposition be acceded to, there would be no necessity to put on the tobacco tax or other impost . .	674
The license tax might more conveniently be designated a "tax on arts, trades,	Tobacco tax impracticable in any other mode than that of a tax on tobacco licenses, would not yield more than Rs 2,51,000 . . .
	ib.
	Unable to suggest any other subject of taxation . . .
	ib.
	<i>Minute by His Excellency Sir William Denison</i> . . .
	ib.
	<i>Minute by the Hon'ble W. Morehead</i> . 678
	<i>Minute by the Hon'ble E. Maitby.</i> . . .
	ib.

# PROVINCIAL AND LOCAL FINANCE.

## INDEX.

	PAGE		PAGE
<b>ABKAREE TAX—</b>		<b>ADMINISTRATION—LOCAL—</b>	
<b>MR S LAING'S SCHEME—</b>		<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Bengal—</i>		<i>Sir H. M. Durand—</i>	
Asks, for local objects, any increase of the, 9	9	Vagaries of Local Administrations how best restrained ... ..	108
<i>India—</i>		The Government of India is not competent in its executive capacity to discharge its most important trust vicariously by the delegation to half a dozen administrators of that power which Acts of Parliament expect it to retain in its own hands ..	ib.
Objects to divide the, between Imperial and Local Governments ..	10	<i>Local Rates Bill, North-Western Provinces, 1871—</i>	
<b>EARL OF MAYO'S MEASURE—</b>		His Excellency Earl Mayo, 6th April 1871 ..	ib.
<i>The Hon'ble Sir Richard Temple—</i>		<b>ARMS LICENSE TAX—</b>	
Surrender of excise revenue to Local Governments for defrayal of police charges would not be possible ... ..	242	<b>EARL OF MAYO'S MEASURE—</b>	
<i>North-Western Provinces—</i>		<i>North-Western Provinces (Taxation Committee's Report)—</i>	
Abkaree might appropriately be brought within the scheme of local finance ...	257	Proposes an arms license tax ...	308
<b>ACCOUNTS AND ESTIMATES—</b>		&	
<b>MR MASSEY'S SECOND SCHEME—</b>		<b>ASSESSED TAXES—</b>	320
<i>Colonel R. Straehey's Note—</i>		<i>Mr. S. Laing's Scheme—</i>	
It is absolutely essential to place provincial accounts on a perfectly sound basis ..	57	Oudh claims a right to three lakhs of its assessed taxes ...	20
<i>Lord Lawrence, Viceroy and Governor General of India—</i>		<b>ASSIGNMENTS—(See GRANTS).</b>	
Deprecates the change proposed by Colonel Straehey ..	98	<b>BILLS—(See "TABLE OF CONTENTS)."</b>	
<i>Hon'ble W. N. Massey—</i>		<b>BREACH OF FAITH—</b>	
Does not share in His Excellency's conclusions that any confusion in the accounts will arise ...	98	Central Provinces ..	
<i>Punjab—Mr. L. C. Probyn, Accountant General—</i>		Additional cess on the land during currency of a settlement regarded as a breach of faith—	265
Details of account could be settled without difficulty ..	143	Bombay—Hon'ble Mr. Tucker ..	269
<i>Madras—Board of Revenue—</i>		Parliament { Duke of Argyll ... } 496	
Accounts will be kept exactly as they now are and by the same agency ...	169	{ Sir C. Wingfield .. } 498	
<b>COLONEL C. CHESNEY'S SCHEME—</b>		Oudh—majority of landholders ...	576
Effect of proposed reform on Estimates and Accounts, radical change of principle involved, and advantage to be derived from the change ...	217	Sir F. Currie, 16th May 1870 ..	663
Complete uniformity of accounts throughout the country is absolutely essential, if they are not to fall into hopeless confusion ...	218	H. T. Prinsep, Esq., 19th May 1870 ..	667
<b>EARL OF MAYO'S MEASURE—</b>		Sir H. E. Montgomery, 18th May 1870 ..	664
<i>Bengal—</i>		Sir E. Perry, 14th May 1870 ..	661
A separate accounting officer for the accounts of provincial funds is desirable ...	571	R. D. Mangles, Esq., 12th May 1870 ..	669
<i>Hon'ble Sir Richard Temple—</i>		Sir F. Halliday, 12th May 1870 ..	670
A separate officer for provincial accounts should nowhere be allowed ..	595	Punjab—Sir D. F. Macleod concurs in the belief that the people in the Punjab generally would not regard the increasing of the road cess as a breach of faith ..	279
<i>Financial Secretary—5th September 1873.</i>		Local Government expresses the same opinion ...	574
Regarding separate offices for provincial accounts ...	601	<b>CESSSES ON LAND REVENUE—BOMBAY—</b>	
<i>North-Western Provinces—</i>		<i>Sir H. B. E. Frere—</i>	
An office of Audit and Account, under the conduct of a Financial Secretary, would be required ..	258	The charge was deferred in some parts, from the idea that it would be considered a breach of the 30-years' settlement ...	501
<b>ACT OF APPROPRIATION—</b>		<b>BUDGETS—PROVINCIAL—</b>	
<b>EARL OF MAYO'S MEASURE—</b>		<b>EARL OF MAYO'S MEASURE—</b>	
Discussed in the Madras Legislative Council ..		<i>Local Rates Bill, North-Western Provinces—Hon'ble Sir William Muir, 1st April 1871—</i>	
Hon'ble Mr. Mayne, 20th February 1871 ..	408	Abstract of the Budget, North-Western Provinces, for 1871-72 ..	376
Hon'ble A. J. Arbutnot, 23rd February 1871 ..	405	Adjustment of the Budget without having recourse to the license tax, how effected ..	377
Hon'ble A. F. Brown, 23rd February 1871 ..	410	<i>Local Rates Bill, Punjab—The Lieutenant-Governor, 26th May 1871—</i>	
Hon'ble A. J. Arbutnot, 23rd February 1871 ..	ib.	Reference made to some of the principal figures of the Provincial Budget for 1871-72 ...	394

	PAGE	PAGE
<b>BUDGETS—continued.</b>		
<b>EARL OF MAYO'S MEASURE—</b>		
<i>Bombay Presidency—Sir W. E. S. V. Fitzgerald, 5th April 1871—</i>		
Official statement of the first Provincial Budget of the Presidency of Bombay . . .	414	
<i>Bengal—Hon'ble Sir George Campbell, 25th March 1871—</i>		
Lays before Council such figures as he had been able to prepare . . .	422	
<i>Bombay Presidency—</i>		
Exposition of the figures of the Budget Estimate of Provincial Funds for 1871-72 . . .	441	
<i>Punjab—</i>		
Statement of estimated receipts and charges, 1871-72 . . .	468	
<i>Central Provinces—</i>		
Budget Estimate of Provincial Funds for 1871-72 exhibits a working surplus of £1,824 . . .	475	
<b>OPINIONS IN PARLIAMENT—</b>		
<i>Marquis of Salisbury—</i>		
It was for the Home Government to consider whether the excitement of annual budgets and new taxes should not be avoided as a political danger . . .	499	
<i>Duke of Argyll—</i>		
Objected to annual budgets and the imposition of new taxes . . .	ib	
<b>OPINIONS IN ENGLAND (LOCAL TAXATION)—</b>		
<i>Sir C. E. Trevelyan—</i>		
Regarding the preparation and submission of annual budgets . . .	543	
<b>EARL OF MAYO'S MEASURE—</b>		
<i>Punjab—</i>		
Abstract of provincial receipts and expenditure in the Punjab for 1871-72 . . .	575	
<i>Central Provinces—</i>		
On the subject of yearly budgets . . .	577	
<b>CANALS—</b>		
<b>MR. MASSEY'S SECOND SCHEME—</b>		
<i>Madras—Board of Revenue—</i>		
No objection to the retransfer of canals to the list of State works, under the proviso stated . . .	172	
<b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—</b>		
<i>Major-General Sir R. Strachey—</i>		
Wherever the canal water is taken the wells are driven out . . .	624	
The cultivator prefers the canal to the well . . .	ib	
The qualified nature of the compulsory provision of the first Canal Act . . .	625	
Godavery Water Works, estimated returns from, . . .	626	
Orissa Canal Works, estimates of revenue and reason for the purchase of those works at so high a valuation . . .	629	
The benefit of irrigation canals . . .	630	
Orissa canal works will eventually be profitable . . .	ib	
Punjab Canal Act,—Interpretation of clause 44 of the— . . .	631	
Modification of that clause in the subsequent provisions of the Act . . .	ib	
The Act distinctly contemplates, under certain circumstances, that if the people do not use the water they shall be charged a rate . . .	632	
Compulsory labour: power given in the Punjab Canal Act of obtaining— . . .	ib	
Canal Revenue—The receipts for water voluntarily taken, and a tax levied upon the people who did not make use of the		
<b>CANALS—continued.</b>		
<b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—continued.</b>		
<i>Major-General Sir R. Strachey—continued.</i>		
water, if realized, would appear in the Accounts as— . . .	632	
<i>Sir H. T. Prinsep, 19th May 1870—</i>		
It is proposed to extend the same principle of a forced levy to extravagantly expensive canals in tracts where the people are not prepared to recognize the urgency of their want . . .	666	
<b>CANAL FUND—</b>		
<i>MADRAS, BOARD OF REVENUE,—Remarks on the Canal Fund . . .</i>	172	
<b>CANAL AND FERRY FUND—</b>		
<i>MADRAS PRESIDENCY—</i>		
Provisions of Act I of 1870 . . .	435	
<b>CAPITATION TAX—</b>		
<b>MR. MASSEY'S SECOND SCHEME—</b>		
<i>British Burma—</i>		
Deprecates a license tax in supersession of the capitation tax . . .	131	
That a fixed proportion of the existing capitation tax, distinct from the share of the land tax, and commensurate with the requirements of the province, be transferred to provincial charge . . .	132	
Asks for the same proportion of the total amount of capitation tax as it is proposed to transfer to other administrations from the license and income taxes . . .	ib	
<b>EARL OF MAYO'S MEASURE—</b>		
<i>British Burma—</i>		
There is room for revising the capitation tax in some parts of the province . . .	275	
<b>CENTRALIZATION—</b>		
<b>MR. MASSEY'S SECOND SCHEME—</b>		
<i>Lord Lawrence, Viceroy and Governor General of India—</i>		
Except in the Public Works Department, and perhaps in that of Finance, the system of centralization is of a very moderate character . . .	94	
<i>Madras—Lord Napier of Merchistoun—</i>		
Advantages of the centralization of Indian finance . . .	156	
<b>COLONEL C. CHESNEY'S SCHEME—</b>		
Centralization considered . . .	211	
Central authority and unity of administration must be maintained . . .	ib	
Distribution of military charges over the several provinces requires some central authority . . .	212	
A similar necessity occurs for the allotment of revenues . . .	213	
And for determining the amount of aid to be given from the common purse . . .	ib	
Central Control The existing system of— shown to be faulty . . .	ib	
Extent of control by some central authority . . .	215	
Responsibility of the central government would be altered, not lessened, by the proposed change . . .	218	
<b>EARL OF MAYO'S MEASURE—</b>		
<i>Opinions in Parliament—Duke of Argyll—</i>		
The natural tendency of events was at present in favour of the centralization of the management of finance in Calcutta . . .	496	
<b>CESSSES AND RATES—(See also Land Revenue)</b>		
<i>Hon'ble H. S. Maine—</i>		
Observations on cesses for local purposes . . .	66	
<i>Sir W. B. Mansfield—</i>		
In some places extraordinary cesses have been imposed before they had any force of law . . .	102	



PAGE	PAGE
CESSSES AND RATES— <i>continued</i>	CESSSES AND RATES— <i>continued</i>
EARL OF MAYO'S MEASURE—	OPINIONS IN PARLIAMENT—
<i>Government of India Circular, dated 21st February 1870, to the Government of the North-Western Provinces—</i>	<i>Duke of Argyll—</i>
Asserts title of Government to levy an additional cess during currency of a settlement .. 221	The levy of cesses on permanently-settled districts in Bengal opposed by Sir W. Grey, Lieutenant-Governor of Bengal, as a breach of faith .. 496
<i>Punjab—Sir D. F. Macleod—</i>	The local cesses are to be made as far as possible with the co-operation and concurrence of the natives of India ... <i>ib.</i>
His own opinion is entirely in favour of special local cesses for all local purposes 279	OPINIONS IN ENGLAND—
Observations on certain enumerated cesses 280	CESSSES ON LAND REVENUE—
<i>Financial Commissioner—</i>	BOMBAY—
Cesses which have already been levied and increased .. 281	<i>Sir H. E. E. Frere—</i>
Detail of existing cesses 284	A cess on land for the construction of railways would differ from one for the construction of roads, it would be unwise to press the former on the country at present 502
Proposal for enhancing them .. <i>ib.</i>	Does not see why Bengal, where there is a permanent settlement, and where the lands, as in other places, have been much increased in value by railways, should not contribute towards the expenses .. <i>ib.</i>
<i>North-Western Provinces—Taxation Committee Report—</i>	The levy of cesses for road-making in Bengal would not be in contravention of the terms of the permanent settlement .. <i>ib.</i>
Advisability of imposing the municipal and other cesses at once .. 298	CENTRAL PROVINCES—
The propriety of extending local cesses to the permanently-settled districts .. 299	<i>Mr. J. H. Morris—</i>
The best method of assessing such cesses and their estimated yield .. 303	Compulsory cesses are justifiable, *provided there is some direct and immediate benefit from them to the district .. 505
<i>Local Rates Bill,—Oudh.—Hon'ble J. Strachey—</i>	In the North-Western Provinces the people, no doubt, look on the extra cesses as being as fixed and immutable as the land revenue 506
Amount of cesses already levied in Oudh 353	For works of improvement the levy of cesses might be objected to, but it would not be a valid objection, but one that might be overruled .. <i>ib.</i>
The manner in which local rates differ essentially in their nature from land revenue .. <i>ib.</i>	CESSSES ON LAND REVENUE, BRITISH INDIA—
The rate proposed to be levied in Oudh will yield about £32,000 annually .. 354	<i>Mr. S. Laing—</i>
<i>Hon'ble Sir George Campbell—</i>	Cesses for local objects in districts permanently settled are justifiable... .. 512
<i>Debate of 10th March 1871—</i> Observations on local rates .. 356	<i>Sir C. J. Wingfield—</i>
<i>Towns Improvement and Local Funds Bills,—Bengal.—Hon'ble Sir George Campbell, 25th March 1871—</i>	It would not be politic to withdraw the recently enhanced cesses in the North-Western Provinces, Punjab, and Oudh .. 516
In restricted localities local rating of the land is the only possible tax for local purposes .. 426	LOCAL TAXATION—
<i>Bombay Presidency—</i>	<i>Sir C. S. Trevelyan—</i>
Provisions of Act VIII of 1865. .. 437	Local cesses are only intended to meet local expenditure .. 549
Paragraph cited from the Administration Report of the Bombay Presidency for 1863-64 regarding cesses ... .. <i>ib.</i>	<i>Sir C. Wingfield—</i>
Substance of remarks on local cesses in the Bombay Presidency .. 443	Distinction between a local rate levied by the Local Government and a rate imposed by the Imperial Government ... 551
<i>Punjab—</i> Detail of cesses existing in the Punjab before and since the passing of the Punjab local rates Act XX of 1871 .. 466	The character of local rates in England .. <i>ib.</i>
Respecting the yield of the local rates cess .. 468	EARL OF MAYO'S MEASURE—
Application of the proceeds of the cess .. 469	<i>Reports of Local Governments on its operation—</i>
<i>Oudh—</i> Detail of cesses in Oudh .. 470	<i>Bengal—</i>
Proceeds of the cesses in Oudh according to the estimates for 1875-76 .. 471	Regarding illegal cesses levied by zemindars on their ryots .. 567
Including charges for Rural Police the cesses in Oudh amount to more than 10 per cent. on the land revenue .. <i>ib.</i>	<i>Punjab—</i>
The new cess has yielded above £40,000, where only £30,000 or £32,000 had been estimated .. 472	No hostile feeling against those cesses which are realized by a percentage rate on the land revenue ... .. 574
The manner in which the proceeds of cesses levied in each district are to be allotted under the Act ... .. <i>ib.</i>	<i>Central Provinces—</i>
What Sir J. Strachey and Sir George Campbell stated on the subject .. <i>ib.</i>	Notwithstanding a local cess should be confined to objects that are strictly local, it is a fair question whether in a country benefited by a railway they may not be appropriate for the expense of its construction 582
<i>British India—</i>	ROAD AND EDUCATIONAL CESS IN BENGAL—
Statement of receipts from enhanced cesses and new sources of income ... 494	<i>Secretary of State for India, 12th May 1870, to Government of India—</i>
Improvement in 1875-76 over 1870-71 of £488,188. Causes to which that improvement is attributed ... ..	Unless the country is to remain without drainage, without roads, and without

PAGE	PAGE
<b>CESSES AND RATES—concluded.</b>	<b>CESSES ON ROADS, &amp;c.—continued.</b>
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>	<b>LOCAL CESSSES—continued.</b>
<i>continued.</i>	<b>Madras Presidency—continued.</b>
<i>Secretary of State for India—continued.</i>	Principal points of discussion in respect
education, local rates must be established	to the application of the road cess .. 433
for the purpose .. .. . 653	Two-thirds of local rate reserved for roads 434
Approval by Sir Stafford Northcote in	Transfer of imperial charge for roads to
Council (per his despatch of 28th October	cess funds .. .. . 16
1868) of the proposal to levy a rate	Repeal of Act III of 1866 by the
for local purposes in Bengal .. .. . 16	passing of the Local Funds and Towns
Conclusion arrived at by Her Majesty's	Improvement Acts .. .. . 43
Government on the subject of rating for	<i>Hon'ble Sir A. J. Arbuthnot—</i>
local expenditure .. .. . 657	Observations on the Road Cess .. 433
The expediency and policy of exercising the	<i>Lord Napier of Merchistoun—</i>
legitimate power of the Government in	Observations on the Road Cess .. 435
imposing local rates in Bengal considered 658	<b>Bombay Presidency—</b>
<b>CESSES—EMBANKMENT.</b>	A Bill was introduced in 1875 for amend-
<b>EARL OF MAYO'S MEASURE—</b>	ing the law relating to tolls on roads ... 44
<i>British Burmah—</i>	<b>Bengal Presidency—</b>
An embankment cess might be levied . 275	Provision for roads under Bengal Council
<b>CESSES ON ROADS AND FERRIES—</b>	Act X of 1871... .. . 44
<i>(See also ROADS)</i>	The whole subject of the district road cess
<b>MR. MASSEY'S SECOND SCHEME—</b>	was reviewed by Sir William Grey in
<i>Central Provinces—</i>	a letter dated 30th April 1869; it was
When the country grows richer, it will be	referred by the Government of India
possible to raise the road cess from 2 per	for the decision of the Secretary of
cent. to 6 per cent. on the land revenue 112	State .. .. . 443
<i>Madras—</i>	Passages which occur in that despatch .. 16
<i>Lord Napier of Merchistoun—</i> Municipal	Secretary of State for India replied in
taxation and the road cess are destined	despatch of 12th May 1870;—quotations
to work out the most important amehora-	therefrom .. .. . 16
tions in the country .. .. . 190	Estimates of the probable proceeds of the cess 450
<b>EARL OF MAYO'S MEASURE—</b>	Subordinate only to the main object of
<i>Government of India Circular of 21st</i>	spending the cess on roads was the policy
<i>February 1870, to the Government of the</i>	of spending it in the district in which the
<i>North-Western Provinces—</i>	cess is raised .. .. . 453
One per cent. road cess: remarks on the	Observations in the course of discussions
nature and application of the— .. 221	on the Bill, viz.—
Inquires whether in certain provinces the	On limitation of expenditure to the dis-
road cess might not be raised to 2½ per	trict in which it is raised .. .. . 16
cent. on the gross rental of the land ... 223	Thrifty management of the cess .. 16
Indicates the funds which will hereafter	On the mode of assessment and collection
be available for the construction and	of the cess .. .. . 16
maintenance of roads .. .. . 16	Statement of outlay on roads in Bengal
Should an increase of road cess be	from 1861 to 1867 .. .. . 16
objected to, an equivalent must be pro-	<b>Central Provinces—</b>
vided by some other local tax .. 224	Proposal to levy tolls on imperial roads and
<b>Central Provinces—</b>	ferries .. .. . 475
Deprecates an increase of the road cess . 265	Tolls have not proved successful .. 477
Proposes a system of tolls on imperial	<i>British Burmah—</i>
roads and ferries .. .. . 266	<i>Hon'ble E. C. Bayley;—</i> remarks on
<b>Punjab,—Sir D. F. M. Lead—</b>	introducing a Bill to regulate ferries in
In 26 out of the 32 districts, there is no	British Burmah, 5th September 1872 ... 480
legal obstacle to increasing the road cess. . 279	<b>OPINIONS IN ENGLAND—CESS ON LAND</b>
Concurs in the belief that the people in	<b>REVENUE, PUNJAB—</b>
the Punjab generally would not regard	<i>Sir B. Montgomery—</i>
the increasing of the road cess as a breach	The road cess might be spent in the dis-
of faith .. .. . 16	trict in which it is levied .. .. . 503
If imperial roads are transferred, an addi-	There is no objection to the road cess ... 16
tional cess for their maintenance would	<b>CENTRAL PROVINCES—</b>
have to be transferred .. .. . 281	<i>Mr. J. H. Morris—</i>
Salt patrolling roads,—a tax on salt, for	The right of Government to impose a
their maintenance is already levied .. 16	road cess is denied in Bengal .. 505
<i>Financial Commissioner</i> supports the Lien-	There might be objections raised in the
tenant-Governor's opinion .. .. . 16	Central Provinces to a road cess, but it
Proposes the levy of a toll on roads .. 288	would be just, and what would be just in
<b>TOWNS IMPROVEMENT AND LOCAL FUNDS</b>	the one case, would be just in the other
<b>BILLS—BENGAL.</b>	Lands, of which the Government have sold
<i>Hon'ble Sir George Campbell, 25th March 1871.</i>	the proprietary right in the Central
The cess in Bengal will be confined now	Provinces, pay the road cess .. 16
to what will suffice for roads .. 426	<b>ODISH—</b>
<b>LOCAL CESSSES—</b>	<i>Sir C. J. Wingfield—</i>
<i>Madras Presidency.</i>	The road cess is a different branch of re-
Provisions of Madras Council's Act III	venue, but in Oudh it is incorporated in
of 1866 .. .. . 431	the Government demand .. .. . 508

	PAGE
CESS ON ROADS, &c—concluded.	
BRITISH BURMAH—	
Colonel Sir A. P. Phayre—	
cess has been levied for public roads which has been cheerfully paid	512
BRITISH INDIA—	
Colonel S. Laing—	
the road cess falls upon the ryot, half directly and half indirectly	513
Colonel C. J. Wingfield—	
the expenditure of the road cess will not appreciably add to the value of the land	514
the road cess in Oudh was not levied for the whole of Oudh; it is the practice to let each district spend whatever it contributed as road fund	515
PROVINCES IN ENGLAND—LOCAL TAXATION—	
Colonel DaCosta—	
the portion of road cess payable by proprietors of the land would ultimately fall on the ryots or cultivators	518
Right Hon'ble W. N. Massey—	
the road cess is a burden put upon the locality. No portion of it finds its way into the imperial treasury	540
EARL OF MAYO'S MEASURE	
Reports of Local Governments on its operation—Bengal—	
sources of road funds	567
yield of road funds	567
appropriation of road funds	567
Central Provinces—	
most proprietors entertain the belief that they get no adequate return for their road cess	577
ROAD AND EDUCATIONAL CESS IN BENGAL—	
Colonel F. J. Halliday, 12th May 1870—	
observations on the plan of levying a special cess for roads	672
CHARGES—(See also GRANTS, &c.)	
Colonel MASSEY'S FIRST SCHEME—	
Colonel Massey, dated 21st February 1866—	
heads of imperial charge to be transferred to local Governments enumerated	29
North-Western Provinces—	
distribution of imperial charges to local Governments not fair	34
imperial charges should not be transferred to local account unless the local liability is clearly established and admitted	35
Colonel Massey's Statement of 5th March 1867—	
the local charges which it is proposed to transfer to the Local Governments are the most unsatisfactory part of the budget	50
Colonel MASSEY'S SECOND SCHEME—	
Colonel R. Strachey's Note—	
heads of charge to be transferred to local Governments	52
Statement No. 1 of proposed transfers of charges	58
Central Provinces—	
expediency of transferring to provincial budgets such heads of charge as are especially local and specially progressive	109
heads of charge, local and progressive, enumerated	110
North-Western Provinces—	
will accept the transfer of charges proposed as a tentative measure	121
Colonel S. Laing—	
growth of civil charges in spite of incessant efforts of Government of India to keep them down	124

	PAGE
CHARGES—continued	
Colonel MASSEY'S SECOND SCHEME—continued.	
Financial Commissioner of Oudh—	
Civil buildings should be amongst the charges made over to local Governments	128
British Burmah—	
Remarks on the detailed heads of charge which it is proposed to transfer	130
Distinction between local and provincial charges	135
Statement of proposed transfer of charges to provincial account	136
Punjab—	
Imperial charges might be more extensively transferred than set forth in the proposition	141
Inclusion of expenditure on military buildings in the charges transferred	142
The transfer of charges might be increased	145
Madras—	
Forest revenue and charges might be transferred to the local Governments	150
Analysis of the revenues and charges proposed to be transferred	151
Enumeration of charges it would be desirable to transfer	156
Remarks on charges to be transferred	166
Board's scheme for transferring all but a few imperial charges to the local Governments	173
Suggests advisability of taking certain enumerated charges	180
Enumeration of heads of charge which should be included in imperial expenditure	192
Colonel C. CHESNEY'S SCHEME—	
Separation of imperial and provincial charges	215
EARL OF MAYO'S MEASURE—	
His Excellency the Governor General—	
Observations on charges of a local character	236
The Hon'ble Mr. Ellis—	
The more heads of charge it is possible to assign to Local Governments, the greater the elasticity with which the system may be worked	239
Punjab, Sir H. M. Durand—	
Remarks on the proposed transfer of eight heads of charge	279
Colonel the Hon'ble R. Strachey, 17th March 1871—	
To establish a perfectly satisfactory condition of the finances was to put a stop to the growth of the charges	348
Local Rates Oudh Bill, Hon'ble J. Strachey—	
Remarks on proposals to transfer from imperial to local certain charges	352
MINUTES AND NOTES IN 1872 AND 1873—	
Sir John Strachey—	
Charges that might properly be transferred to local Governments	590
Hon'ble Sir Richard Temple, 29th July 1872—	
A charge ought to be wholly defrayed from imperial resources or wholly from provincial	593
CHOWDHURIS OF GUILDS—	
MR. S. LAING'S SCHEME.	
North-Western Provinces—	
Might be taxed for monopoly privileges	25
Probable yield of tax 3 lakhs	26

	PAGE
<b>CIRCULARS—(SEE TABLE OF CONTENTS).</b>	
<b>COMPULSORY LABOUR—</b>	
Power given in the Punjab Canal Act for obtaining—	632
<b>CIVIL BUILDINGS—</b>	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Oudh—Financial Commissioner of—</i>	
Civil buildings should be amongst the charges made over to Local Governments	128
<i>Punjab, Colonel R. MacLagan, Secretary to the Government of the Public Works Department—Observations respecting civil buildings</i>	ib.
<b>CONGRESS—</b>	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Major-General Sir H. M. Durand—Suggests a congress of the ablest men that Bombay, Madras, Bengal, and the Punjab, could depute, under the presiding control of the Financial Member in Calcutta</i>	64
<i>The Hon'ble G. N. Taylor—</i>	
Inclines to Sir H. M. Durand's view of the assembly of a congress	ib.
<i>Sir W. R. Mansfield—</i>	
Suggests the assembling, for a brief session, of the several Governments and Chief Commissioners in association with the Supreme Council, for the discussion of imperial finance; of laws affecting the Empire at large, and of political and administrative questions	102
<i>Lord Lawrence, Viceroy and Governor General of India—</i>	
The Congress proposition condemned	107
<b>COLONEL C. CHESNEY'S SCHEME—</b>	
Supposition of a Federal Congress for Central Government, theoretically not impossible, but of doubtful efficacy	213
<b>CONTRIBUTIONS—</b>	
<b>MR. S. LAING'S SCHEME—</b>	
Bengal will be able to contribute from local taxation 15 lakhs	10
<b>MR. MASSEY'S FIRST SCHEME—</b>	
<i>Bengal</i> should not be required to pay 30 lakhs as proposed	32
<i>Punjab</i> —The sum of Rs. 11,38,370 may, without any serious pressure, be raised	39
A very decided desire on the part of the people to co-operate; instances of voluntary contributions cited	ib.
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Madras Board of Revenue—</i>	
Contribution of each province under the proposed arrangement	178
<b>COLONEL C. CHESNEY'S SCHEME—</b>	
Enumeration of items of imperial expenditure for which contributions would be required	215
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Bombay—His Excellency the Governor—</i>	
Local Governments should be subject only to a fixed contribution to the imperial exchequer	272
<i>British Burmah—</i>	
The Government demand, whether for imperial or local purposes, should be a consolidated one	276
<i>Towns Improvement and Local Funds Bills, Bombay Presidency—Sir W. R. S. V. Fitzgerald, 5th April 1871—</i>	
Asks the Council to consider what this deduction from the grants is called. It is called a contribution by the local Gov-	
<b>CONTRIBUTIONS—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
ernments in relief of the imperial exchequer	41
<i>Local Cesses, N.-W. Provinces—</i>	
Contribution in relief of imperial finance reduced from £150,000 to £48,000	ib.
<b>COTTON—</b>	
<b>MR. S. LAING'S SCHEME—</b>	
<i>Bombay—</i>	
Advocates a light tax on cotton	...
<b>COURT FEES—</b>	
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Towns Improvement and Local Funds Bills—</i>	
<i>Bombay Presidency—</i>	
<i>Hon'ble P. St. G. Tucker, 5th April 1871—</i>	
Regarding the appropriation, by the Government of India, of the funds accumulated from fees paid by litigants in the Civil Courts of the mofussil and the Court of Small Causes of the Presidency	4
<b>CROTCHETS—</b>	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Hon'ble H. S. Maine—</i>	
We may have a Governor General with peculiar crotchets	...
<i>British Burmah—</i>	
Remarks on the subject of crotchets	...
<b>DEBATES—(SEE TABLE OF CONTENTS).</b>	
<b>DECENTRALIZATION—</b>	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Sir W. R. Mansfield—</i>	
Suggesting decentralization in the matter of local finance	...
<i>Secretary of State for India—</i>	
Extract from a reference in 1867 to a Committee appointed in the India Office by the—on a scheme of decentralization	...
<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
<i>Note by the Financial Secretary—</i>	
On the question of decentralizing the finances with the view mainly of enlarging the powers of the Governments of Madras and Bombay	...
Outline of plan briefly sketched	...
Advantages to the local Governments specified	...
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Hon'ble F. S. Chapman—</i>	
Debate of 17th March 1871—	
Approves of the principle of the decentralization measure	...
<i>Hon'ble B. H. Ellis—</i>	
Debate of 17th March 1871—	
Trusted that no difficulties would be thrown in the way of carrying out the so-called measures of decentralization	...
<i>Local Rates, Oudh, Bill—</i>	
<i>Hon'ble J. Strachey, 10th March 1871—</i>	
These measures have often been called measures for the decentralization of the finances; a more inappropriate term could hardly be found	...
<i>Local Rates, North-Western Provinces, Bill—</i>	
<i>Hon'ble Sir William Muir, 1st April 1871—</i>	
The Bill to be passed is the first measure for giving effect in the North-Western Provinces to the great scheme of decentralization	...

PAGE	PAGE
DECENTRALIZATION— <i>continued.</i>	DECENTRALIZATION— <i>continued.</i>
EARL OF MAYO'S MEASURE— <i>continued.</i>	OPINIONS IN ENGLAND— <i>continued.</i>
<i>Towns Improvement and Local Funds</i>	<i>Sir C. J. Wingfield—continued.</i>
<i>Bills—</i>	It is not desirable that the Local Govern-
<i>Madras Presidency—</i>	ments should have the power which
<i>Hon'ble A. J. Arbuthnot, 17th February</i>	is given under this decentralization
<i>1871—</i>	scheme. If the Government of India
Observations on the decentralization of	interposes no check or places no restriction
Indian finance .. 397	on their power of levying local rates,
Considers it a real and valuable measure	it would be most dangerous ... 509
of reform .. <i>ib.</i>	Understands that the scheme of decentral-
<i>Hon'ble J. B. Norton, 17th February</i>	ization has been made the plea for impos-
<i>1871—</i>	ing cesses to enable local Governments
The manner in which the decentralization	to meet deficits by local taxation ... 512
order has been characterized .. 401	LOCAL TAXATION—
The decentralization which he desires to	<i>Mr. Da Costa—</i>
see is a real decentralization ... <i>ib.</i>	The decentralization scheme is a means of
What the language of a sound scheme of	increasing taxation by throwing on local
decentralization would say .. <i>ib.</i>	Governments the burden of taxation ... 519
What the scheme of decentralization may	<i>Major-General R. Strachey—</i> Does not think
hereafter accomplish .. <i>ib.</i>	that under the decentralization scheme
<i>Lord Napier of Merchistown, 10th March</i>	taxation must necessarily increase .. 523
<i>1871—</i>	The exercise of economy in the expenditure
Enunciates his views on the general	of public money by the local Govern-
scheme of decentralization, and desires	ments was the main object of the scheme
that they may be regarded as his personal	of decentralization .. 524
profession of faith ... 418	It did not confer on local Governments
<i>Hon'ble A. J. Arbuthnot—10th March</i>	greater powers of taxation than they
<i>1871—</i>	before possessed, nor did it afford greater
Believed that posterity would approve the	facilities to the local Governments to
policy which had been adopted .. 414	tax the people than before existed .. <i>ib.</i>
OPINIONS IN PARLIAMENT—	The main object of the scheme of decen-
<i>Duke of Argyll—</i>	tralization was to relieve the imperial
This project of local cesses had a most	revenues by transferring charges hereto-
important bearing in the direction of	fore borne by those revenues to local
decentralization .. 496	resources to be provided by local taxation 525
<i>Mr Grant Duff—</i>	<i>The Right Hon'ble W. N. Massey—</i>
Financial decentralization to be carried	The measure of decentralization should be
out experimentally .. <i>ib.</i>	gradual and tentative .. 529
<i>Sir C. Wingfield—</i>	The tendency of the scheme of decentral-
The measure is good, but it does not go	ization is to stimulate local Governments
far enough .. 498	to increase local taxation ... 531
<i>Mr C. B. Dawson—</i>	Relief afforded by the scheme to the
While hoping that the scheme of decen-	Supreme Government ... .. <i>ib.</i>
tralization would be successful, feared it	<i>Sir C. F. Trevelyan—</i>
would involve an addition to local taxa-	Decentralization is not a new idea, but was
tion, of burdens which it was found inex-	an early aspiration of our Indian Adminis-
pedient to couple with imperial taxa-	trators, and has had a gradual growth and
tion ... 499	development ... .. 540
<i>Marquis of Salisbury—</i>	Highly approves of the arrangement by
The local Governments had strongly de-	which certain branches of administration
clared for greater financial decentraliza-	were placed under the local Governments .. <i>ib.</i>
tion, and the hesitating steps already	The scheme of decentralization is open to
taken in this direction, by which some	some obvious objections, which are advert-
accidental sources of revenue had been	ed to .. .. <i>ib.</i>
handed over to them to deal with as they	It is expedient to decentralize the Govern-
pleased, would not settle the question .. <i>ib.</i>	ment of India and to adopt local Govern-
<i>Duke of Argyll—</i>	ment ... .. 544
The importance of the step of decentral-	Would retain the existing eight local Gov-
ization of finances taken by Lord Mayo	ernments ... .. <i>ib.</i>
related chiefly to the branches of expend-	Definition of the functions of the supreme
iture which he had delegated to the	Government ... .. <i>ib.</i>
local Governments comprised under eight	Decentralization of Public Works ... 546
heads ... .. 500	The English system of decentralization is
OPINIONS IN ENGLAND—	too consolidated to furnish a model for the
<i>Sir C. J. Wingfield—</i>	re-arrangement of India, Switzerland and
Scheme of decentralization disapproved,	the United States come nearer the mark . 548
because it puts the local Governments	Would give to each Government almost
more under a direct motive to screw	autonomy ... .. <i>ib.</i>
as much as they can out of the people;	Does not disapprove of the making over to
knows by experience what crotchets and	local Governments of certain special
fancies local Governors have ... 509	services, but disapproves the reduction

DECENTRALIZATION—concluded.	PAGE	DEFICIT—continued.	PAGE
<b>LOCAL TAXATION—continued.</b>		<i>Central Provinces</i> —The deficits could be met by subsidies, revisable yearly ..	112
<i>Sir C. E. Trevelyan</i> —continued, made in the grants for those services, and then telling the local Governments "you must raise the balance somehow or other, as you can" ..	549	<i>Oudh</i> —The principal cause of the existing deficit ..	124
Practically, a great deal more fuss has been made of this decentralization order than it was worth ..	ib.	<b>EARL OF MAYO'S MEASURE—</b>	
<i>Sir C. Wingfield</i> —		<i>His Excellency the Governor General</i> —	
Decentralization was a scheme to relieve the imperial Government of certain charges, and to throw the odium of raising certain taxation on the local Governments	550	Manner in which the deficit should be dealt with ..	236
The effect of the scheme of decentralization	ib.	<i>Local Rates Bill, North-Western Provinces, Hon'ble Sir W. Muir—April 1st, 1871.</i>	
<i>Mr. J. M. Maclean</i> —		The deficit is not attributable to extravagance, but to the inadequacy of the appropriation assigned to these provinces	371
The cardinal defect of this policy is, that it takes away what may be called the only available check in India on the ambition of subordinate officials ..	551	Proposes meeting the deficit of £100,000 by savings from the local cess ..	11
The greatest curse in India is often a zealous official ..	ib.	<i>Local Rates Bill,—Punjab, the Lieutenant-Governor, 26th May 1871.</i>	
Results of the policy of decentralization in the Bombay Presidency ..	552	Leaving a deficit of £62,427 to be supplied {	39; & 46
The control of Government exercised over the local Governments was very judicious, and was, as a rule, in favour of economy; by this decentralization policy they shifted responsibility on to the provincial governors, and became less anxious to control expenditure ..	ib.	<i>Towns Improvement and Local Funds Bills, Bombay Presidency—Sir W. R. S. V. Fitzgerald, 5th April 1871—</i>	
Objections to the scheme of decentralization	553	Shows a deficit of £95,270 to be provided for ..	41 44 44
<i>Lord Lawrence</i> —		<i>Hon'ble A. R. Scoble, 25th April 1871—</i>	
The character of the taxes levied under the decentralization scheme ..	554	It will be the duty of His Excellency to ask for, and it will be the duty of this Council to provide in round numbers, the sum of 10 lakhs of rupees per annum to meet the deficit ..	42
<b>EARL OF MAYO'S MEASURE—</b>		<i>Bengal—Hon'ble Sir George Campbell, 25th March 1871—</i>	
<i>Reports of Local Governments on its operation—Bombay—</i>		States the deficit to be £350,000 ..	42
<i>His Excellency the Governor—16th October 1872—</i>		<i>Hon'ble Degumber Mitter, 25th March 1871—</i>	
So far from being opposed to the decentralization system, believes it would be sound policy for the Government of India to develop it more and more ..	563	The deficit, though apparently only 38 lakhs, was in reality nearly double that amount, as the allotment had been made on the basis of an exceptional year ..	42
<i>Bengal—</i>		<i>Central Provinces—</i>	
The measure described and contrasted with former system ..	564	The deficit in the allotment for provincial services as finally settled in March 1871, which the Central Provinces were required to make good, was fixed at £19,583	47
The wisdom and the practical efficiency of the system of provincial finance has been manifest ..	567	<b>OPINIONS IN ENGLAND—Local Taxation—</b>	
The measure has proved a very great success	568	<i>Mr. J. M. Maclean.</i>	
<i>North-Western Provinces—</i>		Deficit of £100,000 thrown on the Government of Bombay by the Government of India, "which must be made good somehow" ..	55
The measure has worked so well that all the services provincially administered might advantageously be treated on the same principle, excepting postal, telegraph, customs, salt, and opium ..	571	<b>DISTRICT POST—</b>	
<i>Punjab—</i>		<b>EARL OF MAYO'S MEASURE—</b>	
The scheme of decentralization has worked successfully ..	575	<i>Local Rates Bill—North-Western Provinces—</i>	
<i>Oudh—</i>		<i>Hon'ble J. Inglis—</i>	
The scheme has generally worked well ..	576	The words "and District Post" added to clause 2, section 10 of the Bill ..	39
<b>DEFICIT—</b>		<i>Local Cesses, British India—</i>	
<i>Mr. S. LAING'S SCHEME—</i> £300,000 less produce of the license tax	3	In Upper India and British Burmah there is a cess on land revenue for the district post, but not in the Madras and Bombay Presidencies ..	40
Tax on arts and trade insufficient to meet the— ..	ib.	<b>EARL OF MAYO'S MEASURE—</b>	
<i>Mr. MASSEY'S SECOND SCHEME—</i>		<i>Reports of Local Governments on its operation, Bengal—</i>	
<i>Colonel R. Strachey's Note—</i> Excess of expenditure over revenue assigned, how to be dealt with ..	55	Source of postal cess ..	56
		Yield of ditto ..	56
		<b>ECONOMY—</b>	
		<i>Mr. MASSEY'S SECOND SCHEME—</i>	
		<i>Oudh—</i> A Local Government has no real incentives to economy ..	12

	PAGE
<b>ECONOMY—continued.</b>	
<b>MR MASSEY'S SECOND SCHEME—continued.</b>	
<i>Oudh—continued</i>	
Exposition of the term "Economy" ..	124
The scheme, if adopted, will afford Local Governments, for the first time, the economical standard they require ...	125
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Towns Improvement and Local Funds Bills, Bombay Presidency—Sir W. R. T. V. Fitzgerald, 5th April 1871—</i>	
The adoption of the proposals of the Supreme Government will lead to increased economy ..	417
<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>	
<i>Major-General R. Strachey, 4th June 1872—</i>	
The exercise of economy in the expenditure of public money by the Local Governments was the main object of the decentralization scheme ...	524
<i>The Right Hon'ble W. N. Massey, 9th July 1872—</i>	
The only mode of enforcing economy stated ..	531
The economy of having one system of collection for imperial and local purposes ..	538
Economy has led to the accumulation of reserve funds ..	539
It is a hopeless task for the Supreme Government to attempt to introduce economy into the details of Indian expenditure—the Local Governments must do it ..	540
<i>Sir C. E. Trevelyan, 25th February 1873—</i>	
The enforcement of economy held to be the main point of all—the key to the solution of the whole problem ...	540
<i>Sir C. Wingfield—</i>	
There was a great deal of fallacy in the statement that the power conferred on Local Governments of spending their money on local objects would induce them to exercise greater economy and distribute the money more carefully than the Imperial Government, who had no local knowledge ...	550
<i>Lord Lawrence—</i>	
Power to a local Governor does not insure the principle of economy being carried out ..	555
<b>EDUCATION—</b>	
<b>MR MASSEY'S SECOND SCHEME—</b>	
<i>Madras—F. Lushington, Esq., Accountant-General—</i>	
To meet the charges of police and education, proposes the transfer of the entire receipts of the two departments, supplemented by a special grant equivalent to the balance of the estimated expenditure ..	152
The Educational Department discussed ..	152
Additional reasons for postponing the transfer of "Education" ..	164
<b>EARL OF MAYO'S MEASURE—</b>	
<i>North-Western Provinces, dated 15th September 1870—</i>	
There can be no question as to "education" being a proper subject for local administration ...	255
<i>Local Cesses, Madras Presidency—</i>	
Regarding provisions of Madras Council's Act VI of 1863 ..	431
Repeal of Act VI of 1863 by the passing of the Local Funds and Towns Improvement Acts ..	435

	PAGE
<b>EDUCATION—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued</b>	
<i>Local Cesses, Bengal Presidency—</i>	
Observations made in the discussion of Bengal Council's Act II of 1873 ..	446
Every town or populous place, and almost every village, has one or more patshalas for giving a tolerable education ...	447
<b>OPINIONS IN ENGLAND—</b>	
<b>CESSSES ON LAND REVENUE—</b>	
<b>BRITISH BURMAH—</b>	
<i>Colonel Sir A. P. Phayre—</i>	
In British Burmah a cess has been levied for education, which has been cheerfully paid ..	512
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>	
<i>Government of India, Home Department, to Secretary of State, 31st December 1869—</i>	
There is no reason why Bengal alone should evade the burden of defraying the cost of the education of the agricultural population ..	638
Regarding the Lieutenant-Governor's protests, paragraphs 29 and 30, against the entire charge of primary education being thrown on the land ...	ib
Mass education as defined by the Government of Bengal ..	ib
<i>Government of Bengal to the Government of India, 30th April 1869—</i>	
Remarks on the subject of vernacular education ..	640
Reports called for from certain local and district officers and others as to the expediency and feasibility of raising an educational cess in Bengal ...	641
Reports forwarded, and, for reasons stated, requests permission to deal with the entire question which has been raised ..	ib
Educational cess was levied for the first time in Oudh at the commencement of the regular settlement which is now in progress ..	645
The North-Western Provinces had enjoyed the exceptional advantage of having half the cess defrayed by the State ..	ib
If any tax is to be imposed for the education of the lower classes, in the interests of justice, it should be general ...	649
Sir John Peter Grant's scheme of vernacular education ..	ib
Observations on the indigenous schools of Bengal ...	650
Comparative statement of expenditure on education for the 11 months of 1866-67 in the North-Western Provinces, Punjab, Bombay, Madras, and Bengal ...	651
<i>Secretary of State for India, 12th May 1870—</i>	
Unless the country is to remain without drainage, without roads, and without education, local rates must be established for the purpose ...	653
<i>Mr. D. Macnaghten, 14th May 1870—</i>	
Dissents from the despatch of the Secretary of State, dated the 12th May 1870, because the tax, if levied at all, should be general, and because the mode suggested of providing the means of extending elementary education among the masses of Bengal would fall upon the agricultural population alone ...	660
<i>Sir E. Perry, 14th May 1870—</i>	
Considers that more pecuniary support would be obtained for educational purposes ..	660

PAGE		PAGE
	<b>EDUCATION—concluded</b>	
	<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>	
	<i>continued.</i>	
	<b>Sir E. Perry—continued.</b>	
	by pursuing the present system than by	
	levying on zemindars an educational cess ...	663
	<b>Sir H. E. Montgomery—</b>	
	Looks upon the imposition of an educa-	
	tional cess in Bengal as a retrogres-	
	sive step in the cause of education ...	664
	Without the hearty co-operation of zemindars	
	any attempt to force education would	
	be futile ...	ib.
	Voluntary contributions advocated as being	
	feasible ...	ib.
	<b>R. D. Mangles, Esq., 25th May 1870—</b>	
	Fears that the imposition of a compulsory	
	cess for the education of the masses will	
	lead to the withdrawal of voluntary	
	contributions ...	668
	<b>Sir F. J. Halliday, 12th May 1871—</b>	
	The system of 1855 ...	669
	Dissatisfaction of the Government of India	
	with that system ...	ib.
	Education thrust upon the masses at the	
	expense of the zemindars of Bengal ...	ib.
	Remonstrance of the zemindars, and support	
	given to that remonstrance by the	
	officials consulted in Bengal ...	670
	Cessation of private and voluntary contribu-	
	tions on the imposition of a tax for	
	educational purposes ...	672
	The injustice, independently of all prom-	
	ises, of saddling this tax on the class	
	connected with the land ...	671
	The just observations of the Secretary of	
	State on the proposal to impose a compul-	
	sory water-rate on land-owners in respect	
	of canals, whether they use the water or not,	
	would be exactly applicable to education	672
	<b>ESTABLISHMENTS—</b>	
	<b>MR. MASSEY'S SECOND SCHEME—</b>	
	<i>Colonel R. Strachey's Note—</i>	
	Rules regarding the creation of establish-	
	ments for the present would not be altered	57
	<b>Madras—Board of Revenue—</b>	
	Observations on establishments necessary	
	to carry out the suggested arrangements	169
	<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
	Control over general rates of pay and	
	allowances, and over the salaries and the	
	creation of the superior class of offices	
	must be reserved ...	193
	Limitation of power to sanction salaries	
	payable from local funds by a local	
	Government ...	207
	<b>EARL OF MAYO'S MEASURE—</b>	
	<i>Central Provinces—</i> Relative to the adminis-	
	trative changes the system now to be	
	introduced will necessitate ...	266
	<i>Report of Local Governments on its opera-</i>	
	<i>tion—</i>	
	<i>Central Provinces—</i>	
	Whether the benefits of the December Reso-	
	lution should not be extended to the	
	ministerial portion of our civil and reve-	
	nue establishments ...	533
	<b>EXIGENCIES OF THE STATE—</b>	
	<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>	
	<b>Sir C. E. Trevelyan—</b>	
	Natives will interpret the term "exigencies	
	of the State" as any pretext that the	
	State likes to put forward ...	549
	<b>EXPENDITURE—Imperial, Provincial, and</b>	
	<b>Local—</b>	
	<b>FINANCIAL STATEMENT of 16th April 1862—</b>	
	The great branches of—are imperial, and	
	the great branches of revenue must re-	
	main imperial also ...	2
	But there is a wide field both of revenue	
	and expenditure which is properly local,	
	and which must be met locally, or not at	
	all ...	ib.
	<b>MR. MASSEY'S SECOND SCHEME—</b>	
	<i>Colonel R. Strachey—</i>	
	No claims for additional funds to meet	
	increased expenditure under the heads	
	of charge transferred to be attended to	52
	Regarding the expediency of adding to	
	the sums now available for local expen-	
	diture by means of local taxation ...	ib.
	Excess of expenditure over revenue assign-	
	ed, how to be dealt with ...	5
	Remarks on the exercise of a proper	
	control over the provincial expenditure	
	transferred ...	57
	Statement No. 3, of amount available for	
	expenditure on public works, and pro-	
	posed application of it ...	60
	<i>Mr. Massey's Minute of 7th September</i>	
	<i>1867—</i>	
	The best mode of restraining the large	
	branch of public expenditure ...	61
	<i>Hon'ble H. S. Maine—</i>	
	Remarks on the alleged extravagance of	
	Local Governments ...	61
	<i>Hon'ble Sir H. M. Durand—</i>	
	Fails to see any analogy between English	
	County expenditure, American States'	
	expenditure, and that of Indian Local	
	Administrations ...	96
	<i>Hon'ble W. N. Massey—</i>	
	Observations on the increasing pressure of	
	expenditure ...	93
	<i>Hon'ble G. N. Taylor—</i>	
	It will create a strong motive for economy	
	in the administration of local expendi-	
	ture ...	101
	<i>Lord Lawrence, Viceroy and Governor Gen-</i>	
	<i>eral of India—</i>	
	Observations on the intelligent control of	
	expenditure incurred at a distance ...	101
	Central control may not be perfect, but	
	local expenditure, subject to no such	
	responsibility, seems to be the sure way	
	of entailing on the country a waste of	
	the public resources ...	101
	<i>Central Provinces—</i>	
	Heads of expenditure, local and progressive,	
	enumerated ...	103
	Heads of expenditure which should be re-	
	tained by the Supreme Government ...	103
	<i>Oudh—</i>	
	It is essential that means should be de-	
	vised for checking the constant increase	
	of expenditure ...	12
	Every such improvement involves larger	
	expenditure ...	12
	Believes that the Government of India	
	has done everything which it can do to	
	resist these constant demands for increased	
	expenditure ...	12
	The entire responsibility of providing funds	
	for the whole expenditure of India rests	
	with the Government of India ...	12



	PAGE
<b>EXPENDITURE—continued.</b>	
<b>MR. MASSEY'S SECOND SCHEME—continued.</b>	
<i>Oudh—continued.</i>	
The manner in which any decision relative to proposed increase of expenditure is adopted ..	125
Remarks on the restriction of expenditure ..	<i>ib.</i>
<i>Punjab—</i>	
<i>Mr L C Probyn, Accountant General—</i>	
Control of the supreme Government over all branches of civil expenditure would not be loosened in any perceptible degree ..	142
<i>Madras—Board of Revenue—</i>	
Proposed budget of expenditure ..	178
Distribution of expenditure for works charged to "Debt" ..	179
Statement of imperial expenditure ..	183
Statement of provincial expenditure ..	185
<i>Hon'ble A. J. Arbutnot—</i>	
Suggestions regarding imperial expenditure ..	192
<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
Military and marine expenditure essentially imperial ..	198
<b>COLONEL C. CHESNEY'S SCHEME—</b>	
Provincial Governments have a very lively interest in the expenditure ..	214
Separation of imperial and provincial expenditure ..	215
Enumeration of items of imperial expenditure for which contributions would be required ..	<i>ib.</i>
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Sir Richard Temple—Memorandum on local finance—</i>	
There will be some increases of regular expenditure ..	225
Specifies four branches of expenditure that might be taken over ..	227
<i>Hon'ble J. Strachey—</i>	
Any increase of expenditure in the coming year should not be anticipated ..	231
A reasonable amount of responsibility and control over the details of their own expenditure should be granted to local Governments ..	234
<i>His Excellency the Governor General—</i>	
Observations on expenditure ..	235
<i>Circular, Government of India, dated 17th August 1870, to the Government of Bengal—</i>	
Expenditure on Public Works, Ordinary, has been greatly contracted ..	243
Considerable savings have been effected in certain branches of military expenditure ..	<i>ib.</i>
<i>Oudh—</i>	
Enumeration of the departments of expenditure which it is desirable to include in the arrangement ..	263
<i>Central Provinces—</i>	
Reduced expenditure suggested as a means for meeting a reduction of the imperial grant ..	264
<i>Financial Statement for 1871-72 by the Hon'ble Sir Richard Temple—</i>	
To secure financial benefit Local Governments must reduce expenditure ..	341
<i>Colonel the Hon'ble R. Strachey—Debate of 17th March 1871—</i>	
Brief sketch of the expenditure and revenue for the past ten years placed before Council ..	348

	PAGE
<b>EXPENDITURE—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Colonel the Hon'ble R. Strachey—continued.</i>	
Would not go into speculations as to what the probable revenues and expenditure would be during the next year ..	348
<i>Colonel the Hon'ble R. Strachey—Debate of 17th March 1871—</i>	
It was the increase of expenditure that had brought the Government into financial difficulties in spite of the constant growth of the revenue ..	<i>ib.</i>
<i>Local Rates Bill, Oudh—</i>	
<i>His Excellency the Earl of Mayo—Debate of 18th March 1871—</i>	
Eight heads of expenditure of a local character selected for operation enumerated ..	360
Observations on the classes of imperial expenditure ..	<i>ib.</i>
<i>Local Rates Bill, North-Western Provinces.—Hon'ble Sir George Campbell, 15th March 1871—</i>	
Observations on local expenditure ..	373
<i>Towns Improvement and Local Funds Bills, Bengal.—Hon'ble Sir George Campbell, 17th March 1871—</i>	
Statement of expenditure for 1871-72, and exposition thereof ..	430
<i>Local Cesses—North-Western Provinces—</i>	
The principal heads of expenditure stated at £650,000 ..	460
Provision proposed to meet that expenditure ..	<i>ib.</i>
<b>OPINIONS IN PARLIAMENT—Marquis of Salisbury—</b>	
There was a great tendency in the lower offices where expenditure was incurred to exceed the estimates, and the general belief prevailed that the expenditure did not produce anything like the results which one had a right to expect ..	499
<b>OPINIONS IN ENGLAND—CESSSES ON LAND REVENUE, BRITISH INDIA—</b>	
<i>Mr. S. Laing—</i>	
Expenditure has enormously increased the prosperity of the country and the rate of wages paid for labour ..	513
<b>LOCAL TAXATION—</b>	
<i>The Right Hon'ble W. N. Massey—</i>	
Regarding military expenditure ..	528
Regarding civil expenditure ..	<i>ib.</i>
The control which the Central Government exercises over expenditure is of the weakest possible description ..	529
The only mode of enforcing economy in the expenditure stated ..	531
Every effort should be made to reduce expenditure ..	539
<i>Sir C. E. Trevelyan—</i>	
Mode in which expenditure of the Supreme Government for the performance of services should be provided for ..	544
Control over expenditure extravagant ..	547
Local expenditure limits local taxation ..	549
<i>Lord Lawrence—</i>	
Objected to the idea that the Local Government was to be at liberty to increase its expenditure, provided that it got the means of paying it from local taxation ..	553

PAGE		PAGE
	<b>EXPENDITURE—concluded.</b>	
	LOCAL TAXATION—continued.	
	Lord Lawrence—continued.	
	The Supreme Government assigned to the Local Governments an amount of expenditure without assigning the full income that was necessary to meet it ...	554
	<b>EARL OF MAYO'S MEASURE—</b>	
	Reports of Local Governments on its operation—Bengal—	
	Expenditure in Bengal compared with other provinces ...	565
	Observations on the practice pursued in Bengal with regard to provincial expenditure ...	569
	<b>MINUTES AND NOTES IN 1872 AND 1873—</b>	
	Sir John Strachey, 27th July 1872—	
	The distinction between imperial and provincial expenditure, though convenient for certain practical purposes to make, is purely arbitrary ...	587
	Hon'ble Sir Richard Temple—	
	Rules needed to prevent local Governments from pledging their successors to local expenditure to an excessive degree ...	594
	Financial Secretary, 5th September 1873—	
	Heads of expenditure considered as to whether they can be transferred to provincial Governments ...	599
	<b>EXPORT DUTIES—</b>	
	<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>	
	Sir C. E. Trevelyan—	
	Justification of certain imposts on produce raised in Bengal ...	546
	<b>EXTRAVAGANCE—</b>	
	<b>MR. MASSEY'S SECOND SCHEME—</b>	
	Oudh—	
	If the adoption of these proposals would lead to the surrender of any real check which the Government of India can now exercise upon local extravagance, the scheme should be rejected ...	125
	<b>COLONEL C. CHESNEY'S SCHEME—</b>	
	Tendency of provincial Governments to extravagance ...	214
	<b>EARL OF MAYO'S MEASURE—</b>	
	Local Rates Bill, Oudh.—His Excellency the Earl of Mayo—	
	Observations showing that the former system has led to extravagance ...	361
	<b>FAIRS—</b>	
	<b>MR. MASSEY'S SECOND SCHEME—</b>	
	Punjab—	
	Proposes the levy of a tax on fairs ...	140
	<b>FEASTS—Tax on—</b>	
	<b>EARL OF MAYO'S MEASURE—</b>	
	Local Cesses, Bombay Presidency—	
	Introduction of a Bill to impose a duty on feasts ...	442
	Withdrawal of the Bill ...	46
	<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>	
	Mr. J. M. Maclean—	
	A tax on feasts was brought forward and afterwards withdrawn; it was strongly objected to by the natives ...	552
	<b>FEES—Pachotra—</b>	
	<b>EARL OF MAYO'S MEASURE—</b>	
	Punjab—Sir D. F. Macleod—	
	The withdrawal of the Pachotra, or fee of 5 per cent. on the <i>summa</i> , at present enjoyed by <i>limbardars</i> , would, in the Punjab, be most unpopular ...	281
	<b>FINANCIAL CONTROL—</b>	
	<b>MR. S. LAING'S SCHEME—</b> Would lay the foundation for a larger degree of financial control ...	4
	<b>MR. MASSEY'S SECOND SCHEME—</b>	
	Major-General Sir H. M. Durand—	
	Observations on the weakening of the control of the Government of India ...	64
	The Hon'ble H. S. Maine—	
	Observations on the recent working of our system of financial control ...	65
	Comments on the nearly exclusive financial control now exercised by the Government of India ...	66
	Financial Secretary's Note of 29th September 1867—	
	Remarks on the financial control of the Government of India, and on the allegation of its weakness ...	71
	Lord Lawrence, Viceroy and Governor General of India—	
	Observations on financial control ...	93
	Hon'ble Sir H. M. Durand—Ditto ...	94
	Hon'ble W. N. Massey—	
	Was influenced in putting forward his scheme only in a minor degree by the theoretical propriety of conceding to Local Governments the financial management of their own affairs ...	97
	Remarks on the control to be exercised over the assigned revenues ...	98
	Lord Lawrence, Viceroy and Governor General of India—	
	Dissents from the opinions expressed by Messrs. Maine and Massey as to the inefficiency of the present system of financial control ...	101
	To leave each local Government to act on its own discretion in these matters, is to sow the seeds of future mischief ...	105
	Instead of being in favour of any essential relaxation of the present system of financial control, inclines to the opinion that it requires to be strengthened ...	106
	Repudiates the idea that it is weak, inefficient, or difficult to exercise ...	16
	Considers that it might be improved by giving more authority to the Government of India, which of late years has been greatly weakened ...	16
	Sir H. M. Durand—	
	Concurs in the remark of the Governor General that it is not relaxation of financial control that is necessary, but the reverse ...	108
	Oudh—	
	What is required is greater, not less, control of the finances ...	125
	Remarks on the manner of control over the finances now exercised by the Government of India ...	126
	Madras—	
	Hon'ble H. D. Phillips—Would not diminish the power of supervision and control now generally exercised over the more important proceedings of the outlying presidencies ...	195
	<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
	Assumes it to be agreed that all the finances of India must be under the absolute command of the Government of India ...	199
	Whatever limited control may be conceded to any Local Government must be subject to such command ...	19

	PAGE
<b>FINANCIAL CONTROL—continued.</b>	
<b>SIR RICHARD TEMPLE'S PROPOSALS—contd.</b>	
Admits that the financial system might be improved by giving Local Governments a more direct interest in their finances than at present ...	198
Plan for giving the presidencies of Madras and Bombay a more direct interest in their finances ...	201
If Bengal were created into a "full Government," then the plan proposed would apply equally to it ...	203
Would not try it with the lesser Governments until it had been first tried with the larger Governments ...	<i>ib.</i>
These recommendations would not weaken or impair the control of the Financial Department of India ...	<i>ib.</i>
<i>Note by the Financial Secretary—</i>	
The Government of India would give up no financial control which could be considered essentially necessary to the interests of India ...	209
<b>COLONEL C CHESNEY'S SCHEME—</b>	
Provincial independence can only be carried out under certain qualifications ...	211
Unity of administration and central authority necessary ...	212
Defects of the present system of financial control attributable to the non-responsibility of provincial Governments ...	213
<b>EARL OF MAYO'S MEASURE—</b>	
<i>The Hon'ble Sir Richard Temple—</i>	
While concurring in a reference which may result in increased control being conceded to Local Governments over certain branches of establishments, reiterates what he wrote in his Minute of 7th March 1868 ...	241
<i>Circular, Government of India, dated 17th August 1870—</i>	
Limitation of the financial powers of the Local Governments ...	245
The Supreme Government desires, for the future, to exercise such control only as is necessary to insure a strict adherence to the general conditions now laid down and to any other regulations that may be found expedient ...	247
<i>Outh—</i>	
Remarks regarding the conditions under which the financial control is proposed to be entrusted to the Local Government ...	263
<i>Bombay—His Excellency the Governor—</i>	
A more comprehensive scheme would be to give to the Local Governments the greater part of their local revenues, and put upon them all their local charges subject to the general control of the Government of India ...	271
Hopes ultimately to see a system adopted by which Local Governments will receive and expend all their local revenues, subject only to a fixed contribution to the imperial exchequer ...	272
<i>Punjab—Sir H. M. Durand—</i>	
Does not perceive in the conditions under which financial control is to be entrusted to Local Governments, that the discretionary powers of the latter are, practically, at all enlarged ...	278

	PAGE
<b>FINANCIAL CONTROL—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Punjab—Sir H. M. Durand—continued.</i>	
The control of the Local Government over the existing Funds is much more effective than that proposed in the circular of 24th August 1870 ...	278
<i>Punjab—The Government of the—</i>	
The restrictions under which the Local Government is to exercise its control require modification ...	288
The measure gives hardly any power to the Local Government it does not at present possess ...	<i>ib.</i>
Suggests certain amendments in the powers of control ...	<i>ib.</i>
<i>Government of India Resolution, dated 14th December 1870—</i>	
Enlargement of the powers and responsibilities of Governments and Provinces ...	324
Conditions under which Local Governments will exercise their powers ...	328
<i>Financial Statement for 1871-72 by the Hon'ble Sir Richard Temple—</i>	
Degree of control conceded by the Imperial to the Local Governments ...	339
The financial powers of the Local Governments under the scheme defined ...	340
In making concession to the Local Governments, the Supreme Government has not parted with any of those powers which are needful for the preservation of financial order throughout India ...	341
<i>Local Rates Oudh Bill—Hon'ble J. Strachey—</i>	
The Government of India has not given up its power of control ...	352
The powers of the Supreme Government have been increased rather than diminished ...	<i>ib.</i>
<i>His Excellency the Earl of Mayo—</i>	
Remarks on the question of supreme control ...	359
It is a mistake to say that by this system the Supreme Government sacrifice some useful control ...	361
<i>Towns Improvement and Local Funds Bills—</i>	
<i>Bombay Presidency—Sir W. R. S. V. FitzGerald, 5th April 1871—</i>	
Considers it of the utmost importance that the proposals of the Government of India have been adopted ...	417
The Local Government is no longer a delusion and a sham, but a reality ...	<i>ib.</i>
<b>OPINIONS IN PARLIAMENT—Sir S. Northcote—</b>	
Local control would facilitate the recovery of advances for reproductive works ...	495
<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>	
<i>The Right Hon'ble W. N. Massey—</i>	
The Local Governments are under far less control now than in 1834 ...	530
Complete relinquishment of control over certain sources of revenue by the Central Government would be highly impolitic and injurious ...	531
<i>Sir C E Trevelyan—</i>	
Scope of provincial control ...	547
<i>Lord Lawrence—</i>	
There must be some central authority which is to look after the Local Governments, constrain them, and direct them ...	555

	PAGE		PAGE
<b>FINANCIAL CONTROL—concluded.</b>		<b>FINANCIAL POSITION—continued.</b>	
<b>OPINIONS IN ENGLAND—LOCAL TAXATION—continued.</b>		<b>EARL OF MAYO'S MEASURE—</b>	
<i>Lord Lawrence—continued.</i>		<i>The Hon'ble Mr. Ellis—</i>	
The present system of supreme control held to be better than anything of the kind suggested by Sir Charles Trevelyan	555	Concurs with the Hon'ble Mr. Strachey in the view he has taken of the financial position	238
<b>EARL OF MAYO'S MEASURE—</b>		<i>Circular, Government of India, dated 17th August 1870—</i>	
<i>Reports of Local Governments on its operation—Bombay—His Excellency the Governor, 10th October 1872—</i>		Observations on the financial position of the Empire	243
Would prefer receiving further powers of control as the unsolicited concession of the Government of India	563	<i>Towns Improvement and Local Funds Bills, Bombay Presidency, Sir W. R. S. V. Fitzgerald, 5th April 1871—</i>	
<i>North-Western Provinces—</i>		States in detail the financial position of the Bombay Presidency	416
Two plans suggested as conducive to giving full effect to the proposed extension of provincial control	571	<b>FINANCES, PROVINCIAL—</b>	
The first plan considered	572	<b>MR. MASSEY'S SECOND SCHEME—</b>	
The second plan considered	572	<i>Sir H. M. Durand—</i> The Financial Member avows that he aims at the ultimate separation of imperial from provincial finance	108
<b>FINANCES, IMPERIAL—</b>		<b>FINANCIAL SECRETARY and Council—</b>	
<b>MR. MASSEY'S FIRST SCHEME—</b>		<i>(See also LEGISLATIVE COUNCILS.)</i>	
<i>Bombay—</i>		<b>MR. MASSEY'S SECOND SCHEME—</b>	
Remarks on the general object of bringing the imperial finances into an equilibrium	46	<i>Madras, Board of Revenue—</i> No occasion for transforming the local Accountant General into a Financial Secretary also	169
<i>Sir H. M. Durand—</i>		Regarding the appointment of financial officers	16
The Financial Member avows that he aims at the ultimate separation of imperial from provincial finance	108	No necessity for any organization of local financial departments	170
<b>FINANCES, LOCAL—</b>		<i>Financial Secretary's Note of 23th September 1867—</i>	
<b>MR. MASSEY'S SECOND SCHEME—</b>		Inexpediency of the Accountant General being brought into closer relation with the Local Government as its Financial Secretary	87
<i>Lord Lawrence, Piceoy and Governor General of India—</i>		<b>EARL OF MAYO'S MEASURE—</b>	
It is a mistake to suppose, that the local financial arrangements of last year were approved by the Government of India	107	<i>North-Western Provinces—</i>	
<i>Oudh—</i>		A Financial Secretary, or controller of local audit and account will be required	253
This can only be effected by imposing on the Local Governments a real and effectual responsibility for maintaining financial equilibrium in the local finances	124	<i>Government of India—</i>	
<b>SIR RICHARD TEMPLE'S PROPOSALS for localization of finance of British India</b>	197	Doubts the necessity for the appointment of a Local Financial Secretary or controller; the provincial accountant will, probably, be able to perform the work	259
<b>EARL OF MAYO'S MEASURE—</b>		<i>Local Rates, North-Western Provinces Bill, —Hon'ble Sir W. Muir, 1st April 1871—</i>	
<i>The Hon'ble Sir R. Temple—</i>		For the satisfactory working of the decentralization scheme, a local Financial Council would be most useful	379
Observations on local finance	240	<b>MINUTES AND NOTES IN 1872 AND 1873—</b>	
<i>Local Rates Bill, Oudh, Hon'ble Sir George Campbell—Debate of 10th March 1871—</i>		<i>Hon'ble Sir Richard Temple—</i>	
Heartily concurs in the views which the Hon'ble Mr. Strachey had expressed with reference to the system of local finance	335	A Financial Council cannot conveniently be allowed in any Lieutenant-Governorship	595
<i>Local Rates Bill, North-Western Provinces—</i>		<i>Financial Secretary, 5th September 1873—</i>	
<i>Hon'ble Sir Richard Temple, 6th April 1871—</i>		Whether Financial Councils should be allowed to Local Governments	601
Budget Statement for 1871-72 supplies a good instance of the working of the new plan of local finance	380	<b>FINANCIAL STATEMENTS—</b>	
<b>FINANCIAL POSITION—</b>		<b>MR. MASSEY'S SECOND SCHEME—</b>	
<b>MR. S. LAING'S SCHEME—</b>		Mr. Massey's financial statement of 5th March 1867	50
Reviews the financial position	2	<b>EARL OF MAYO'S MEASURE—</b>	
<b>MR. MASSEY'S FIRST SCHEME—</b>		<i>Sir Richard Temple's financial statement for 1871-72</i>	339
The financial position renders it expedient to make provision for a permanent addition of a million sterling at least to the existing revenue	29	<b>FINANCIAL SYSTEM—</b>	
<i>Madras—</i>		<b>MR. MASSEY'S SECOND SCHEME—</b>	
Observations on the financial position	37	<i>Major-General Sir H. M. Durand—</i>	
<i>Bombay—</i>		The financial system cannot be dealt with in an off-hand manner	64
Mr. Massey has under-estimated his requirements at one million sterling	41		
<b>MR. MASSEY'S SECOND SCHEME—</b>			
<i>Oudh—</i>			
The financial condition of India, for a long time past, has been one of chronic deficit	122		

FINANCIAL SYSTEM—*continued*

Mr. MASSEY'S SECOND SCHEME— <i>continued</i> . <i>The Hon'ble Sir G. A. Yule</i> —	
Observations on the evils of the present system of finance ...	65
<i>The Hon'ble H. B. Maine</i> —Local Governments have yet to acquire the sense of financial responsibility ...	66
<i>Lord Lawrence, Viceroy and Governor General</i> —	
* Inexpediency of enlarging local responsibility to an indefinite extent ...	91
Local responsibility and central supervision do now exist in tolerably fair proportions	92
Complete local responsibility and a supervising authority of a useful character cannot co-exist ...	ib.
Under the proposed system there would be less friction, less frequent collision than formerly between the Government of India and Local Governments ...	93
<i>Hon'ble Sir H. M. Durand</i> —A radical change of the existing carefully elaborated financial system held to be pernicious and most inexpedient when wholly unnecessary	94
<i>Hon'ble W. N. Massey</i> —If it can be shown that the present system works well, or that the proposed change would not work better, is content to abandon the scheme	97
Existing financial administration is most insufficient ...	ib.
The principle on which a great nation conducts its financial arrangements is to accommodate its income to the necessities of the State ...	98
The reverse of this practice obtains in India under the present dispensation ...	ib.
Observations on a centralized system of finance	ib.
<i>Sir W. R. Massfield</i> —Remarks on the opinions of those who favour the existing system of finance ...	100
In this broad manner he would meet the statement made by the Financial Secretary regarding the efficiency of the existing system for the maintenance of a real financial control ...	101
Is very far from wishing to diminish the power and prestige of the Governor General in Council or the effective control necessary for the government and the economy of the great Empire under his authority ...	107
The system he wishes to see inaugurated ...	ib.
<i>Hon'ble G. N. Taylor</i> —Observations on the working of the present system ...	ib.
<i>Lord Lawrence</i> —The present system was inaugurated by Mr Wilson on the principle that an economical administration of the finances, rather than increased taxation, was expedient. That system was recognised by Mr Lang and Sir Charles Trevelyan, and it is that system which should be maintained ...	104
<i>North-Western Provinces</i> —The existing system is inconsistent with unity of action and policy in the Local Government, and is fatal to vigorous and responsible administration ...	121
Measures now proposed will centralize responsibility in the local executive without weakening the control of the Governor General in Council ...	ib.

PAGE

FINANCIAL SYSTEM—*concluded*.

Mr. MASSEY'S SECOND SCHEME— <i>continued</i> . <i>North-Western Provinces</i> — <i>continued</i> . Trusts there will be no hesitation in carrying out the general principles of the proposals ...	121
<i>Madras</i> — <i>Lord Napier of Merchiston</i> —	
Observations on the imperial and federal system of financial administration ...	186
<i>Madras</i> — <i>Hon'ble A. J. Arbuthnot</i> —	
Observations on the general question of substituting the federal system for the existing imperial system ...	191
Observations on the existing system of financial administration ...	192
SIR RICHARD TEMPLE'S PROPOSALS—	
The existing system of finance in India is, as a system, first-rate theoretically, but might be improved ...	198
COLONEL C. CHESNEY'S SCHEME—	
Remarks on the federal system of finance ...	211
Federal system of finance impracticable ...	212
Effect of financial changes proposed ...	218
EARL OF MAYO'S MEASURE—	
<i>Colonel the Hon'ble R. Strachey</i> — <i>Debate of 17th March 1871</i> —	
Draws attention to the great change made in the system of financial administration ...	347
<i>Local Rates Bill, Oudh</i> — <i>Hon'ble Sir George Campbell</i> — <i>Debate of 10th March 1871</i> —	
Observations on the financial system of the Public Works Department ...	355
<i>Local Rates Bill, North-Western Provinces</i> — <i>Hon'ble J. Strachey, 6th April 1871</i> —	
All our financial difficulties had arisen from the growth of expenditure on public works and other useful objects, and the only hope of financial success was to check this constantly increasing charge ...	387
OPINIONS IN PARLIAMENT— <i>Marquis of Salisbury</i> —	
The general principle of Indian finance required consideration ...	499
In England the income is adjusted to the expenditure; the ideal of finance of Asiatics, he believed, was repose ...	ib.
OPINIONS IN ENGLAND—LOCAL TAXATION—	
<i>The Right Hon'ble W. N. Massey</i> —	
Views in respect of a system of financial administration ...	533
Which system would involve a separation of the revenue into imperial and local ...	534
Sketch of proposed system ...	ib.
The economy of such a system of finance ...	536
FISHERIES—	
Mr. MASSEY'S SECOND SCHEME—	
<i>Madras</i> — <i>Board of Revenue</i> —Remarks on fisheries ...	173
EARL OF MAYO'S MEASURE—	
<i>Local cesses, British Burmah</i> —	
Origin of the Fisheries Tax in British Burmah ...	480
FISCAL SYSTEM—	
Mr. MASSEY'S SECOND SCHEME—	
<i>Hon'ble W. N. Massey</i> —	
The importance of the step lately taken towards the rectification of our fiscal system ...	98
The result will be, not a divergence of system, but an attempt to adapt our fiscal system to local circumstances.	
COLONEL C. CHESNEY'S SCHEME—	
Propriety of maintaining one customs' system and tariff for all India ...	212

PAGE

	PAGE		PAGE
<b>FRONTIER DUTIES—</b>		<b>GRANTS, ASSIGNMENTS, AND AL-</b>	
<b>COLONEL C. CHESNEY'S SCHEME—</b>		<b>LOTMENTS—continued.</b>	
Levy of frontier duties ... ..	212	<b>EARL OF MAYO'S MEASURE—continued.</b>	
<b>GHEE—</b>		<i>Punjab—Government of the—</i>	
<b>MR. MASSEY'S FIRST SCHEME—</b>		Is strongly in favour of the re-distribution	
<i>Punjab—A tax on Ghee recommended ...</i>	39	of budget allotments under the several	
<b>MR. MASSEY'S SECOND SCHEME.</b>		heads named ... ..	257
<i>Punjab—A duty on Ghee might be levied</i>	140	<i>Government of India Resolution, dated 14th</i>	
<b>GODAVERY WATER-WORKS—</b>		<i>December 1870—</i>	
<b>IRRIGATION CHES AND INDIRECT REVENUE</b>		A statement (A) is appended explanatory	
<b>FROM IRRIGATION—</b>		of the method by which the assignments	
<i>Major-General R. Strachey—</i>		thus made have been calculated ... ..	326
Estimated returns from the Godavery Water-		Observations thereon ... ..	ib.
Works ... ..	626	Imperial assignments for provincial ser-	
<b>GRANT, MR. JAMES—</b>		VICES ... ..	327
Opinion as to the position of zemindars		<i>Financial Statement of 1871-72 by the</i>	
in relation to the land ... ..	353	<i>Hon'ble Sir Richard Temple—</i>	
<b>GRANTS, ASSIGNMENTS, AND AL-</b>		Observations on allotments for certain	
<b>LOTMENTS—(See also CHARGES).</b>		services ... ..	340
<b>MR. MASSEY'S SECOND SCHEME—</b>		Distribution of allotments ... ..	ib.
<i>Financial Secretary's Note of 28th Septem-</i>		In addition to these allotments, the special	
<i>ber 1867—Observations on the expedi-</i>		assignment of £200,000 will be made to	
<i>ency of the transfer of large grants to</i>		the Local Governments ... ..	ib.
<i>Local Governments ... ..</i>	85	<i>Hon'ble F. S. Chapman—Debates of 17th</i>	
<i>Hon'ble W. N. Massey—It is no answer to a</i>		<i>March 1871—</i>	
<i>Local Government which applies for a grant</i>		Had the grants for provincial services been	
<i>for a local object that there are no funds.</i>	98	continued intact, local administrations	
<i>On the other hand, it is not consistent with</i>		would have had no excuse for resorting	
<i>a just economy to comply with a demand</i>		to new taxation ... ..	344
<i>of the necessity for which there are no</i>		<i>Colonel the Hon'ble R. Strachey—Debate of</i>	
<i>means of judgment ... ..</i>	ib.	<i>17th March 1871—</i>	
<i>British Burma—</i>		The amount of assignments made to the	
Considers the proposal of special grants to		Local Governments might be said to be	
cover deficiency of revenue as essentially		excessive ... ..	346
unsound ... ..	130	<i>The Hon'ble B. H. Ellis—Debate of 17th</i>	
Observations on special grants ... ..	133	<i>March 1871—</i>	
<b>COLONEL C. CHESNEY'S SCHEME—</b>		The assignments for the civil portion of	
Grants-in-aid for the poorer provinces ...	215	the provincial charges were sufficiently	
<b>EARL OF MAYO'S MEASURE—</b>		liberal ... ..	349
<i>Government of India Circular of 21st Febru-</i>		<i>Local Rates Bill, Outh—His Excellency the</i>	
<i>ary 1870 to the Government of the North-</i>		<i>Earl of Mayo—</i>	
<i>Western Provinces—</i>		A fixed contribution will be made every	
Observations on the reduction of the im-		year for imperial revenue to provincial	
perial grant ... ..	220	Governments ... ..	361
<i>The Hon'ble B. H. Ellis—</i>		<i>License Bill, North-Western Provinces—</i>	
Considers that it would be good policy to		<i>Hon'ble Sir George Campbell—Debate of</i>	
give a grant-in-aid of roads and civil		<i>18th March 1871—</i>	
buildings to each province by an allot-		Took exception to one point, viz., the sav-	
ment of one-fourth of the 1½ per cent.		ing of £200,000 of the present year	
income tax for next year ... ..	240	which had been assigned to the local	
<i>The Hon'ble Sir Richard Temple—</i>		Governments subsequently to the perma-	
Concurs with the Hon'ble Mr. Ellis that		nent distribution of the funds ... ..	366
it would be good policy to give a grant-		Observations on the assignments ... ..	ib.
in-aid of roads and civil buildings to		<i>His Excellency the Earl of Mayo—Debate of</i>	
each province by an allotment of one-		<i>16th March 1871—</i>	
fourth of the income tax for next year	241	Explained that the sum of £200,000, which	
<i>Circular, Government of India, dated 17th</i>		had been added to the assignments made	
<i>August 1870—</i>		to Local Governments referred to the	
The net grant to be made to the Govern-		present year only ... ..	ib.
ment of Bengal for these services to		<b>EARL OF MAYO'S MEASURE—</b>	
be £964,779 ... ..	244	<i>Hon'ble Sir William Muir, 1st April 1871—</i>	
Observations on the inequalities which may		These statements appear to mean that the	
now exist in provincial distribution of the		grant made is ample for all purposes, and	
imperial grants ... ..	ib.	by implication that the extra expendi-	
<i>Central Provinces—</i>		ture of £60,000 is extravagant ... ..	377
Manner in which the 3½ lakhs curtailed from		Remarks on the three points which have	
the imperial grant are to be made good ..	264	been stated why this Government should	
Proposes to reduce the district and municipal		be content with a smaller grant ... ..	378
grants ... ..	266	The starved and mutilated grant, corre-	
<i>British Burma—</i>		sponding with the outlay of 1870-71, is	
Asks for an explanation of the method		no proper standard for the normal wants	
by which the net provincial grant was		of the North-Western Provinces ... ..	379
arrived at ... ..	275		

PAGE	PAGE
GRANTS, ASSIGNMENTS, AND ALLOTMENTS— <i>continued.</i>	GRANTS, ASSIGNMENTS, AND ALLOTMENTS— <i>continued.</i>
EARL OF MAYO'S MEASURE— <i>continued.</i>	LOCAL TAXATION—
<i>Hon'ble Sir Richard Temple, 1st April 1871—</i>	<i>Major-General R. Strachey—</i>
Regarding the public works grant, he did not think the position of the North-Western Provinces Government was peculiar; all Local Governments have suffered much alike from reduction of grants ... 380	Regarding the permanency of provincial assignments ... 526
The grant for public works has been stated as inadequate, the Government of India cannot afford to give more, and if the provinces want more, they must find it ... <i>ib.</i>	EARL OF MAYO'S MEASURE.
<i>Hon'ble J. Strachey, 6th April 1871—</i>	<i>Reports of Local Governments on its operation—</i>
With reference to the "starved and mutilated grants" for public works, he must continue to think that the published despatch by the Financial Department had shown that these grants had been, in the North-Western Provinces, not only sufficient, but liberal ... 386	<i>Bengal—Assignments under the new scheme ... 565</i>
<i>Towns Improvement and Local Funds Bills, Madras Presidency—Hon'ble A. J. Arbutnot, 17th February 1871.</i>	Assignments under the old system ... <i>ib.</i>
Inadequacy of the grant assigned for the purpose of carrying on the services ... 398	<i>Punjab—</i>
<i>Hon'ble J. B. Norton, 17th February 1871—</i>	Allotments from imperial revenues for provincial services, instead of being fixed, should fluctuate with the increase or decrease of provincial requirements 575
Observations on the budget assignment ... 401	Observation on the grant to the Local Government of a percentage on the general revenues of the province ... <i>ib.</i>
<i>Bombay Presidency—Sir W. R. S. V. FitzGerald, 5th April 1871—</i>	<i>Central Provinces—</i>
If the allotment made is found insufficient to meet the charges transferred, it will rest with the Government either by rigorous retrenchment to make our means equal to our wants, or to increase our means from other sources ... 415	The fixed amount of the assignment is, however, a blot in the system 579
<i>Hon'ble A. R. Scoble, 25th April 1871—</i>	Opinion of Mr. R. W. Jones, Officiating Commissioner, Nabudda Division, on the working of the scheme of provincial fixed allotments introduced by Resolution of 14th December 1870 ... 580
Inadequacy of the allotments necessitates additional taxation ... 420	MINUTES AND NOTES IN 1872 AND 1873—
<i>Bengal—Hon'ble Sir George Campbell—</i>	<i>Lord Napier of Merchiston—</i>
Manner in which the allotment of the Government of India had been distributed ... 429	The institution of fixed provincial assignments a positive and fruitful benefit to the Government of India and to the subordinate Governments ... 583
<i>Local Cesses, North-Western Provinces—</i>	The plan, though practical and prudent, involved some injustice ... <i>ib.</i>
Alleged insufficiency of the provincial assignment to the North-Western Provinces to carry on public works, roads, irrigation, and railways ... 461	Method suggested for the more equitable distribution of the assignments ... 584
<i>Local Cesses—Punjab—</i>	Inequality in the distribution of imperial grants for provincial services, and observations thereon ... 585
The imposition of the new rate was necessitated by the inadequacy of the imperial allotment for provincial services ... 468	Expediency of developing the system of provincial assignments ... 586
OPINIONS IN PARLIAMENT—	<i>Hon'ble Sir Richard Temple—</i>
<i>Mr. Grant Duff—</i>	Admits there is some unavoidable inequality, though not so great as is supposed ... <i>ib.</i>
Explanation of the nature and extent of imperial assignments for provincial services ... 497	<i>Sir John Strachey, 27th July 1872—</i>
OPINIONS IN ENGLAND—CESSES ON LAND REVENUE, OUDH—	The object at which the Government aimed in introducing the new system of provincial assignments ... 587
<i>Sir C. J. Winfield—</i>	To regulate assignments according to the amount of revenue paid by the several provinces would be fallacious;—illustrated by the salt revenue ... 588
The plan of giving the Local Governments fixed assignments is not altogether a good one, it offers no inducement to economy, and those who asked most would get most, approves the plan of Sir Charles Trevelyan to leave the Local Governments whatever surplus remains after defraying imperial expenditure and civil establishments ... 510	No standard, except that of existing expenditure, by which assignments can ordinarily be regulated ... 589
	<i>Sir John Strachey, 26th July 1872—</i>
	System of provincial assignments should be applied not only to expenditure, but to income ... <i>ib.</i>
	<i>Hon'ble Sir Richard Temple—</i>
	Cannot concur in the grant of Rs 1,00,000 to the Government of Bengal for the Burdwan fever ... 593
	No deviation should be allowed from the principle that additional allotment should not be made for provincial services, unless the purpose comes strictly within the category of those services ... 594
	A further provincial assignment might be made to British Burmah ... <i>ib.</i>

PAGE	PAGE
<b>GRANTS, ASSIGNMENTS, AND ALLOTMENTS—concluded</b>	<b>HOUSE TAX—continued.</b>
<b>MINUTES AND NOTES IN 1872 AND 1873—continued.</b>	<b>EARL OF MAYO'S MEASURE—</b>
<i>Hon'ble Sir Richard Temple</i> —continued	<i>Bengal—Sir William Grey</i> —Proposes the levy of a tax upon houses ... 289
A general increase of allotments to Local Governments cannot be made. Special sums may occasionally be added on cause shown ... 595	<i>North-Western Provinces</i> —Taxation committee's report—proposed levy of a house tax abandoned ... 308
<i>Financial Secretary</i> —	<i>Local Cases—Madras Presidency—</i>
Consideration of the question whether parts of grants should be transferred in any case ... 598	The house tax was put in abeyance in 1873-74 ... 485
Special help to British Burmah ... 601	<b>INCOME TAX—</b>
Regarding the insufficiency of assignments to the Governments of Madras and Bombay ... 61	<b>MR. JAMES WILSON'S SCHEME—</b> Proposes a tax on incomes of 8 per cent for the public treasury, and 1 per cent. for strictly local purposes ... 1
<b>GRAZING DUES—</b>	Rule observed in the United States relative to— ... 16
<b>EARL OF MAYO'S MEASURE—</b>	<b>MR. S. LAING'S SCHEME—</b> Question of reverting to the license tax, or deferring it until it could be considered in conjunction with the— ... 6
<i>Reports of Local Governments on its operation—Punjab—</i>	Further extensions of the—should be carefully considered ... 7
Observations regarding grazing dues ... 575	If the—were to be perpetual, would rather see it transformed into a local than continued as an imperial tax ... 28
<b>HORSE AND WHEEL TAX—</b>	<b>MR. MASSEY'S FIRST SCHEME—</b>
<b>MR. S. LAING'S SCHEME—</b> Bengal proposes a—including elephants, camels, and pack-bullocks ... 9	<i>Bengal</i> —Should certainly, if raised, be imperial and universal ... 33
<i>India—Government of</i> —Promises to consider the proposal for a— ... 10	<i>Oudh</i> —On the general question of taxation, favours one on the plan of Mr Harrington's draft Bill introduced in 1859 ... 36
<i>North-Western Provinces</i> —A tax might be levied upon the possession of carriages, horses, elephants, &c., but cannot recommend the measure ... 25	<i>Bombay</i> —The exact resource required is to be found in the re-imposition of the— ... 42
<b>MR. MASSEY'S FIRST SCHEME—</b>	Objections to the—discussed ... 43
<i>Oudh</i> —Horses and ponies might be taxed should a license tax fail to bring in the required amount ... 36	In the larger towns the higher classes of the commercial community should be reached by something more like an— ... 45
<i>Bombay</i> —Recommended ... 45	<b>MR. MASSEY'S SECOND SCHEME—</b>
<b>MR. MASSEY'S SECOND SCHEME—</b>	<i>Colonel R. Strachey's note</i> —One-fourth share of an income tax to be transferred to local Governments ... 53
<i>Punjab</i> —A cart or wheel-tax might with advantage be levied in preference to establishing tolls ... 140	<i>British Burmah</i> —The imposition of an income tax, which shall reach higher incomes, less objectionable than the license tax ... 132
<i>Colonel R. MacLagan, Secretary to the Government of India, Public Works Department</i> —A tax on wheeled conveyances appears a just and appropriate source of income for meeting the charges of maintenance of roads ... 146	<i>Madras—Board of Revenue</i> —No fresh sources of revenue available except the income tax ... 180
<b>EARL OF MAYO'S MEASURE—</b>	<b>EARL OF MAYO'S MEASURE—</b>
<i>Punjab—Financial Commissioner—</i>	<i>Sir Richard Temple's memo on Local Finance—</i>
Regarding the levy of a wheel-tax ... 282	The income tax rate should not be reduced for some time to come ... 228
Might yield Rs 2,00,000 ... 16	If the income tax is reduced, two millions sterling of imperial charge will have to be reduced instead of one million ... 16
<i>Bengal—Sir William Grey—</i>	Holds to the opinion that the high income tax must be retained ... 229
Observations on sumptuary taxation, such as taxes on elephants, conveyances, retainers, &c ... 291	<i>The Hon'ble Sir John Strachey—</i>
<i>North-Western Provinces</i> —Taxation committee's report—proposed levy of a wheel-tax ... 308	Differs from Sir Richard Temple in regard to the income tax ... 231
<b>HOUSE TAX—</b>	To maintain the income tax in a time of profound peace at its present high rate is not only inexpedient, but unjust in a very high degree ... 232
<b>MR. MASSEY'S FIRST SCHEME—</b>	Sees no difficulty in raising a million a year, in substitution of a million of income tax, by local taxation ... 16
<i>Central Provinces</i> —Is also a good tax ... 30	<i>His Excellency the Governor General—</i>
<i>Bengal</i> —A house tax might be substituted for the tax upon salt; it would yield 20 lakhs ... 83	The income tax should not be raised above one, or one and a quarter per cent., except under most extraordinary circumstances ... 235
<i>North-Western Provinces</i> —Already exists, it has recently been raised as much as the existing law will permit, but it is extremely unpopular ... 35	
<i>Oudh</i> —Would be felt oppressively ... 36	
<i>Madras</i> —Has already been appropriated ... 37	
<i>Punjab</i> —Would be exceedingly unpopular ... 39	
<i>Bombay</i> —Feasible ... 44	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Central Provinces</i> —In some towns which are unsuited for extra, a house tax is levied 112	



	PAGE
<b>INCOME TAX—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>His Excellency the Governor-General—</i> continued.	
Useless to discuss the matter; the unani- mous voice of the country has declared itself to be against a high income tax as a permanent source of revenue, and concurs in that opinion	235
It will be for consideration whether the income tax is to be retained at all as a part of our fiscal system	237
<i>The Hon'ble Mr. Ellis—</i> Observations on reduction of income tax	238
<i>The Hon'ble Sir Richard Temple—</i> Regarding the possible remission of a por- tion of the income tax next year	242
<i>Circular, Government of India, dated 17th</i> <i>August 1870, to the several Local Govern-</i> <i>ments and Administrations—</i> Levy of duty of 6 pies per rupee under Act XVI of 1870 will cease to be in force on 31st March 1871	243
Non-continuance of the duty at its present high rate during the ensuing financial year	ib.
It is assumed that only half of the income tax of the current year will be levied in the year 1871-72	ib.
<i>Bombay—Hon'ble S. Mansfield—</i> Remarks on the proposals for reduction of income tax	267
<i>Hon'ble Mr. Tucker—</i> If the obnoxious income tax were suffi- ciently reduced or abolished, it might be feasible to raise increased funds by the substitution of taxes more in accordance with ancient usage	269
<i>His Excellency the Governor—</i> So long as income tax is levied, no addition can be safely made to local taxation	271
The income tax, as a tax of general appli- cation, is utterly unsuited to the Bombay Presidency	ib.
If an income tax be continued, it would be admissible only in a very different form, as regards incidence, from that in which it is at present imposed	ib.
<i>Government of India Resolution of 14th</i> <i>December 1870—</i> Income tax imposed at 6 pies per rupee for the current year not intended to be per- manent	325
<i>Hon'ble W. Robinson—Debate of 17th March</i> <i>1871—</i> Deprecates a needless continuance of the income tax	342
Asks for a general renunciation of this vexatious impost	ib.
<i>Hon'ble F S Chapman—Debate of 17th</i> <i>March 1871—</i> Would have preferred seeing the income tax retained at one and a half per cent. rather than have obliged the Government to put on new taxes	344
<i>Hon'ble Sir George Campbell—Debate of 17th</i> <i>March 1871—</i> Reduction of the income tax has been effected by turning over a part of the deficit, nearly £350,000, to the Local Governments, and requiring them to make	

	PAGE
<b>INCOME TAX—continued.</b>	
<b>EARL OF MAYO'S MEASURE—concluded.</b>	
<i>Hon'ble Sir George Campbell—continued.</i> that deficit good in the best way they could	345
Observations on the income tax	ib.
<i>Debate of the 27th March 1871—</i> It was proposed to impose an income tax which he had already described as a rough income tax on the lower incomes to supplement the income tax on the higher incomes	351
It was desirable to raise something more by the income tax and so release the Local Governments from the necessity of resorting to new taxation	ib.
<i>Local Rates Bill, Oudh—His Excellency the</i> <i>Earl of Mayo—</i> Remissions of income tax in the several presidencies and provinces	362
<i>Towns Improvement and Local Funds Bills,</i> <i>Madras Presidency—Hon'ble A. F. Brown,</i> <i>23rd February 1871—</i> Retention of the income tax pending the passing of these Bills	410
<i>Lord Napier of Merchiston, 23rd Feb-</i> <i>ruary 1871—</i> Observations on the question of retaining the income tax, pending the passing of these Bills	ib.
<i>Hon'ble A. J. Arbuthnot, 10th March 1871—</i> All were agreed, if it could be avoided, it was a tax which it was not desirable to impose	414
<i>Bombay Presidency—Hon'ble H. P. St. G.</i> <i>Tucker, 5th April 1871—</i> The discontent and dissatisfaction occa- sioned by the sudden and heavy increase to the income tax last year renders this a very inopportune time for the introduc- tion of new imposts	418
<i>Bengal Presidency, Hon'ble Sir George Camp-</i> <i>bell, 25th March 1871—</i> The natives would prefer the imposition of an income tax for provincial purposes to any other	425
<i>Local Cesses—Central Provinces—</i> Alteration in 1869 of the certificate tax into an income tax	474
<b>OPINIONS IN ENGLAND—</b>	
<i>Mr. S. Laing—</i> The reduction of income tax has been accompanied by a great increase of local taxation	516
Unpopularity of the income tax; it is the cause of more discontent than all the local taxes put together	517
<i>Mr. DaCosta—</i> The income tax in some places had reached incomes of £5	518
<i>Mayor-General R. Strachey—</i> The necessity for the imposition of the income tax to meet a financial emergency, and its remission, cannot be pleaded as a set-off to increased local taxation	526
<i>Sir C. E. Trevelyan—</i> The practical result of lowering the income tax	548
New provincial taxation wrongly attri- buted to the reduction of the income tax	ib.
<i>Sir C. Wingfield—</i> If we are to raise additional taxation, the income tax would be the most equitable...	550

	PAGE		PAGE
<b>INCOME TAX—concluded.</b>		<b>IRRIGATION—continued.</b>	
<b>OPINIONS IN ENGLAND—continued.</b>		<b>EARL OF MAYO'S MEASURE. OPINIONS IN PARLIAMENT—</b>	
<i>Mr. J. M. Maclean—</i>		<i>Sir S. Northcote—</i>	
The result of the decentralization measure was to substitute in Bombay an income tax on incomes of £5 and under, for an income tax on incomes of £75, a year ...	552	Cites a passage from Mr. Massey's speech on the license tax which he wishes to connect with the question of irrigation ...	495
The yield of the tax was estimated at four lakhs of rupees ...	ib.	<b>OPINIONS IN ENGLAND. CASSES ON LAND REVENUE—</b>	
<i>Lord Lawrence—</i>		<i>Madras—Mr. R. A. Dalgell—</i>	
It would have been more consistent and judicious to have continued the income tax instead of throwing this petty taxation broadcast all over India ...	554	Large works of irrigation are imperial ...	504
<b>Reports of Local Governments on its operation—</b>		<i>Central Provinces—Mr. J. H. Morris—</i>	
<i>Bengal—</i>		An irrigation cess would be unobjectionable <i>ib.</i>	
The income tax had better be transferred to Local Governments ...	564	A cess for irrigation works could not be negotiated with the people by mutual arrangement ...	505
<i>Oudh—</i>		As regards irrigation, if people did not take the water, they should hardly pay the rate <i>ib.</i>	
The land should be relieved of this burden	576	Would not make people pay for water from a canal if they did not use it ...	506
<b>Central Provinces—</b>		<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>	
Emigration of a tribe to the Nizam's Dommons under groundless apprehension of the income tax ...	577	<i>Sir C. E. Trevelyan—</i>	
Might be transferred to Local Governments, and dealt with as a provincial tax ...	578	The change of system would be specially blessed in reference to irrigation ...	543
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>		Great irrigation works should be localized ...	546
<i>Sir F. Currie, 16th May 1870—</i>		Provincial control over, and construction of, irrigation works ...	547
The income tax was not laid on the holders of land in Bengal as an incident of their holdings, it was a universal tax on all classes, and offers no valid argument for the legality and justice of imposing a public demand on landholders alone, as an incidence of their holdings ...	663	<b>COMPULSORY IRRIGATION RATES ON LAND—</b>	
<i>H. T. Prinsep, Esq., 19th May 1870—</i>		<i>Colonel R. Strackey, 17th April 1867—</i>	
The income tax imposed by Mr. Wilson in 1861 is not a precedent to encourage the belief that the Government may safely exercise this arbitrary power; that case was one of extraordinary emergency created by the exertions and expenditure required to suppress the mutiny of the Bengal Army ...	666	Deprecates the procedure of forcing cultivators to pay for the use of water from irrigation works at the Government rate, whether they desired the use of the water or not ...	602
<b>INTEREST—</b>		<i>Mayor-General H. M. Durand, 21st January 1870—</i>	
<b>EARL OF MAYO'S MEASURE—</b>		Adverts to the somewhat arbitrary powers taken by the Bill for the imposition of a water-rate on "irrigable land" ...	604
<i>Circular, Government of India, dated 17th August 1870, to Government of Bengal—</i>		<i>Hon'ble F. S. Chapman—</i>	
The charge for interest will increase ...	243	If irrigation works were well conceived, there need be no fear about their financial success ...	610
<b>INTOXICATING DRUGS:—</b>		<i>Lord Mayo, 21st January 1870—</i>	
<i>Mr. Massey's SECOND SCHEME—</i>		The objection to a compulsory irrigation rate may be removed by limiting the meaning of the words "irrigable land" ...	ib.
<i>Madras—Note by the Revenue Secretary—</i>		Regarding the burden of the charge incurred in the construction of water-works ...	611
Might impose a tax on the sale of intoxicating drugs ...	150	<i>Punjab—The Hon'ble Lieut.-Governor, 20th October 1871—</i>	
<b>IRRIGATION—</b>		Lands already irrigated from wells could not be brought under the compulsory rate ...	614
<i>Mr. Massey's SECOND SCHEME—</i>		<i>Hon'ble Sir Richard Temple—</i>	
<i>Madras—Note by the Revenue Secretary . . . ib.</i>		A compulsory irrigation rate does not differ from a road or school cess ...	615
Observations on the imposition of a charge for constructing and maintaining the higher class of irrigation works ...	ib.	<i>Hon'ble J. Strackey, 26th October 1871—</i>	
Transfer of irrigation works from the imperial public works department not at all desirable ...	ib.	Objects and benefits of irrigation works ...	617
<i>Madras—Board of Revenue—</i>		By no possibility could an irrigation rate be heavy ...	618
Maintenance of tanks and their subsidiary channels might be transferred with undoubted advantage ...	158	Ruling of the High Court, Allahabad, in respect of facilities for irrigation provided by landlords at their own cost, which their tenants with occupancy rights can avail themselves of if they please ...	620
Observations on the minor works of irrigation ...	ib.	<i>Lord Mayo, 26th October 1871—</i>	
No objection to the re-transfer of canals to the list of State works under the proviso stated ...	172	Does not concur in the opinion that if errors in design and mistakes in construction occur, the incidence of repayment should be changed and placed on the shoulders of the people at large ...	622

PAGE	PAGE
<b>IRRIGATION—concluded.</b>	<b>LAND REVENUE—continued</b>
<b>COMPULSORY WATER-RATE—</b>	<b>MR. MASSEY'S SECOND SCHEME—continued.</b>
Secretary of State for India, 14th March 1872—	Sir H. M. Durand—
Cannot regard the provisions of section 44 in any other light than an encroachment on private rights ... 623	Remarks on the alienation of one-sixteenth of the imperial revenue to the Local Governments ... 108
<b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—</b>	<b>Punjab—</b>
Major-General R. Strackey—	A permanent increase of the land revenue might be made on renewal of settlements 140
Interpretation of the term "land revenue" from irrigation ... 624	<b>Madras—Accountant General—</b>
Estimated returns from the Godavery Works ... 626	Expenditure on account of roads and agricultural repairs forms a legitimate charge on the land revenue ... 151
Regarding expenditure on irrigation works 627	To meet this expenditure, one-sixteenth of the net land revenue should be transferred to the Local Government ... <i>ib.</i>
Regarding charge for irrigation ... 628	<b>Madras—Lord Napier of Merchiston—</b>
Cultivation by irrigation works ... 629	Proposes the levy of an additional 5 per cent. on wet lands ... 190
Benefits of an irrigation canal ... 630	<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>
<b>JAILS—</b>	Cannot recommend the suggestion that a percentage of the "wet revenue," that is, the revenue from irrigated lands, be made over to the Local Government for repairs of works, &c. ... 206
<b>MR. MASSEY'S SECOND SCHEME—</b>	<b>EARL OF MAYO'S MEASURE—</b>
<b>Punjab—</b>	Government of India's Circular of 21st February 1870—
Provision for "Jails" inadequate ... 139	Imperial demand for land revenue in the settlement made since 1854 in Upper India has been fixed at 50 per cent. of the net assets or gross rental of the land ... 223
<b>Madras—Board of Revenue—</b>	<b>Bombay—Hon'ble S. Mansfield—</b>
Deprecates the transfer of "Jails" ... 157	The revenue of districts settled between the years 1835 and 1860 will admit of being raised 50 per cent., but doubts the justice of doing so ... 267
Additional reasons for postponing the transfer of "Jails" ... 164	<b>British Burma—</b>
<b>EARL OF MAYO'S MEASURE—</b>	The revision of the settlement will lead to the increase of land revenue ... 275
<b>North-Western Provinces, dated 15th September 1870—</b>	<b>Local Rates Bill, Oudh—</b>
Observations on the variable character of expenditure on account of jails ... 253	Estimate of the land revenue demand in Oudh ... 353
Finance on account of jails, for reasons stated, should continue an imperial branch ... 254	The land revenue demand is now £1,360,000 ... 354
<b>Government of India, dated 11th October 1870—</b>	<b>Hon'ble Sir George Campbell—Debate of 10th March 1871—</b>
The question whether jails and registration should remain imperial will be decided when the several Local Governments have expressed their opinion thereon ... 258	Observations on the land revenue ... 356
The Government is still disposed to think that prison expenditure is one of those items of charge which will greatly benefit from more complete local administration and control ... <i>ib.</i>	<b>Local Rates Bill, N.-W. Provinces—Hon'ble Sir W. Muir—</b>
<b>JONES, MR. R., Officiating Commissioner, Narbulda Division—</b>	The increase of land revenue from revised settlements in the temporarily-settled districts has been £208,977, on a previous revenue of £1,430,664, or at the rate of 14 per cent, excluding the permanently-settled districts; the revenue demand subject to revision was £3,440,000; it has already been raised to £3,640,000, and it will probably rise to £3,900,000, exclusive of £560,000 of the permanently-settled Benares division ... 391
Opinion on the scheme of provincial fixed allotments ... 580	<b>Local Rates Bill, Punjab—The Lieutenant-Governor, 30th June 1871—</b>
<b>KHAS MEHAL LANDS AND FUNDS—</b>	Was not in a position to say if the revised assessments were adequate or not ... 396
<b>EARL OF MAYO'S MEASURE—</b>	<b>Hon'ble J P Stephen, 30th June 1871—</b>
<b>Local Cesses, Assam—</b>	Evidently the imperial land revenue in the Punjab has been under-assessed ... <i>ib.</i>
Definition of the term <i>Khas Mehal</i> ... 481	<b>Hon'ble Sir Richard Temple, 30th June 1871—</b>
Sanctioned expenditure on account of <i>Khas Mehal</i> lands ... <i>ib.</i>	Observations regarding the alleged loss of revenue involved in the continuance of old rates under expired settlements in the Punjab ... <i>ib.</i>
Application of proceeds of <i>Khas Mehal</i> funds ... 482	
Abolition of the <i>Khas Mehal</i> funds deprecated by the Government of Bengal ... <i>ib.</i>	
Government of India's Resolution of 12th July 1872 ... 483	
<b>LAND REVENUE—</b>	
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<b>Colonel R Strackey's Note—</b>	
One-sixteenth of the land revenue to be transferred to Local Governments ... 53	
Statement No. 5, showing modifications required to be made, if the share of net land revenue transferred was calculated after making a deduction of all alienations and refunds, as well as charges of collection ... 62	

	PAGE		PAGE
<b>LAND REVENUE—concluded.</b>		<b>LAND AND LAND REVENUE—CESSES</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>		<b>ON—continued.</b>	
<i>Local Cesses, Assam—</i>		<b>MR. MASSEY'S SECOND SCHEME—continued</b>	
Definition of the term <i>Ryotwari</i> lands ...	481	<i>Madras—Hon'ble Sir Thomas Pycroft—</i>	
Renewed application by the Government of		Observations on the levy of a special cess on	
Bengal for the concession of 5 per cent. out		irrigated lands in that presidency ...	148
of the gross rental for the improvement		<i>Madras—Note by the Revenue Secretary.</i>	
of certain Government estates in Assam	483	Thinks that a <i>Kudis Maramum</i> commutation	
Order of the Government of India on that		cess would be welcomed by the people ...	150
application ...	486	<b>EARL OF MAYO'S MEASURE—</b>	
It was ultimately agreed that the assign-		<i>Oudh—</i>	
ment of one anna per <i>rupes</i> should be made	487	On the question of imposing an additional	
The foregoing concession to Assam was		cess on land owners ...	259
allowed also for Cachar until its re-settle-		Is of opinion that the province can fairly	
ment in 1879 ...	ib.	meet the extra demand ...	ib.
Assignments for local purposes to cease		The cess should be imposed not on revenue,	
whenever a local rate is levied outside the		but on rental ...	ib.
amount of the existing imperial revenue		The result would amount to £39,000 ...	ib.
demand ...	488	<i>Central Provinces—</i>	
Statement of the land revenue demand in		No additional cess can be put on the land	
the temporarily-settled districts of Assam		without a breach of faith ...	265
Proper ...	ib.	Nothing would be easier than to raise the cess	ib.
<i>Local Cesses, British India—</i>		But the measure would go far to alienate	
Statement of receipts from cesses on land		the agricultural body and lead them to	
revenue relatively to the amount of land		regard future acts of Government with	
revenue from 1870-71 to 1875-76 ...	493	suspicion and distrust ...	ib.
<b>OPINIONS IN ENGLAND—CESSES ON LAND</b>		<i>Punjab—Sir D. F. Macleod—</i>	
<b>REVENUE—</b>		Observations in regard to cesses on land ...	280
<i>Punjab—Sir R. Montgomery—</i>		<i>Bengal—Sir William Grey—</i>	
The cesses levied on the land revenue of one		Provision of funds by the levy of a tax on	
per cent for education and one per cent.		the incomes of all persons deriving profit	
for roads do not cover those two items of		from land ...	289
charge ...	503	<i>N.-W. Provinces—Taxation Committee's re-</i>	
<i>Central Provinces—Mr. J. H. Morris—</i>		<i>port—</i>	
The land revenue is simply land revenue,		The estimated yield of the cesses on the land	
and not a final tax, final for all purposes	505	revenue in the temporarily-settled districts	302
The Government have the option open to		Proposed increase of the cesses on land	
them of imposing other taxes if they		revenue ...	308
think fit ...	ib.	Proposed land rating on cultivators ...	ib.
<b>OPINIONS IN ENGLAND—LOCAL TAXATION—</b>		<i>Local Rates Bill, Oudh—Hon'ble J. Strachey—</i>	
<i>Sir C. E. Trevelyan—</i>		Introduces and explains the Bill ...	351
Appropriation of land revenue ...	546	Amount of cesses already levied in Oudh ...	353
<b>LAND AND LAND REVENUE—CESSES</b>		The manner in which local rates differ essen-	
<b>ON—(See also CESSES AND RATES.)</b>		tially in their nature from land revenue ...	ib.
<b>MR. MASSEY'S FIRST SCHEME—</b>		The rate was very small; the land could	
<i>N.-W. Provinces—</i>		well afford to pay it ...	357
Recommended; they would yield eventually		<i>Local Rates Bill, N.-W. Provinces—Hon'ble</i>	
5 or 6 lakhs ...	35	<i>J. Inghis, 10th March 1871—</i>	
<i>Bombay—</i>		Introduction of Bill for the levy of rates	
The one-anna cess on land revenue, lately		on land to be applied to local purposes in	
introduced, is an unobjectionable mode of		the North-Western Provinces ...	370
raising funds in rural districts for roads		Observations justifying the levy of the cess	ib.
and education ...	45	Estimated yield of rate £36,000 ...	ib.
It reaches every cultivator paying land tax		Observations on the assessments of land	
to Government ...	ib.	in the North-Western Provinces ...	ib.
Its imposition after the introduction of a		Regarding the expediency of levying a rate	
settlement is not a breach of settled		on the landholders in the permanently-	
engagements ...	ib.	settled districts ...	ib.
The total income from this source will, for		Quotation of remarks in the Secretary of	
some years to come, annually increase as		State's despatch of 13th May 1870, which,	
the old thirty years' settlements fall in ...	ib.	though written with reference to Bengal,	
Proceeds not available for the general		applied equally to the North-West ...	ib.
purposes of the State, being pledged to make		Neither on the ground of right nor of	
and maintain local roads and local		expediency need there be any hesitation in	
schools ...	ib.	imposing a rate for local purposes in the	
<b>MR. MASSEY'S SECOND SCHEME—</b>		permanently-settled districts in the North-	
<i>Oudh—Financial Commissioner of—</i>		Western Provinces ...	ib.
Remarks on the imposition of a cess on the		<i>Hon'ble Geo. Campbell, 10th March 1871—</i>	
contributors of land revenue ...	128	Remarks on the proposal for levying the	
<i>British Burma—</i>		rate in the permanently-settled districts,	
Proposed transfer of revenue derived from		not by an assessment on the rental, but	
the 5 per cent. cess ...	133	on the acreage of the land ...	371

	PAGE
<b>LAND AND LAND REVENUE—CESSES ON—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Local Rates Bill, N.-W. Provinces—Hon'ble J. Inglis, 18th March 1871—</i>	
Rates and mode of levy of the cess on land in the North-Western Provinces	372
<i>Hon'ble Sir William Muir, 1st April 1871—</i>	
Objects of the local rates Bill	376
Remarks on the mode of levying the rate and why preference had been given to the levy of tax on acreage	379
<i>Hon'ble J. FitzJames Stephen, 6th April 1871—</i>	
One of the objects of the Bill is to authorize the Local Government of the North-Western Provinces to impose cesses for certain specified purposes upon the permanently-settled districts of those provinces	381
<i>Hon'ble Sir William Muir, 6th April 1871—</i>	
States his conviction that, under the existing condition of property and the present advanced state of agriculture, the assessments now being made are, as a rule, not lower, or not materially lower, than is required for the well-being of the people.	391
<i>Hon'ble J. Inglis, 6th April 1871—</i>	
Observations regarding the imposition or the increase of a cess during the currency of a settlement	392
<i>Hon'ble B. H. Ellis, 6th April 1871—</i>	
Observations on the imposition of cesses during the currency of a settlement	393
<i>Local Rates Bill, Punjab—The Lieutenant-Governor, 26th May 1861—</i>	
The imposition on all productive land in the Punjab of a rate of 3 per cent on its annual value equivalent to one of 6 per cent. on the land revenue	394
The people of the Punjab will more readily acquiesce in the imposition of a light rate on the land than in any other demand	395
Estimated yield of the new rate £110,000	395
<i>Local Cesses, Madras Presidency—</i>	
Yield of cess on land revenue in 1874-75	433
<i>Local Cesses, Bombay Presidency—</i>	
Similarity in 1863-64 of the cesses on land revenue in the Punjab and North-Western Provinces	437
The anna cess on land revenue was introduced into the province of Sind by Bombay Act VIII of 1865, and into the rest of the Presidency by Bombay Act III of 1869	441
<i>Local Cesses, North-Western Provinces—</i>	
Specification of cesses on land in the North-Western Provinces	459
(A) In temporarily-settled districts	ib.
(B) In districts permanently settled	ib.
Rate of land cess under Act XVIII of 1871 of two annas per acre	ib.
The 10 per cent cess in the North-Western Provinces, dated from 1866, in respect of districts whose settlements have been revised since that year. The Local Rates Act of 1871 simply legalized the levy of this ten per cent. rate in anticipation of a revision of settlement in districts under an expired settlement	ib.

	PAGE
<b>LAND AND LAND REVENUE—CESSES ON—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Local Cesses, North-Western Provinces—continued</i>	
Temporarily-settled districts, whose term of settlement had not expired in 1870-71	ib.
Until 1871, the permanently-settled districts, in addition to cesses for roads, the district post, and a voluntary school cess, supported their village police by the grant of land termed <i>jagir</i> land; those <i>jagirs</i> were exempted from assessment on the understanding that they might be resumed at any future time should Government determine to free the proprietors from their responsibility for the payment of the village police	459
In 1871, the <i>jagir</i> lands were resumed, and the rent is now credited to local funds of the North-Western Provinces as a set-off to corresponding payments for village police	460
Permanently-settled districts—new sources of income	ib.
Temporarily-settled districts—new sources of income	ib.
Points noticed in the discussion of additional cesses	462
The cesses on land revenue, regarded as an alienation of imperial land revenue, are a tax and not a voluntary contribution by the owners of the land	ib.
New cesses on land revenue, introduced between one revision of the settlement and the next, could not be imposed without a breach of the engagements in the last settlement	ib.
These views were controverted by Sir J. Strachey, the Hon'ble Mr. Ellis, and the Hon'ble Mr. Inglis: their remarks on the subject	ib.
The character of the cesses on land as eventually established	ib.
It was expected that the acreage cess would yield £36,000	463
Estimated yield of the 10 per cent. cess particularized	464
Sir J. Strachey's remarks in regard to this rate	ib.
The cess, <i>plus</i> rural police charge in Oudh, if reckoned collectively as a rate upon the land revenue, exceeds the 10 per cent cess in the North-Western Provinces	ib.
Allotment of proceeds of cesses under the Local Rates Act	ib.
Objects of expenditure from local rates on land	465
<i>Local Cesses, Punjab—</i>	
The old cess amounted to 2½ and 2 per cent. on the land revenue	467
With the new local rate imposed in 1871 they now amount to 8½ and 8¼ per cent. on the land revenue	ib.
Exclusive of charge for rural police the cesses on land revenue amounted to 2½ per cent. up to 1871, and to 5 per cent. since that year	471
Increase of cess urged by the Home Department Circular of 21st February 1870	ib.

PAGE	LAND AND LAND REVENUE—CESSES	PAGE	LAND AND LAND REVENUE—CESSES
	ON— <i>continued.</i>		ON— <i>continued.</i>
	<b>EARL OF MAYO'S MEASURE—<i>continued.</i></b>		<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>
	<i>Local Cesses, Central Provinces—</i>		<b>REVENUE—<i>continued.</i></b>
	Detail of cesses on land revenue in the		<i>Bombay—Sir H. B. E. Frere—continued.</i>
	Central Provinces ... 473		It would be premature to raise a question,
	Excluding the patwari cess (of from 4 to 5		whether a cess on land revenue could be
	per cent) the total cesses on the land		imposed for the expense of a railway ... 501
	revenue are 4½ per cent., except in two		In principle, there would be no reason
	districts of the Chutteesgurh Division, in		against the levy of a cess for railways,
	which the total is 5½ per cent., and one or		but it would be dangerous to raise the
	two isolated instances in which the total		question prematurely ... <i>ib.</i>
	is 3½ or 2½ per cent. ... 474		Difference between land revenue and cesses
	Regarding the levy of cesses on the land		imposed on land revenue defined ... 502
	settled during the currency of an existing		<i>Punjab—Sir R. Montgomery—</i>
	settlement of the land revenue ... 475		Practically, the cesses come out of the land
	The Secretary of State's decision in the		revenue, for in fixing the amount of the
	affirmative, and it had been insisted upon		former, the settlement officer necessarily
	by Sir J. Strachey and Sir B. H. Ellis		takes count of the latter ... 504
	that a cess which is thus leviable in per-		<i>Madras Presidency—Mr. R. A. Dalryell—</i>
	manently-settled districts may, with at		Rule for the imposition of cesses on the
	least equal propriety, be levied at any time		land revenue is reserved in all the settle-
	in temporarily-settled districts ... <i>ib.</i>		ments ... 504
	Sir D. F. Macleod's observations on the		<i>Oudh—Sir C. J. Wingfield—</i>
	subject in a minute dated 10th June 1870		Ten years ago, the Government deliberately
	deprecatd an increase of the cesses on the		said that a cess of 21 per cent. would
	land revenue ... <i>ib.</i>		suffice for local purposes, and they gave a
	<i>Local Cesses, British Burmah—</i>		distinct assurance that that would be the
	Origin of the 5 per cent. cess on land		limit of the cesses throughout the term of
	revenue, including fisheries tax ... 479		settlement, and it ought not to be raised
	Regarding the levy of cesses on the land		during that term ... 409
	revenue of British Burmah ... 480		The manner in which it has been proposed
	<i>Local Cesses, Assam—</i>		to apply the proceeds of cesses levied on
	Authorities cited who have held that local		the land revenue ... 511
	cesses on land revenue in temporarily-		<i>British India—Mr. S. Laing—</i>
	settled districts are really an alienation		Millions of acres of land in the Madras
	of imperial land revenue for local purposes		Presidency were left uncultivated in conse-
	486		quence of the excess in the land tax, and
	<i>Local Cesses, British India—</i>		it was the lowering of the demand that
	Review of the growth of cesses on land		restored the prosperity of that country ... 513
	revenue in British India ... 491		<i>Sir C. J. Wingfield—</i>
	With the exceptions stated, the cesses on		The application of the rule to Bengal has
	land revenue in the three presidencies are		been widely controverted. Mr. Stephen
	devoted to schools and roads ... <i>ib.</i>		supported the levy of cesses in Bengal on
	And, outside British Burmah and the		the ground that the permanent settlement
	Central Provinces, of late years are applied		left the question of cesses quite un-
	to hospitals, dispensaries, and sanitary		touched ... 515
	purposes ... <i>ib.</i>		Consent of the taluqdars of Oudh to
	Acreage cess and tax on commuted jagirs		doubling the cesses ... <i>ib.</i>
	are a complement of the land cesses in		<b>EARL OF MAYO'S MEASURE—</b>
	permanently-settled districts in North-		<i>Reports of Local Governments on its operations</i>
	Western Provinces ... <i>ib.</i>		<i>Punjab—</i>
	In Bengal the cesses are for roads and		No hostile feeling against those cesses
	education ... <i>ib.</i>		which are realized by a percentage rate on
	Statement of receipts from land cesses, in-		the land revenue ... 574
	cluding acreage cess and commuted jagirs		<i>Central Provinces—</i>
	in the North-Western Provinces ... <i>ib.</i>		Cesses on land revenue are not the cause
	Since 1865-66, there has been a gross in-		of any discontent ... 577
	crease of cesses on land revenue and land		<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>
	of one million sterling ... 492		<i>Government of India, Home Department, to</i>
	Statement of receipts of land revenue from		<i>Secretary of State, 31st December 1869—</i>
	1870-71 to 1875-76 ... 493		Lieutenant-Governor of Bengal requested
	Rates of yield of cesses on land revenue in		to take necessary steps for imposing a
	the three Presidencies, North-Western		cess upon the land for the maintenance of
	Provinces, Punjab, Oudh, Assam, Central		roads ... 63
	Provinces, and British Burmah ... <i>ib.</i>		A mere addition to the rate of cess would
	Receipts from cesses on land revenue per		give everything that is required for edu-
	actuals for 1875-76 ... 494		cational purposes ... 63
	<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>		Pleas in justification of the levy of a cess
	<b>REVENUE—</b>		and making it mainly chargeable on the
	<i>Bombay—Sir H. B. E. Frere—</i>		landed property of the province ... <i>i</i>
	Estates alienated for ecclesiastical and other		Objections urged by the Government of
	purposes would, in most cases, be subject		Bengal ... .. 2
	to the extra cesses, but not invariably ... 501		

	PAGE		PAGE
<b>LAND AND LAND REVENUE—CESSES</b>		<b>LEGISLATIVE COUNCILS—</b> ( <i>See also</i>	
<i>ON—concluded.</i>		<b>FINANCIAL SECRETARY, COUNCIL</b>	
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—</b>		<b>AND OFFICERS)—</b>	
<i>continued.</i>		<b>MR MASSEY'S SECOND SCHEME—</b>	
<i>Government of India, Home Department, to</i>		<i>Punjab—Mr. L. C. Probyn, Accountant</i>	
<i>Secretary of State, 31st December 1869—</i>		<i>General—</i>	
<i>continued</i>		A local Legislative Council would be	
It is an error to assume the identity of the		necessary for the imposition of new taxes 143	
cesses with the land revenue .. 637		Duty of the local Legislative Council if	
The Government has not waived its right		formed ... .. <i>ib</i>	
in Bengal or anywhere else to impose local		<i>Madras—Hon'ble A. J. Arbuthnot remarks—</i>	
cesses ... .. <i>ib.</i>		On the subject of assigning to the Legis-	
The quotations from the speeches of Mr.		lative Councils of Bengal, Madras, and	
Wilson and Sir Barnes Peacock offer no		Bombay a control over the administrative	
objection to the levy of a local cess on the		measures of the Executive Governments... 194	
land, always provided that the cess be		Constitution of Legislative Councils ... <i>ib.</i>	
devoted to the agricultural population,		<b>EARL OF MAYO'S MEASURE—</b>	
that it be no more than is levied on		<i>North-Western Provinces—</i>	
landholders in other parts of India,		Local Legislative Council will be necessary 257	
and that it be general on towns and		<i>Government of India—</i>	
villages .. 638		The question of creating a Legislative and	
What Mr. Wilson said on the subject ... <i>ib</i>		Executive Council in the North-Western	
Regarding the opinion expressed by the		Provinces will be carefully considered .. 253	
Government of India, in May 1859,		<b>LOCAL RATES BILL, N.-W. PROVINCES—</b>	
that a cess could not be imposed on		<i>Hon'ble Sir W. Muir, April 1st, 1871—</i>	
Bengal ... .. <i>ib</i>		Asks why there should not be a local Legis-	
Dissent from that opinion ... .. 639		lative Council, and urges the necessity for,	
<i>Government of Bengal, to the Government of</i>		and the advantages that would arise from,	
<i>India, 30th April 1869—</i>		so desirable a measure .. 380	
Inapplicability of the imposition of the		<i>His Excellency the Earl of Mayo, 6th April</i>	
proposed cess to certain districts ... 642		<i>1871—</i>	
By a cess on the proprietors of land the		As regards the increase in the number of	
Lieutenant-Governor understands a cess		local legislatures, that is a matter that	
on the zemindars only ... 643		must be most carefully considered; very	
Is prepared to admit the necessity of a local		grave constitutional questions arise in con-	
tax upon land for the maintenance and		nection therewith ... 389	
construction of local roads ... .. 652		<b>TOWNS IMPROVEMENT AND LOCAL FUNDS</b>	
<i>Sir E. Perry, 14th May 1870—</i>		<b>BILLS, MADRAS PRESIDENCY—</b>	
With respect to cesses, additional to land		<i>Lord Napier of Merchistoun, 23rd Feb-</i>	
revenue, having been imposed in other		<i>ruary 1871—</i>	
parts of India, is of opinion that the		Thought they possessed elements in the	
Secretary of State has not interpreted the		Legislative Council, which might be em-	
facts correctly, and that the exposition of		ployed in the discussion of the budget of	
the Lieutenant-Governor of Bengal is the		the provincial services with great advan-	
correct one ... .. 662		tage to the public ... 411	
The levy of cesses in the permanently-		<b>OPINIONS IN ENGLAND LOCAL TAXATION—</b>	
settled districts of Benares with the dis-		<i>Major-General R. Strachey—</i>	
tinct assent of the landholders not attempt-		Consultative councils, which would repre-	
ed in any other permanently-settled		sent the feelings of the natives, are	
district in India .. <i>ib.</i>		necessary to restrain any tendency to over-	
Bombay Act of 1869 relied on as precedent		taxation under the scheme of decentraliz-	
of procedure for imposing a compulsory		ation ... .. 523	
cess on lands under settlement ... .. <i>ib</i>		<i>The Right Hon'ble W. N. Massey—</i>	
<i>Sir H. T. Prinsep, 19th May 1870—</i>		The functions of an Indian Council ought	
Here aid is required for education and for		to be consultative and not executive 530	
roads, and there may be no limit to which		All the responsibility of finance should rest	
expenditure may go on for both these		with the executive Government .. 543	
objects ... .. 666		<i>Sir C E Trevelyan—</i>	
<i>R D Mangles, Esq., 25th May 1870—</i>		Constitution of Legislative Councils .. 546	
The imposition of a cess of 2 per cent		<i>Sir C. Wingfield—</i>	
upon the lack of an income tax would be		Responsibility of the Bombay Legislative	
irritating in the extreme to every person		Council ... .. 553	
subjected to it ... .. 669		<b>EARL OF MAYO'S MEASURE—</b>	
<i>Sir F. J. Halliday, 12th May 1870—</i>		<i>Reports by Local Governments upon its opera-</i>	
Observations on the practice observed in		<i>tion, N.-W. Provinces—</i>	
the imposition of local cesses in the N.-W.		If the scheme be extended as proposed, the	
Provinces, Shahabad district of Behar,		Local Government should be provided with	
and in the permanently-settled districts		responsible councillors .. 573	
of Benares, also in the Madras Presi-		Ditto ditto ditto ... 574	
dency ... .. 671		<b>LETTERS—</b>	
		From Local Governments and Administra-	
		tions,— <i>see</i> Table of Contents.	

	PAGE		PAGE
<b>LICENSE TAX—</b>		<b>LICENSE TAX—continued</b>	
<b>MR. S. LAING'S SCHEME—</b>		<b>MR. MASSEY'S SECOND SCHEME—continued.</b>	
Tax on arts and trade insufficient to meet the deficit ...	3	<i>Madras—Lord Napier of Merchiston—</i>	
Question of reverting to the—or deferring it, until it could be considered in conjunction with the income tax ...	6	Proposes the levy of a tax on trades and professions in the country districts ...	190
Difficulties inherent to raising even £600,000 by the proposed—	7	<b>EARL OF MAYO'S MEASURE—</b>	
<i>Oudh—</i>		The proposals would imply the relinquishment of the Imperial license tax on trades and professions in favour of local objects ...	ib
Trade tax in—is a local tax applied to imperial purposes ...	18	<i>Punjab—Financial Commissioner—</i>	
Its legalization is desirable ...	21	Proposes a tax on trades and professions .	282
<i>Nagpore—</i>		Estimated yield of tax £8,025 ...	ib
Moderate scale of—will be the best policy .	22	<i>North-Western Provinces—Taxation Committee's Report—</i>	
<b>MR. MASSEY'S FIRST SCHEME—</b>		Proposed levy of a tax on trades and professions ...	308
<i>Central Provinces—</i>		<i>Hon'ble Sir Geo. Campbell—Debate of 17th March 1871—</i>	
The best tax that could be raised	30	The invariable resource of Local Governments appeared to be the imposition of something in the nature of a license tax ...	345
<i>Bengal—</i>		<i>Local Rates Bill, Oudh—Hon'ble J. Strachey—</i>	
Remarks on the imposition of a—	33	Observation on the leave about to be asked by the Hon'ble Mr Inglis to introduce a Bill for imposing duties on certain classes of trades in the North-Western Provinces with the object of supplementing provincial funds ...	355
<i>North-Western Provinces—</i>		It was proposed to take power, if necessary, to supplement these funds hereafter by extending to Oudh the license tax on certain sections of the non-agricultural community ...	357
The imposition of a—would injure more than it would help the Government ...	35	<i>License Bill, North-Western Provinces—</i>	
<i>Oudh—</i>		<i>Hon'ble J. Inglis, 10th March 1871—</i>	
Most suitable ...	ib	Introduction of a Bill for imposing a duty on certain trades and dealings in the North-Western Provinces and Oudh ...	365
It might be graduated from a maximum of Rs. 1,000 to a minimum of Rs. 5	36	Objects of the Bill ...	ib
It would reach the non-agricultural population	ib	Classification ...	ib
<i>Madras—</i>		Assessment ...	ib
Tax on trades and professions has already been appropriated ...	37	Yield of the tax in the North-Western Provinces estimated between 9 and 10 lakhs; no estimate for Oudh had yet been framed ...	366
<i>Punjab—</i>		<i>Hon'ble Sir Geo. Campbell—Debate of 18th March 1871—</i>	
May be made to yield more than the amount realized from it in 1861 ...	38	Describes it as a new Bill introducing new taxation ...	ib
There could be levied a license fee on marriages ...	39	<i>Hon'ble Sir Richard Temple—Debate of 18th March 1871—</i>	
<i>Bombay—</i>		Distinctly objects to any comparison being made between this sort of tax and an income tax; whatever the merits of this tax might be, it must stand by itself ...	367
Upon trades and professions, unobjectionable	44	<i>Hon'ble John Strachey—Debate of 19th March 1871—</i>	
<i>Financial Statement of 5th March 1867—</i>		Of late years, license taxes and certificate taxes had been imposed on the commercial classes, but all these Bills, whatever they might have been called, had been in reality income taxes in disguise ...	368
Government, without giving a definite pledge, does not propose that this shall form a permanent source of the imperial revenue	50	The peculiarity of this Bill was one of its greatest merits ...	ib
During the first year it will be collected and credited like any other tax	ib	It imposed small duties on certain specified trades and dealings ...	ib
It is better suited to local purposes than to the general purposes of the State	ib	But it did not propose to place any duty on trades and the non-agricultural classes generally ...	ib
In another year the tax will be transferred to the several local Governments and Administrations ...	ib	It involved no inquiry into traders' means, and afforded no opportunities for extortion ...	ib
<b>MR. MASSEY'S SECOND SCHEME—</b>			
<i>Colonel R. Strachey's Note—</i>			
One-fourth of a license tax (assumed to be raised) to be transferred to Local Governments ...	53		
<i>Mr. Massey's Minute of 7th September 1867—</i>			
Accompanied by a license tax	63		
The license tax appropriated for the present to the exigencies of the Government of India	ib		
<i>Central Provinces—</i>			
The license tax (Pandhari) also exists ...	112		
<i>British Burmah—</i>			
Observations on the presumed modified shape the existing license tax will take ...	130		
Objections that exist to certain portions of such a tax being put in force in Burmah	ib		
Impolicy of imposing a license tax on the people of British Burmah ...	131		
Deprecates the imposition of the license tax in supersession of the existing capitation tax	ib		
<i>Punjab—</i>			
Remarks with regard to entries under "License tax" ...	139		



	PAGE
<b>LICENSE TAX—concluded.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Hon'ble John Strachey—Debate of 18th March 1871—continued</i>	
Every trader that wanted to know what he had to pay had only to look at the schedule ...	363
<i>Hon'ble John Inglis, 27th March 1871—</i>	
It was not intended to proceed with the Bill, as the Lieutenant-Governor of the North-Western Provinces and the Chief Commissioner of Oudh considered it unnecessary to levy the tax proposed under it ..	369
<i>Hon'ble J Strachey, 27th March 1871—</i>	
Explained that the Bill was originally drawn for the North-Western Provinces, and it was afterwards thought expedient to extend it to Oudh, there was no present intention of putting it in force in Oudh ..	ib.
<i>Hon'ble B H. Ellis, 6th April 1871—</i>	
Observations regarding the withdrawal of the License Tax Bill, and exception taken to the grounds of withdrawal ..	393
<i>Towns Improvement and Local Funds Bills—Bombay Presidency—</i>	
Attempt has been made to supplement that taxation by a kind of license which those may avoid who do not wish to spend ..	417
<i>Bengal—Hon'ble Sir Geo. Campbell, 25th March 1871—</i>	
The only really new tax that had been proposed by the several Local Governments was the license tax, and it would be for the Council to consider whether a similar tax should be adopted for Bengal ...	424
<b>OPINIONS IN PARLIAMENT—</b>	
<i>Sir S Northcote—</i>	
The license tax, though unpopular and unpleasing, may in some parts of the country be accepted as a convenient form of taxation ...	495
<b>OPINIONS IN ENGLAND LOCAL TAXATION—</b>	
<i>The Right Hon'ble W. N. Massey—</i>	
Reason for preferring a license tax to an income tax ...	527
<b>LOANS—</b>	
<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
Remarks on loans ..	206
Loans required by Local Governments and Municipalities should be obtainable only from the Government of India, and only granted for remunerative works ..	ib.
The borrowing for any extraordinary works would not be included in any local fund system ..	207
<b>COLONEL C. CHESNEY'S SCHEME—</b>	
Loans can only be raised by the Supreme Government ..	219
<b>LOCAL COMMITTEES—</b>	
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Local Rates Bill, Oudh—Hon'ble B H Ellis, 15th March 1871—</i>	
One of the main principles of the Bill was the assistance to be derived from the co-operation of local committees ..	353
<i>Local Rates Bill, N-W-Provinces—Hon'ble J Inglis, 18th March 1871</i>	
Section 14 of the Bill empowers Local Governments to appoint local committees for the management of this fund ...	372

	PAGE
<b>LOCAL COMMITTEES—continued</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Hon'ble Sir Geo. Campbell, 15th March 1871—</i>	
The power exercised by local committees over local funds was open to question ..	373
<i>Hon'ble B H Ellis, 18th March 1871—</i>	
There were some district officers who had no difficulty in dealing with local committees, was more hopeful than Sir George Campbell of the increasing usefulness of local committees ..	374
<i>His Excellency Earl of Mayo, 6th April 1871—</i>	
Expresses great satisfaction in respect of the opinions enunciated by the Lieutenant-Governor on the subject of local committees ..	389
<b>LOCAL FUNDS—</b>	
<b>MR. MASSEY'S FIRST SCHEME—</b>	
<i>Bengal—</i>	
Local funds utterly insufficient for the repair of roads ..	32
Funds required in each district must be raised by a rate upon property in the district itself ..	ib.
<i>Madras—</i>	
Summary of local legislation for raising local funds ..	37
<i>Bombay—</i>	
Summary of what has already been done to increase local funds ..	45
<b>MR. MASSEY'S SECOND SCHEME—</b>	
<i>Colonel R Strachey's Note—</i>	
Local funds created by an increase of land revenue for local purposes by means of the general revenue establishments should bear a rateable share of the cost of those establishments ..	54
Redistribution of the income and expenditure under local funds necessary ..	56
<i>Hon'ble H S. Maine—</i>	
Local funds may safely be augmented to the amount of English county expenditure ..	66
<i>Central Provinces—</i>	
Local funds; income and expenditure,—statements of, classed as provincial or local ..	112
<i>Punjab—</i>	
Showing how the income at present included under local and municipal funds may be divided ..	140
<i>Madras—Note by the Revenue Secretary—</i>	
Statement of local funds revenue ..	150
<i>Madras—Board of Revenue—</i>	
Remarks on the administration of local funds ..	172
Statement A of local funds in Madras, under the management of the Board of Revenue ..	181
<b>SIR RICHARD TEMPLE'S PROPOSALS—</b>	
Local funds should be left, as at present, absolutely at the disposal of the Local Government ..	190
Local funds discussed ..	284
Local funds establishments limitation of power to sanction salaries payable from local funds by a Local Government ..	207
<b>COLONEL C CHESNEY'S SCHEME—</b>	
Distinction between provincial revenue and existing local funds ..	213
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Punjab—Sir D. F. Macleod—</i> The proposal that landholders of each district should take an active part in the management of local funds is one of the very first importance ..	280

PAGE	PAGE
<b>LOCAL FUNDS—continued.</b>	<b>MARRIAGE TAX—</b>
<b>EARL OF MAYO'S MEASURE—continued.</b>	<b>MR. MASSEY'S SECOND SCHEME—</b>
<i>Punjab—Sir D. F. Macleod—continued</i>	<i>Punjab—</i>
Approves of the formation of a fund for the maintenance of railway feeders by the levy of a cess on goods brought to railway stations; the relief afforded thereby to local funds of districts would be very great 281	Proposes a tax on marriages ... 140
The existing road fund has been imposed for the maintenance of district roads only <i>ib.</i>	<b>EARL OF MAYO'S MEASURE—</b>
<i>Punjab—Financial Commissioner—</i>	<i>Sir Richard Temple's Memo. on local finance—</i>
Provision to be made in the new settlements for the formation of a district fund for municipalities and other purposes ... 284	The marriage tax—one of the known ways of taxing the people ... 228
<i>Local Rates Bill, N.-W. Provinces—Hon'ble Sir George Campbell, 18th March 1871—</i>	Draft of a possible Bill for the marriage tax ... <i>ib.</i>
Remarks on the nature of the provision made in the Bill for the administration of local funds ... 373	The marriage tax, if imposed, should be reserved for imperial purposes 220
<i>Towns Improvement and Local Funds Bills, Madras Presidency—Hon'ble A. J. Arbuthnot, 17th February 1871—</i>	<i>The Hon'ble J. Strachey—</i>
Expediency of abandoning the proposal, which was carried in the Select Committee, that the local funds circles should be conterminous with the revenue talooks ... 398	Does not think the imposition of a tax on marriages as a source of imperial revenue, desirable ... 234
<i>Towns Improvement and Local Funds Bills, Bombay Presidency—Sir W. R. S. V. Fitzgerald, 5th April 1871—</i>	<i>His Excellency the Governor General—</i>
Great defects in the administration of local funds whereby economy in expenditure is not insured ... 416	The substitution, with advantage, of the marriage and other taxes for the income tax ... 233
<i>Hon'ble Colonel M. K. Kennedy, 21st April 1871—</i>	<i>N.-W. Provinces—Taxation Committee's Report—</i>
The local funds of the Bombay Presidency are very large, and are not economically administered ... 419	Proposed levy of a marriage tax ... 308
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>	<b>MEMBERS OF THE SELECT COMMITTEE ON INDIAN FINANCE.—</b>
<i>Mr. Da Costa—</i>	(See TABLE OF CONTENTS)
The money, instead of being applied to the object for which it is raised, probably goes to pay some deficit in the local fund ... 519	<b>MEMORANDA—(See TABLE OF CONTENTS)</b>
The people have no security that money raised for any particular object will be set apart for that object ... <i>ib.</i>	<b>MINUTES—(See TABLE OF CONTENTS) ;</b>
<b>EARL OF MAYO'S MEASURE—</b>	<b>MEDICAL SERVICES—</b>
<i>Reports of Local Governments on its operation—</i>	<b>EARL OF MAYO'S MEASURE—</b>
<i>Bengal—</i>	<i>North-Western Provinces—</i>
Sources of road funds	Medical services and printing are proper subjects for local administration ... 255
Appropriation of road funds ... 567	<b>MINUTES AND NOTES IN 1872 AND 1873—</b>
Yield of road funds ...	<i>His Excellency the Viceroy (Lord Napier of Merchistoun)—</i>
<b>MINUTES AND NOTES IN 1872 AND 1873—</b>	Medical establishments, if placed under the exclusive management of the Local Governments, would probably better harmonize with the various schemes on foot for the development of medical relief, the sanitation of towns and villages, and the improvement of vaccination ... 586
<i>Hon'ble Sir Richard Temple—</i>	<i>The Hon'ble Sir John Strachey—</i>
Draws a clear distinction between provincial and local funds ... 594	Advocates the transfer of medical civil salaries, &c., with other imperial charges, to provincial ... 590
The excise revenue of British Burmah cannot be made over to local funds ... <i>ib.</i>	<i>Hon'ble Sir Richard Temple—</i>
<i>Financial Secretary—</i>	The transfer of medical services altogether to the provincial category cannot be effected ... 595
Regarding the appropriation of fees to local funds ... 601	<i>Financial Secretary, 5th September 1873—</i>
<b>LOCAL WORKS—</b>	Regarding the transfer of medical services ... 601
<b>MR. MASSEY'S SECOND SCHEME—</b>	<b>MILL, MR.—</b>
<i>Sir W. R. Mansfield—</i>	Quotations from the works of— 643
Local Governments are better judges of what is required in the matter of local works for the several territories than the Supreme Government could be ... 101	Ditto ditto ... 644
<i>Madras—Lord Napier of Merchistoun—</i>	<b>MUNICIPALITIES—</b>
Suggestions as to the manner in which provision might be made for local works ... 190	<b>MR. JAMES WILSON'S SCHEME—</b>
	<i>Municipalities—to have a voice in the appropriation of the one per cent income tax proposed for strictly local purposes ... 1</i>
	<b>MR. LAING'S SCHEME—</b>
	<i>Nagpore—</i>
	The town duty for municipal purposes should be considerably reduced 22
	<b>MR. MASSEY'S FIRST SCHEME—</b>
	<i>Bengal—</i>
	People will object less to the payment of a municipal rate, if it be expended for their benefit and under their control. 32

	PAGE
<b>MUNICIPALITIES—continued</b>	
<b>MR MASSEY'S FIRST SCHEME—continued,</b>	
<i>Bombay—</i>	
Relief afforded to the Imperial Exchequer by the extension of—	45
<b>MR MASSEY'S SECOND SCHEME—</b>	
<i>Coah—Financial Commissioner of—</i>	
Approves the proposal that a certain fixed fraction of municipal revenues, together with equivalent charges, should be left to the exclusive administration of the better class of municipal committees	128
<i>Punjab—</i>	
Showing how the income at present included under local and municipal funds may be divided	140
<i>Madras—Lord Napier of Merchiston—</i>	
Municipal taxation and the road cess are destined to work out the most important ameliorations in this country	190
<b>EARL OF MAYO'S MEASURE—</b>	
<i>North-Western Provinces—Taxation Committee's Report—</i>	
The local objects to which any surplus of the municipal cess may be most appropriately assigned	300
<i>Local Rates Bill, North-Western Provinces—Hon'ble Sir W. Muir—</i>	
Property is now taxed through municipalities which exist in all our large towns; we have now in these provinces no fewer than 66 municipalities, raising between them an income of some 17 lakhs, or £170,000	390
A first charge on this revenue is the city police, and the municipalities, moreover, defray the cost of their roads, drainage, sanitation, &c., many also contribute to education, dispensaries, vaccination, poor-houses, &c.	ib.
<i>Local Rates Bill, Punjab—The Lieutenant-Governor, 26th May 1871—</i>	
About two millions of the non-agriculturists are brought under contribution through the agencies of the municipalities	395
<i>Towns Improvement and Local Funds Bills, Bombay Presidency—Sir W. R. S. Fitzgerald, 5th April 1871—</i>	
A fair demand has been made upon the wealthier municipalities	417
<i>Local Cesses, Madras Presidency—</i>	
Provisions of Madras Act IX of 1865	431
Provisions of Madras Act X of 1865	ib.
Contributions to police during the years 1867-68 to 1869-70 from mofussil municipalities and of State payments to those municipalities	ib.
Payments for dispensaries by municipalities	433
Abolition of the police contribution from municipalities	ib.
Repeal of Act IX of 1865 by the passing of the Local Funds and Towns Improvement Acts	435
Abandonment of the contribution required from the Presidency municipality under Act IX of 1865 of one-half the police charge	ib.
<i>Local Cesses, Bombay Presidency—</i>	
Regarding the withdrawal of the £10,000 a year from the Bombay Municipality	ib.
Citation from His Excellency the Governor's speech of 5th April 1871	ib.

	PAGE
<b>MUNICIPALITIES—concluded.</b>	
<b>EARL OF MAYO'S MEASURE—continued</b>	
<i>Local Cesses, Bombay Presidency—continued.</i>	
Citation from Mr. Mansfield's speech of 21st April 1871	442
<i>Local Cesses, Bengal, Lower Provinces—</i>	
In Bengal, provision for local expenditure for schools, hospitals, and sanitary purposes is only derived through municipal taxation	446
There are three classes of municipalities specified under Act XX of 1856, Act III of 1864, and Act VI of 1868	ib.
Under Bengal Council's Act II of 1873, the surplus arising under Act III of 1864, or Act VI of 1868, may be applied further to the establishment and maintenance of schools	ib.
Expenditure for the police of towns is provided for by Act XX of 1856, Act III of 1864, and Act VI of 1868	447
Support to dispensaries willingly given by municipalities	ib.
For rural police, the Village Chowkedaree Act VI of 1870 was passed	ib.
<i>Local Cesses, British Burmah—</i>	
Regarding the appointing of municipal committees in British Burmah	480
<b>OPINION IN ENGLAND. LOCAL TAXATION—</b>	
<i>Major-General R. Stracey—</i>	
The amount of municipal taxation is considerable	522
<i>The Right Hon'ble W. N. Massey—</i>	
Municipal Governments have their own separate systems of taxation	538
<i>Sir C. E. Trevelyan—</i>	
Constitution of municipal committees	549
<i>Sir C. Wingfield—</i>	
If these committees fairly represented public opinion, they might not levy any taxes	550
The Municipality of Bombay is not representative; the Justices of the Peace are the municipality	ib.
<b>MINUTES AND NOTES IN 1872 AND 1873—</b>	
<i>Hon'ble Sir Richard Temple—</i>	
Municipal fines may be credited to municipal revenues	594
<i>Financial Secretary—</i>	
Fines levied under Section 34, Act IV of 1861, may be credited to municipalities	601
<b>MUTAHARAFAT TAX—</b>	
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Punjab—Financial Commissioner—</i>	
Regarding the levy of a mutaharafa tax	282
<b>NON-AGRICULTURAL CLASSES—</b>	
<b>MR MASSEY'S SECOND SCHEME—</b>	
<i>Punjab—</i>	
A tax on non-agricultural classes might be levied	140
<b>EARL OF MAYO'S MEASURE—</b>	
<i>Punjab—Sir D. F. Macleod—</i>	
Considers it of vital importance that the non-agricultural classes should be simultaneously taxed	250
As respects the non-agricultural classes in villages, the tax might assume somewhat the form of the cesses termed "Kamans" "Mutaharafa," "Abtarafi," "Panahari," &c	ib.
<i>Hon'ble F. S. Chupman—Debate of 17th March 1871—</i>	
The non-agricultural classes were the only section of the community who might fairly be taxed	344

	PAGE	PAGE
<b>NON-AGRICULTURAL CLASSES—</b>		<b>OCTROI—continued.</b>
<i>continued</i>		<b>MR. MASSER'S FIRST SCHEME—continued.</b>
<b>EARL OF MAYO'S MEASURE—continued.</b>		<i>N.-W. Provinces—</i>
<i>Local Rates Bill, Oudh—Hon'ble J. Strachey—</i>		Has already been resorted to as a substitute for the unpopular house tax; it is unsound in principle, and is liable to degenerate into a transit duty, but it is popular
Proposal to extend to Oudh the license tax on certain sections of the non-agricultural community. . . . .	357	<i>Oudh—</i>
<i>License Bill, N.-W. Provinces—Hon'ble J. Strachey—Debate of 18th March 1871—</i>		Averse to its extension to fresh places for reasons stated . . . . .
Observations in correction of statements that the greater part of the funds required for local purposes would be raised from the non-agricultural and not from the agricultural classes . . . . .	368	<i>Madras—</i>
<i>Local Cesses, Bombay Presidency—</i>		Is a very objectionable mode of raising money . . . . .
Introduction of a Bill for imposing duties on the non-agricultural classes;—estimated yield Rs. 4,50,000 . . . . .	442	<i>Punjab—</i>
<i>Local Cesses, Punjab—</i>		Is already in force to the full extent it can be prudently imposed . . . . .
Observations respecting the taxing of non-agriculturists . . . . .	468	<i>Bombay—</i>
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>		Very objectionable . . . . .
<i>Mr J. M. Maclean—</i>		<b>MR. MASSER'S SECOND SCHEME—</b>
A tax on the rural non-agricultural population was levied; also a contribution on the large and wealthy cities of the presidency towards the expenditure of the police . . . . .	552	<i>Sir R. Mansfield—</i>
<b>OCCUPANCY RYOTS—</b>		In many parts of India, the octroi of towns is rapidly assuming the character and acting with the mischief of a transit duty
<b>EARL OF MAYO'S MEASURE—</b>		<i>Central Provinces—</i>
<i>Local Rates, Oudh Bill—Hon'ble Sir Geo. Campbell—Debate of 16th March 1871—</i>		Octroi duty already levied in towns . . . . .
He alluded to the provision which would enable the zemindar to recover from the occupancy ryots one and a quarter per cent upon the profit margin of their rentals . . . . .	358	<b>ONE PER CENT. INCOME TAX—</b>
One and a quarter per cent on the occupancy ryots' profit of 12½ per cent. would be a very small portion indeed—so very small that he thought it would not be worthwhile to permit such a deduction to be made . . . . .	36	<b>MR. LAING'S SCHEME—</b>
<i>Local Rates, Oudh Bill—Hon'ble Mr. Fitz-James Stephen—Debate of 18th March 1871—</i>		<i>British Burmah—</i>
Observation in reference to the liability of zemindars to pay the road cess . . . . .	359	Hoped that the one per cent. tax collected under Section 3, Act XXXII of 1860, would be available for the works enumerated . . . . .
<i>Local Rates, Oudh Bill—Hon'ble J. Strachey, 27th March 1871—</i>		<i>Government of India—</i>
On the expediency of making tenants with rights of occupancy pay a share of the rate in the way proposed by the Bill . . . . .	364	Instructions will be given hereafter as to the amount collected under the tax, but it is not available for the purposes suggested by the Commissioner of Pegu . . . . .
<i>Local Rates, Oudh Bill—Hon'ble Sir Geo. Campbell—Debate of 27th March 1871—</i>		<b>MR. MASSER'S FIRST SCHEME—</b>
Deferred to the opinions of the Chief Commissioner of Oudh and of the Committee respecting a rate on occupancy ryots, and as it was thought better to retain the provision, would not oppose it . . . . .	365	<i>Bombay—</i>
<b>OCTROI—</b>		The one per cent. income tax was meant to be permanent . . . . .
<b>MR. S. LAING'S SCHEME—</b>		<b>OPINIONS IN ENGLAND—(See TABLE OF CONTENTS.)</b>
A better subject to be dealt with by local than by imperial taxation . . . . .	5	<b>OPINIONS IN PARLIAMENT—(See TABLE OF CONTENTS.)</b>
<i>N.-W. Provinces—</i>		<b>OPIUM—</b>
Not extending to merchandize in transit, is the most acceptable form in which a local tax can be raised . . . . .	26	<b>MR. S. LAING'S SCHEME—</b>
<b>MR. MASSER'S FIRST SCHEME—</b>		<i>Nagpore—</i>
<i>Central Provinces—</i>		Transit duty on opium of Rs. 10 per cutcha maund . . . . .
A very fair and legitimate tax . . . . .	30	Rate of town duty levied on opium in Nagpore, Kamptee, the sudder stations of districts, and some of the chief quasbahs in the province . . . . .
<i>Bengal—</i>		Estimated yield of duty on opium . . . . .
Not suitable to any town in— . . . . .	33	Notification of a levy of customs duty on opium manufactured or imported into the Nagpore territory . . . . .
		<i>India, Government of—</i>
		Approves of the proposal respecting the levy of tax upon opium in the Nagpore territory . . . . .
		<b>EARL OF MAYO'S MEASURE—</b>
		<i>Sir Richard Temple's memorandum on Local Finance—</i>
		Remarks on the falling off, generally, of the revenue derived from opium . . . . .
		<i>Hon'ble J. Strachey—</i>
		Has every reason to hope that the anticipated falling off of more than a million in receipts on account of opium will not occur . . . . .

PAGE	PAGE
<b>OPIUM—continued</b>	<b>PANDHRI TAX—continued.</b>
<b>EARL OF MAYO'S MEASURE—continued.</b>	<b>EARL OF MAYO'S MEASURE—</b>
<i>His Excellency the Governor General—</i>	<i>Central Provinces—</i>
Circumstances will hardly justify anticipat- ing so great a loss on opium in the ensuing year as three-quarters of a million over the returns of 1870-71 . . . 236	Proposes to raise the Pandhri tax on all incomes between Rs. 200 to Rs. 500 . . . 266
There is reason to hope that the outturn of the opium revenue will be much more favourable than the estimate . . . <i>ib.</i>	<i>Local Cesses, Central Provinces—</i>
Probable price of Bengal opium taken at Rs 975 a chest for the present year . . . <i>ib.</i>	History of the pandhri or house-tax, which was transferred from imperial to local funds, one-half in 1868 and the other half in 1869 . . . . . 474
<i>The Hon'ble Mr. Ellis—</i>	On the abolition of the income tax in 1873, non-agriculturists on incomes exceeding Rs 1,000 a year were subjected to Pandhri tax . . . . . <i>ib.</i>
There is nothing to justify the apprehension that there will be three-fourths of a million, or even half a million, of loss on opium, as compared with the present year's estimate . . . . . 238	Willingness to meet the reduction of the gross provincial assignment by a re-appro- priation of the Pandhri tax . . . . . 475
<i>Circular, Government of India, dated 17th</i> <i>August 1870, to Government of Bengal—</i>	Surplus exhibited in the budget estimate of provincial funds was attained without starving any local funds services through the appropriation of the Pandhri tax for provincial services . . . . . 476
Little confidence in the stability of opium revenue . . . . . 248	<i>Reports of Local Governments on its operation,</i> <i>Central Provinces—</i>
<b>ORISSA—</b>	The Pandhri tax presses severely on small incomes, and has all the disadvantages possessed by a direct tax . . . . . 578
<b>EARL OF MAYO'S MEASURE—</b>	<b>POLICE—</b>
<i>Opinions in Parliament—Sir J Northcote—</i>	<b>MR MASSEY'S SECOND SCHEME—</b>
Observations on the distress caused by the famine in Orissa and anxiety to provide for those who accidentally became destitute . . . 495	<i>Sir W. R. Mansfield—</i>
<i>Irrigation cess and indirect revenue from</i> <i>irrigation—Major-General R. Strachey, 11th</i> <i>June 1872—</i>	Reference made to the police furor which raged without let or hindrance . . . . . 101
Orissa water-rate—Reduction in the— . . . 626	<i>Lord Lawrence, Viceroy and Governor General</i> <i>of India—</i>
Estimates of revenue on which the Com- pany originally carried out the Orissa Canal works were not only not approved by the Government, but were strongly discredited . . . . . 629	Observations regarding police arrangements alluded to by Sir W. R. Mansfield . . . 107
Every reason to suppose that the Orissa Canal works will eventually be profit- able . . . . . 630	<i>British Burmah—</i>
<i>Hon'ble Sir Richard Temple—</i>	Observations on police charges . . . . . 138
Observations on the drought in Orissa . . . 616	<i>Punjab—</i>
<b>PAWN—</b>	Remarks on the credit and debit entries under "Police" . . . . . 139
<b>MR S. LAING'S SCHEME—</b>	Remarks on police charges . . . . . 140
Remarks on tobacco apply equally to— . . . 9	<i>Madras—</i>
<i>India, Government of—</i>	<i>F. Lushington, Esq., Accountant General,</i> to meet the charges of police and education, proposes the transfer of the entire re- ceipts of the two departments, supplē- mented by a special grant equivalent to the balance of the estimated expen- diture . . . . . 152
Sanctions the preparation of a draft Bill by the Government of Bengal to impose a license upon the cultivation of— . . . 11	<i>Madras Board of Revenue—</i>
<i>Bengal—</i>	"Police" might be transferred at once to local management . . . . . 158
Submission of a draft Bill for the imposi- tion of a license upon the cultivation of— . . . . . <i>ib.</i>	<b>EARL OF MAYO'S MEASURE—</b>
<i>India—</i>	<i>Sir Richard Temple's memorandum on Local</i> <i>Finance—</i>
Objections raised to the draft Bill by the Hon'ble Messrs Forbes and Harrington. . . 14	"Police" omitted from consideration, as it seems to be beyond the scope of the powers of Local Governments . . . 227
<i>Bengal—</i>	Remarks on police charges . . . . . 236
Submission of an amended draft Bill to impose a license on the cultivation of— . . 15	<i>North-Western Provinces, dated 15th Septem-</i> <i>ber 1870—</i>
<i>India, Government of—</i>	Concurs in the proposal to treat "Police" as a branch of local Administration . . . 254
Approving of the amended draft Bill, and authorizing its introduction . . . . . 18	<i>Local Cesses, Bombay Presidency—</i>
<b>MR MASSEY'S FIRST SCHEME—</b>	Introduction of a Bill for defraying the cost of police in towns and suburbs;— estimated yield Rs 1,50,000 . . . . . 442
<i>Bengal—</i>	In discussing the Bill, the propriety of requiring municipalities to pay for the police of towns, as in all parts of India, was repeatedly affirmed . . . . . <i>ib.</i>
A considerable revenue might be raised by licensing the cultivation of— . . . . . 33	
<b>PANDHRI TAX—</b>	
<b>MR. MASSEY'S FIRST SCHEME—</b>	
<i>Central Provinces—</i>	
The Pandhri tax is already levied in cer- tain districts, and is capable of revision and extension . . . . . 30	

	PAGE		PAGE
<b>POLICE—continued.</b>		<b>POLICE, VILLAGE—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>		<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Local Cesses, Bombay Presidency—continued.</i>		<i>Local Cesses, British India—continued.</i>	
Sir S. FitzGerald ... ..	443	In the North-Western Provinces and British	
Mr. Ravenscroft ... ..	ib.	Burmah only are the rates and corre-	
Mr. Mungledoss Nathoooboy ... ..	ib.	sponding charges passed through the ac-	
Mr. Stewart ... ..	ib.	counts of local funds as cesses on land	
Mr. Tucker ... ..	443	revenue and as charges of rural police ...	ib.
Mr. Mansfield ... ..	ib.	<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>	
More than half the income generally of		<b>REVENUE, BRITISH BURMAH—</b>	
municipalities in the Bombay Presidency		<i>Colonel Sir A. P. Phayre—</i>	
is derived from town duties. In the		In British Burmah a cess has been levied for	
North-Western Provinces, the Punjab, and		rural police, which has been cheerfully paid	512
Central Provinces, where municipal income		<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>	
is largely derived from octroi, municipali-		<i>Mr. Da Costa—</i>	
ties pay the entire charge of their police...	ib.	Explanation of the chowkedaree tax ...	513
<i>Local Cesses, Bengal—</i>		The mode of levy of chowkedaree tax ...	ib.
Expenditure for the police of towns is		<b>PROVINCIAL SERVICES &amp; FUNDS—</b>	
provided for by Act XX of 1856, Act III of		<b>EARL OF MAYO'S MEASURE—</b>	
1864, and Act VI of 1868 ... ..	447	<i>Government of India's Resolution, dated 14th</i>	
<b>POLICE, VILLAGE—</b>		<i>December 1870—</i>	
<b>EARL OF MAYO'S MEASURE—</b>		Imperial assignments for provincial services	327
<i>Local Rates Bill, North-Western Provinces—</i>		Orders for the preparation of the provincial	
<i>Hon'ble Sir George Campbell, 15th March</i>		service estimates ... ..	ib.
<i>1871—</i>		Publication of yearly estimates by Local	
Two-thirds of the expenditure was not for		Governments in the local Gazette ...	ib.
the purposes for which local cesses were		Receipts arising out of services transferred	341
ordinarily levied, but was to be devoted		<i>Local Rates Bill, Oudh—His Excellency the</i>	
to the maintenance of village chowkedars	374	<i>Earl of Mayo—</i>	
Was unwilling to see the village chowke-		Sums to be made up by Local Governments	
dar turned into a Government officer at an		to supply provincial services during the	
expense equal to that for maintaining the		ensuing year ... ..	362
native army ... ..	ib.	<i>Opinions in Parliament—Mr. Grant Duff—</i>	
It was better to maintain the independence		Explanation of the nature and extent of	
of an indigenous institution like the vil-		imperial assignments for provincial services	497
lage constabulary ... ..	ib.	<b>EARL OF MAYO'S MEASURE—</b>	
<i>Local Rates Bill—Hon'ble B. H. Ellis, 18th</i>		<i>Reports of Local Governments on its operation,</i>	
<i>March 1871—</i>		<i>Bengal—</i>	
He presumed by the term "Police" was		The manner in which the decentralization	
meant the police of the villages, he trusted		system has affected the measures of the	
that an assurance would be given that it		Local Government under each head of service	569
was not intended to impose a heavy tax		<b>MINUTES AND NOTES IN 1872 AND 1873—</b>	
to provide a stipendiary force in substi-		<i>Hon'ble Sir Richard Temple—</i>	
tution of the old village police ... ..	ib.	Is not prepared to recommend any exten-	
<i>Local Cesses, Bombay Presidency—</i>		sion of the provincial service system ...	594
For rural police, the Village Chowkedaree		Necessity of a general watchfulness over	
Act VI of 1870 was passed; its provisions		provincial services by the Government of India	ib.
stated, and observations thereon ... ..	447	Would not make any charge on provincial	
<i>Local Cesses, North-Western Provinces—</i>		services for pensions or leave allowances	
Until 1871, the permanently-settled districts,		of officers employed thereon ... ..	ib.
in addition to other cesses, supported their		Imperial dues on quarries, gravel pits, and	
village police by the grant of land termed		the like, ought not to be credited to pro-	
<i>jagir</i> land; those <i>jagirs</i> were exempted		vincial services ... ..	595
from assessment on the express under-		<i>Financial Secretary, 5th September 1873—</i>	
standing that they might be resumed at		Whether provincial funds should be ex-	
any time should Government determine to		pend on any service which has not been	
free the proprietors from their responsi-		transferred to those funds? ... ..	599
bility for the payment of the village		Whether any measure chargeable to provin-	
police ... ..	459	cial funds, but involving new and lasting	
In 1871, the <i>jagir</i> lands were resumed, and		financial obligations, should be carried out	
the rent is now credited to local funds of		by a provincial Government without the	
the North-Western Provinces as a set-off to		sanction of the Government of India? ..	600
corresponding payments for village police	460	May provincial Governments lend or invest	
<i>Local Cesses, Central Provinces—</i>		provincial and local funds? .. ..	ib.
There is no cess for village police who are		<i>Pensions and absentee allowances—</i>	
maintained by the landholders without		Of officers paid from local funds to be	
the payment passing through the Govern-		borne by the Government of India ...	601
ment accounts ... ..	474	<b>PUBLIC DEBT OF INDIA—</b>	
<i>Local Cesses, British India—</i>		<b>MR. MASSY'S SECOND SCHEME—</b>	
Village police maintained in all parts of		<i>Hon'ble H. S. Maine—</i>	
India by grants of land, or from rates on		Mainly incurred through imperial, and not	
land ... ..	491	through local extravagance ... ..	67

PAGE	PAGE
<b>PUBLIC DEBT OF INDIA—continued</b>	<b>PUBLIC WORKS—continued</b>
<b>MR. MASSEY'S SECOND SCHEME—continued.</b>	<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>
<i>Lord Lawrence, Viceroy and Governor General of India—</i>	<b>REVENUE, BRITISH INDIA—</b>
Remarks on the increase of the public debt since the year 1840 . . . 106	<i>Sir C J Wingfield—</i>
<b>PUBLIC WORKS—</b>	Employment of the people on public works in the Madras Presidency . . . 514
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>	Forced labour for the repair of roads ;—regarding the practice of— . . . <i>ib.</i>
<i>Major-General R. Strachey—</i>	<b>MR. MASSEY'S SECOND SCHEME—</b>
Regarding the remitting authority over public works to Local Governments . . . 521	<i>Colonel R. Strachey's Note—</i>
There has been no definition of the works to be thrown on the imperial revenues and those to be carried out through provincial agency . . . 523	Expenditure on public works . . . 60
And there is no direct security that some portion of the public works extraordinary expenditure will not be defrayed by local taxation . . . . . <i>ib.</i>	Actual and estimated public works charges . . . <i>ib.</i>
<i>Sir C E Trevelyan—</i>	<i>Financial Secretary's Note of 28th September 1867—</i>
Application of the change of system in respect of public works . . . 543	Danger of the transfer of a million of public works charge with an equal amount of revenue to the Local Governments . . . 84
The administration of public works should be decentralized and placed under the several Local Governments . . . 546	<i>Hon'ble H. M. Durand—</i>
<i>Madras—</i>	Remarks on the control and supervision over public works of magnitude . . . 96
<i>Memorandum by Colonel C. A. Orr, Secretary to the Government of—Public Works Department—</i>	<i>North-Western Provinces—</i>
Submits a marginal table, showing that the amount of charge proposed to be transferred for expenditure under certain heads of public works outlay is very nearly equal to the average assignments under the same heads in the Imperial Budget for the last three years . . . . . 150	Entries under public works are of normal expenditure, and until the public offices at Allahabad and jail buildings now in progress elsewhere are completed, it is possible that an extraordinary grant will become necessary in aid of provincial funds . . . . . 121
<i>F Lushington, Esq, Accountant General—</i>	<i>British Burmah—Observations on public works charges . . . . . 134</i>
Public Works receipts, excluding irrigation, should be transferred to the Local Government to meet expenditure on account of roads and agricultural repairs . . . 151	Statement of balance of revenue transferred to provincial account which would be available for expenditure on public works, and the proposed application of it . . . 138
<b>EARL OF MAYO'S MEASURE—</b>	<i>Punjab—</i>
<i>His Excellency the Governor General—</i>	Provision for repairs of Police buildings quite insufficient . . . 139
The transfer of public works to Local Governments will involve a considerable reorganization of the personnel of the Public Works Department . . . . . 237	Central control would not be loosened in respect of public works expenditure . . 142
<i>Local Rates Bill, Oudh—</i>	Remarks on the inclusion of expenditure on military buildings in the charges transferred . . . . . <i>ib.</i>
<i>Hon'ble Sir Geo. Campbell—Debate of 10th March 1871—</i>	<i>Punjab—</i>
Observations on the financial system of the Public Works Department . . . 355	<i>Colonel R. MacLagan, Secretary to the Government of—Public Works Department—</i>
<i>Local Cesses, Bombay Presidency—</i>	Observations in respect of civil buildings . . . . . 145
Remarks made in the discussion of the budget estimate of provincial funds for 1871-72 respecting the administration of the public works expenditure from the two-thirds of the one-anna cess . . . 445	Estimated annual charge on account of new civil buildings . . . . . 146
Orders passed by the Government of Bombay, whereby Executive Engineers are placed in charge of works executed from local funds, subject to certain conditions and limitations, which preserve to local fund committees all proper control over those works . . . . . <i>ib.</i>	Estimated charges on account of repairs of all civil buildings . . . . . <i>ib.</i>
<i>Local Cesses, Punjab—</i>	It is not proposed to transfer any part of the charge on account of imperial public works establishments . . . . . <i>ib.</i>
Provision for public works establishments 468	Public Works revenue—Income, excluding irrigation revenue, is small . . . . . <i>ib.</i>
<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>	Proceeds of boat-bridge and ferry tolls are the largest items of income in connection with public works . . . . .
<b>REVENUE, BRITISH BURMAH—</b>	<i>Madras—Note by the Revenue Secretary—</i>
<i>Colonel Sir A P Phayre—</i>	The transfer of irrigation works from the Imperial Public Works Department not at all desirable . . . . . 150
The Government have a right to assess the people for the execution of public works . . 512	<b>PUBLIC WORKS LOANS—</b>
	<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>
	<i>Sir C E Trevelyan—</i>
	Public Works loans not to be raised without the sanction of the Supreme Government . . . . . 547
	<b>PUNJAB CANAL ACT—</b> . . . . . 632
	(See also CANALS )

	PAGE	PAGE
<b>RAILWAYS—</b>		<b>REGISTRATION—continued.</b>
<b>MR. MASSEY'S SECOND SCHEME—</b>		<b>EARL OF MAYO'S MEASURE—continued.</b>
<i>Punjab—</i>		<i>Government of India, dated 11th October 1870—</i>
<i>Mr. L. C. Probyn, Accountant General—</i>		The question whether jails and registration
Observations in regard to the guaranteed		should continue imperial will be decided
interest on Railway enterprise ...	142	when the several Local Governments have
<b>COLONEL C. CHESNEY'S SCHEME—</b>		expressed their opinion thereon ..
Railways involve a central superintendence	212	<b>RETRENCHMENT—</b>
<b>EARL OF MAYO'S MEASURE—</b>		<b>MR. S. LAING'S SCHEME—</b>
<i>Punjab—</i>		<i>Circular, Government of India, dated 16th</i>
Proposed levy of a tax on Railway traffic		<i>March 1861—</i>
towards the charge for maintenance of		It is evident, therefore, that the most vigor-
roads ... ..	288	ous measures of further reduction are
<b>OPINIONS IN ENGLAND. CESSSES ON LAND</b>		immediately incumbent upon the Govern-
<b>REVENUE—</b>		ment. Large reductions have been made,
<i>Bombay—Sir H. B. F. Frere—</i>		and others are in course of making, in the
Railways increase, immensely more than		Army, Marine, Police, and other depart-
roads, the price of produce ...	501	ments ... ..
The difficulty with regard to India is cer-		<b>EARL OF MAYO'S MEASURE—</b>
tainly greatly increased by the expendi-		<i>Circular, Government of India, dated 17th</i>
ture on Railways ... ..	ib.	<i>August 1870, to the Government of Bengal—</i>
In principle, there would be no reason		Each local Government will then have to
against the levy of a cess for Railways,		consider how far the deficiency can be met
but it would be dangerous to raise the		by redistribution and retrenchment ...
question prematurely ... ..	ib.	<i>Central Provinces—</i>
<i>Madras—Mr. R. A. Dalryell—</i>		There are two modes in which the reduction
Railways are always considered to be not		can be met, viz, new taxation and reduced
local, but imperial works ...	504	expenditure ... ..
<i>Central Provinces—Mr. J. H. Morris—</i>		<i>British Burma—</i>
A local tax for a district for a railway is		Demurs to a retrenchment of grant ...
justifiable ... ..	ib.	Earnestly desires a re-consideration of the
The imposition of a cess for paying the		proposed retrenchment ... ..
interest of a loan for such objects would		<i>The Hon'ble B. H. Ellis—Debates of 17th</i>
be equally justifiable ... ..	ib.	<i>March 1871—</i>
A cess for Railways could not be negotiated		Observations on reductions ... ..
with the people by mutual arrange-		<i>Towns Improvement and Local Funds Bills,</i>
ment ... ..	505	<i>Madras Presidency—Hon'ble A. J. Arbuth-</i>
The cess proposed for meeting the expenses		<i>not, 17th February 1871—</i>
of the Rapore Railway would be a tenta-		Deficiency cannot be met to any appreciable
tative measure ... ..	506	extent by retrenchment ... ..
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>		<i>Towns Improvement and Local Funds Bills,</i>
<i>Sir C. E. Trevelyan—</i>		<i>Bombay Presidency—Sir W. R. S. V. Fitz-</i>
The general management of Railways		<i>gerald, 5th April 1871—</i>
should be under the general Government ;		Reduction found impossible ... ..
would leave the detailed arrangement to		If it were possible by retrenchment to
the Railway Companies in communication		make our present means equal to our
with the Local Governments ... ..	546	wants, that should be our first care ...
<b>EARL OF MAYO'S MEASURE—</b>		<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>
<i>Reports of Local Governments on its opera-</i>		<i>The Right Hon'ble W. N. Massey—</i>
<i>tion, Central Provinces—</i>		It is a hopeless task for the Supreme Gov-
It is a fair question whether the local cess		ernment to attempt to introduce retrench-
in the whole of a country to be benefited		ment into the details of Indian expendi-
by a Railway may not be appropriate for		ture, the Local Governments must do it... ..
the expense of its construction ... ..	552	<b>RESOLUTION of 14th December 1870 ..</b>
<b>RAW PRODUCE—</b>		<b>REVENUES—</b>
<b>MR. S. LAING'S SCHEME—</b>		<b>MR. MASSEY'S SECOND SCHEME—</b>
<i>Oudh—</i>		<i>British Burma—</i>
Levy of a tax on—within the country of its		Distinction between local and provincial
production highly impolitic ... ..	20	revenue ... ..
Unless the produce of such tax be laid out in		Statement of proposed transfer of revenues
facilitating the growth of the article		to provincial account ... ..
taxed ... ..	ib.	Statement of balance of revenue transferred
Or its carriage to markets, in the shape of		to provincial account which would be
a toll on irrigation or roads ... ..	ib.	available for expenditure on public
<b>REGISTRATION—</b>		works ... ..
<b>EARL OF MAYO'S MEASURE—</b>		<i>Madras Board of Revenue—</i>
<i>North-Western Provinces, dated 15th Septem-</i>		Statement of provincial revenue ... ..
<i>ber 1870—</i>		<b>MR. MASSEY'S FIRST SCHEME—</b>
Registration is also but little amenable to		<i>Financial Statement of 5th March 1867—</i>
local control in its financial results, and		Many sources of—might be made avail-
would be glad to see it excluded from the		able for local purposes which cannot be
scheme ... ..	254	raised for imperial objects ... ..



PAGE	PAGE
REVENUES— <i>continued.</i>	REVENUES— <i>continued.</i>
MR. MASSEY'S SECOND SCHEME— <i>continued.</i>	MR. MASSEY'S SECOND SCHEME— <i>continued.</i>
<i>Colonel R. Strachey's Note—</i>	<i>British Burmah—</i>
Heads of revenue proposed to be transferred to Local Governments . . . 54	It is essential that a sufficient revenue be made over to meet the entire charge which is to be transferred . . . 130
Mode of dealing with provincial revenues... 57	Some important modifications necessary under the heads of revenue to be transferred pointed out . . . <i>ib.</i>
The Government of India would not surrender its right of withdrawing from the Local Governments any needful revenues in case of emergency . . . <i>ib.</i>	Observations on the amount of imperial revenue paid by British Burmah . . . 132
Statement No. 2 of proposed transfer of revenues . . . 59	Statement of revenue derived from income, license, and capitation taxes rated on the population . . . <i>ib.</i>
Statement No. 4, balance of revenue available to meet public works charges . . . 61	Proposed transfer of revenue derived from the 5 per cent. cess . . . 133
<i>Mr. Massey's Minute of 7th September 1867—</i>	No new sources of revenue to suggest . . . 134
Certain portions of revenue allocated to the several Governments and administrations 63	<i>Punjab—</i>
<i>Hon'ble H. S. Maine—</i>	Mr. L. C. Probyn, Accountant General, thinks that the transfer of imperial revenue might be much more extensively made than set forth in the proposition . . . 141
Advantage in appropriating a considerable part of the revenues of India to the needs of Local Governments . . . 66	Details of proposed transfers . . . <i>ib.</i>
<i>Lord Lawrence, Viceroy and Governor General of India—</i>	Observations in regard to the transfers of heads of revenue to local control . . . 142
Observations on the expectations that the items of revenue transferred to Local Governments will prove more elastic and therefore more productive . . . 93	Not in a position to say what special sources of income are available in aid of the suggested transfers of revenue . . . 143
<i>Hon'ble Sir H. M. Durand—</i>	<i>Colonel R. MacLagan, Secretary to the Government of the— in Public Works Department—</i>
Deprecates the reduction of the authority and power of the Governor General in the effective control of the imperial revenues 97	Considers that the proposed transfer of revenue might be slightly increased . . . 145
<i>Hon'ble W. N. Massey—</i>	<i>Madras—</i>
Would reserve certain revenues upon which the people of India have no claim for the maintenance of the army and the other services which concern the interests of the common weal . . . 98	<i>Hon'ble Sir Thomas Pycroft—</i>
And would allot the remainder of the revenues, with other proceeds of public income, ratably among the local administrations . . . <i>ib.</i>	Unable to suggest any special sources of income in aid of the suggested transfers of revenue . . . 148
<i>Hon'ble Sir H. M. Durand—</i>	<i>Note by the Financial Secretary—</i>
Remarks on the alienation of one-sixteenth of the imperial revenue to the Local Governments . . . 108	Not aware of any sources of revenue left untapped in that presidency . . . 149
<i>Central Provinces—</i>	Thinks that the forest revenue and charges might be transferred to the Local Governments with advantage . . . 150
Would assign the whole or a share of the more local and elastic sources of revenue . . . 109	<i>F. Lushington, Esq., Accountant General—</i>
Heads of revenue to meet heads of charge enumerated . . . <i>ib.</i>	Analysis of the revenues and charges proposed to be transferred which, for the most part, are not appropriate for that purpose . . . 151
Heads of revenue that should be retained by the Supreme Government . . . <i>ib.</i>	Wherever practicable, the management of an entire department or source of revenue, and not a portion only, should be made over to the Local Government . . . 151
<i>North-Western Provinces—</i>	Observations on the finality of Mr. Massey's proposed transfers . . . 152
With a specified reservation, and on the understanding that the revenue transferred will amount to 52½ lakhs per annum, will be prepared to accept the transfer of charges as proposed for these provinces as a tentative measure . . . 121	<i>Board of Revenue—</i> Remarks on assignments of revenue on account of roads, police, and minor works of irrigation . . . 159
<i>Oudh—</i>	Remarks on the sources of revenue to be transferred with "Jails" and "Education." . . . 165
These revenues go into a common fund, and to determine how much ought to be given to one province and how much to another is under the present system simply impossible . . . 125	Statement showing the result of Mr. Massey's transfers in 1868-69 as regards that presidency . . . 166
If the present scheme be carried out, many sources of imperial revenue may probably become more productive than they are now 127	Madras Government not open to the charge of having improperly appropriated "truly public revenue" . . . 172
<i>Financial Commissioner of—</i>	Consideration of the revenues available for transfer to Local Governments . . . 177
No difficulty apprehended in consolidating the assignments in question with the unappropriated local funds into one provincial revenue . . . 128	No new sources of revenue available except the income tax . . . 180
	Statement of imperial revenues . . . 183

PAGE	PAGE
REVENUES— <i>continued</i> .	REVENUES— <i>continued</i> .
SIR RICHARD TEMPLE'S PROPOSALS—	REPORTS OF LOCAL GOVERNMENTS ON ITS
Cannot recommend the absolute surrender	OPERATION— <i>continued</i> .
of any part of the general revenues ... 198	<i>His Excellency the Governor, 16th September</i>
Assumes that all heads of revenue are to	1872— <i>continued</i> .
remain under the command of the central	Sees no reason for supposing that the Gov-
Government ... 204	ernment of India would give to the Local
Certain receipts of imperial revenue examined,	Governments a control over the chief
but finds that nothing material in this	sources of revenue ... <i>ib</i>
way can be localized ... 206	<i>Hon'ble H. P. St. G. Tucker, 4th October 1872—</i>
COLONEL C CHESSNRY'S SCHEME—	Is willing that the increased assignment
The allotment of revenues necessitates the	should be based on a percentage of the net
action of some central authority ... 213	revenues under the heads which have been
Some of the provinces have no surplus re-	specified ... 562
venues ... <i>ib</i>	<i>His Excellency the Governor, 10th October 1872—</i>
Provincial Governments have no interest in	The admission of Local Governments to a
raising the revenues ... 214	share of the imperial revenue preferable
Revenues to be dealt with provincially ... 215	to local taxation ... 563
Distinction drawn between provincial re-	EARL OF MATO'S MEASURE—
venue and local funds ... 218	<i>Reports of Local Governments on its operation</i>
EARL OF MATO'S MEASURE—	<i>—Central Provinces—</i>
<i>His Excellency the Governor General—</i>	All revenue, less a portion for meeting imper-
Provision to be made for half a million of	ial charges, should be made provincial 579
money on account of loss of revenue ... 235	Would urge that Local Governments be
Circular, Government of India, dated 17th	allowed to share in the progressive in-
August 1870. A loss of revenue to the	crease of imperial revenue... 581
amount of at least one million sterling ... 243	MINUTES AND NOTES IN 1872 AND 1873—
<i>Colonel the Hon'ble R. Strachey—Debate of</i>	<i>Lord Napier of Merchiston—</i>
<i>17th March 1871—</i>	The re-partition of imperial revenues was
No greater <del>error</del> than to talk of the inelastic	unjustifiably unequal ... 583
character of the Indian revenues ... 348	Recommends the transfer of the depart-
The revenues had increased at the rate of	ments of land revenue, forests, ecclesi-
nearly half a million a year ... <i>ib</i>	astical, and medical establishments to Local
It was the increase of expenditure that had	Governments ... <i>ib</i>
brought the Government into financial	<i>Sir John Strachey, 28th July 1872—</i>
difficulties in spite of the constant growth	If revenues be assigned to Local Govern-
of the revenues ... <i>ib</i>	ments, a corresponding amount of fresh
<i>Local Rates Bill, Oudh—His Excellency the</i>	charge should be transferred from imperial
<i>Earl of Mayo—</i>	to provincial ... 590
Imperial revenue must, as hitherto, be	In assigning to Local Governments a certain
managed by the supreme authority ... 360	proportion of the revenues, the minimum
At some future time it may be thought	share of the Imperial Government should
desirable to apportion certain heads of	be fixed ... <i>ib</i>
revenue to local authority reducing pro-	If the revenue should expand, the Local
portionately their grants ... <i>ib</i>	Government would receive 50 per cent. of
OPINIONS IN ENGLAND. CASSES ON LAND	the increase ... 591
REVENUE, BOMBAY—	Assignments of transferred revenue should
<i>Sir H. B. E. Frere—</i>	be revised from time to time ... <i>ib</i>
It is doubtless a right principle, if the Gov-	<i>Sir Richard Temple, 29th July 1872—</i>
ernment can spare it, that it should spend	If a source of imperial revenue is developed
some part of its income derived from landed	by provincial expenditure, provincial
estates on works that will develop the	funds should not share in the revenue
produce of the land ... 502	derived therefrom ... 593
LOCAL TAXATION—	Cannot alienate any part of imperial revenue
<i>Sir C. E. Trevelyan—</i>	Is not convinced that any branch of revenue
Alienations of revenue ... 543	would, or could, be improved by reason of
REPORTS OF LOCAL GOVERNMENTS ON ITS	Local Governments having a financial in-
OPERATION—	terest in their expansion ... 594
<i>Bombay Presidency—Sir P. Wodehouse, 31st</i>	Objections to making over any branch of
<i>December 1872—</i>	revenue either in whole or in part ... <i>ib</i>
Suggests the appropriation of 10 per cent.	The headings to which there is less objec-
of the revenues from the sources enumer-	tion than any other are Stamps and Law
ated in lieu of provincial taxation ... 558	and Justice ... <i>ib</i>
<i>Hon'ble A. Rogers, 28th August 1872—</i>	Excise revenue of British Burmah cannot
It would be highly beneficial if a percent-	be made over to local funds ... <i>ib</i>
age of the revenue were transferred to	<i>Financial Secretary, 5th September 1873—</i>
the Local Governments ... 559	Regarding assignments of revenue in sub-
<i>His Excellency the Governor, 16th Sept. 1872—</i>	stitution of a fixed allotment for
Concurs in the opinion that the Local Gov-	charges ... <i>ib</i>
ernment should have a direct interest in	Provincial Governments should not have
the economical administration of the	any direct or separate interest in the
principal branches of revenue ... 561	development of the imperial revenues ... 595

PAGE	PAGE
REVENUES— <i>concluded.</i>	ROADS—BRIDGES— <i>continued.</i>
MINUTES AND NOTES IN 1872 AND 1873— <i>continued</i>	MR. MASSEY'S SECOND SCHEME—
<i>Financial Secy, 5th September 1873—contd.</i>	<i>Oudh—Financial Commissioner of—</i> Remarks on the assignment of funds for the repair of roads 128
If revenue be made over, it should be transferred net ... 596	<i>Punjab—Colonel R. Maclagan, Secretary to the Government of the—, P. W. Department</i> ... 146
Whether Local Governments should have any share in certain specified heads of revenue ... <i>ib.</i>	Observations on the transfer of charges on account of the construction and repair of roads to Local Governments ... <i>ib.</i>
Separate financial provincial interest can be created only under the heads of Land Revenue, including <i>Barmah</i> poll tax, Forest, Excise, Stamps, Law and Justice 597	Tolls would be the most appropriate source of income for meeting charges for maintenance of roads ... <i>ib.</i>
Strong objections to so treating any heads whatever but Law and Justice, and it would be better to keep even these heads imperial ... <i>ib.</i>	A tax on wheeled conveyances appears a just and appropriate source of income for the same purpose ... <i>ib.</i>
The best plan would be to divide amongst provincial Governments one-tenth percentage of any surplus upon the whole ... <i>ib.</i>	<i>Madras—Colonel G. A. Orr, Secretary to the Government of—, P. W. Department—</i> Remarks on allotments for the construction and maintenance of roads in that presidency ... 150
Whether additional heads of service should be transferred to provincial Governments 598	<i>F. Lushington, Esq, Accountant General—</i> Expenditure on account of roads and agricultural repairs forms a legislative charge on the Land Revenue ... 151
Whether savings at the end of the year should not revert to Local Governments <i>ib.</i>	To meet such expenditure one-sixteenth of the net land revenue should be transferred to the Local Government, together with Public Works Receipts, excluding irrigation ... <i>ib.</i>
Whether the charges of collection of the revenues should be made provincial ... <i>ib.</i>	EARL OF MAYO'S MEASURE—
Heads of service which cannot be made provincial ... 599	<i>Government of India Circular, to the Government of the North-Western Provinces, of 21st February 1870—</i>
It is evident that very few imperial services can be made provincial without more or less objections ... <i>ib.</i>	Increasing demands on account of the construction and maintenance of roads ... 220
No further transfers should be attempted Opposed to any assignment of excise revenue ... 601	Urges the necessity of providing from local sources the funds necessary for the maintenance of the existing provincial and district roads, and points out the least objectionable mode of so doing ... 221
RESOLUTION—	<i>Government of India Circular, dated 17th August 1870, to the Government of Bengal—</i>
EARL OF MAYO'S MEASURE—	Regarding the transfer of a part of the charge for the construction and maintenance of roads in all parts of India from the general revenues to funds locally raised ... 245
Government of India—dated 14th December 1870 ... 324	<i>North-Western Provinces—</i>
Copy sent to Government of Punjab ... 331	Roads and civil buildings are unquestionably proper objects of local administration ... 255
"    "    "    Bengal ... 332	LOCAL CASSES, Bengal—
"    "    "    Madias ... <i>ib.</i>	Statement of outlay on roads in Bengal from 1861 to 1867 ... 455
"    "    "    Central Provinces ... 333	Distribution statement of means of communication in 1862-63 ... 456
"    "    "    Oudh ... 334	Statement of expenditure incurred by Public Works Officers, and from the amalgamated district road fund, on works of communication in Bengal from 1861-62 to 1874-75, inclusive ... 457
"    "    "    N.-W. Provinces ... 335	ROAD AND EDUCATION CESS IN BENGAL—(See also CENSSES ON ROADS, AND SETTLEMENTS, LAND)
"    "    "    Bombay ... <i>ib.</i>	PAPERS RELATING TO—(See Synopsis) 634 to 672
"    "    "    British <i>Burmah</i> ... 336	<i>Government of India (Home Department)—</i>
"    "    "    Secretary of State for India 337	Despatch to the Secretary of State for India, dated 31st December 1869 ... 634
<i>Financial Statement for 1871-72, by the Hon'ble Sir Richard Temple—</i>	<i>Government of Bengal to Government of India—</i>
The importance and wisdom of the financial principle embodied in the Resolution of 14th December 1870 ... 339	No. 1868 of 30th April 1869 ... 640
OPINIONS IN ENGLAND. LOCAL TAXATION—	
<i>The Right Hon'ble W. N. Massey—</i>	
The Government of India in the inauguration of that system have shown very great caution and wisdom ... 538	
MINUTES AND NOTES IN 1872 AND 1873—	
<i>Lord Napier of Merchiston—</i>	
Observations regarding the declaration in the 17th paragraph of the Resolution of 14th December 1870 ... 535	
ROADS—BRIDGES. (See also CENSSES ON ROADS)	
MR. MASSEY'S FIRST SCHEME—	
<i>Bengal—</i> District roads wanted 32	
Local funds utterly insufficient to repair those that exist ... <i>ib.</i>	

	PAGE		PAGE
<b>ROAD AND EDUCATION CESS IN</b>		<b>SALT—continued.</b>	
<b>BENGAL—continued.</b>		<b>EARL OF MAYO'S MEASURE—continued.</b>	
<b>PAPERS RELATING TO—(See "Synopses"—contd.)</b>		<i>Hon'ble Sir Ashley Eden, 25th March</i>	
<i>Secretary of State for India, to Government</i>		<i>1871—</i>	
<i>of India—</i>		Observations on an increased duty on salt	426
No 5, dated 12th May 1870	... 652	<i>Hon'ble S. M. Robinson, 25th March 1871—</i>	
Dissent by E Macnaghten, Esq.	... 660	An additional salt duty is the very best way	
" " Sir E Perry	... 661	of raising additional revenue	... 428
" " Sir F. Currie	... 663	<i>Hon'ble Degumber Mitter, 25th March 1871—</i>	
" " Sir H. E. Montgomery	... 664	If a choice were to be made from the	
" " H T. Prinsep, Esq.	... 665	existing sources of taxation, an additional	
" " R. D. Mangles, Esq.	... 668	tax on salt would be the least objectionable	420
" " Sir F. J. Halliday	... 669	<b>SANDHURST, LORD—</b>	
<i>Local Cesses, Punjab—</i>		Quotation from—on irrigation works expen-	
Provision for roads	... 468	diture	... 618
<b>OPINIONS IN ENGLAND. CESSES ON LAND</b>		<b>SARDAR CANAL—</b>	
<b>REVENUE—</b>		<b>IRRIGATION CESS, AND INDIRECT REVENUE</b>	
<i>Punjab—Sir R. Montgomery—</i>		<b>FROM IRRIGATION—</b>	
As a general rule, the natives dislike roads,		<i>Major-General R. Strachey—</i>	
because they consider them a source of		Regarding the illustration submitted that	
great oppression	... 503	the great landholders of Oudh have com-	
They would prefer being without roads	... 504	plained strongly against the making of	
<i>Madras—Mr. W. R. Dalrymple—</i>		canals in Oudh, and are going to petition	
Trunk roads always considered Imperial		the Secretary of State against them, he	
works	... ib.	observed that there has been a great deal	
<i>Central Provinces—Mr. J. H. Morris—</i>		of discussion regarding the propriety of	
Under the settlement a local charge for		carrying out certain projects for canals in	
roads conferring direct benefits could be		Oudh; he was aware of the fact, and	
made	... 505	thought, if the committee want to as-	
<b>SALT—</b>		certain what the facts are on that subject,	
<b>MR. S. LAING'S SCHEME—</b>		they had better get the correspondence	
<i>Nagpore—</i> Estimated yield of duty on—	... 23	from the India Office	... 62
<i>India—</i> Government approves of the proceeds		<b>SCHEMES—OPINIONS IN INDIA RE-</b>	
of tax upon—being finally placed to the		<b>GARDING—</b>	
account of the Local Government of		<b>MR. S. LAING'S SCHEME—</b>	
Nagpore	... 24	Goes farther than the immediate object of	
<b>MR. MASSEY'S FIRST SCHEME—</b>		relief to the Imperial Treasury	... 4
<i>Bengal—</i> Proposes an additional tax on—	... 32	Addendum to Chapter II	... 673
At 4 annas a maund it would give 20 lakhs	ib.	<b>MR. MASSEY'S FIRST SCHEME—</b>	
<i>N.-W. Provinces—</i>		The scheme of 1861 for local taxation was	
An increase of the duty on—would be a		laid aside for reasons stated	... 23
mercy to the people	... 35	<i>Central Provinces—</i>	
<b>EARL OF MAYO'S MEASURE—</b>		Quite feasible	... 30
<i>Sir Richard Temple's Memo. on Local</i>		<i>Bombay—</i>	
<i>Finance—</i>		Mr. Massey's scheme has little in common	
Raising the salt duties of Madras and		with the previous projects of Mr. James	
Bombay to the level of the Bengal Presi-		Wilson and Mr. S. Laing	... 41
dency—one of the known ways of taxing		<b>MR. MASSEY'S SECOND SCHEME—</b>	
the people	... 226	<i>Massey, Hon'ble W. N.—Minute by—</i>	
<i>Punjab—Sir D. F. Macleod—</i>		The first scheme was not very favourably	
A tax on salt for the maintenance of		received by the several Local Governments	
salt patrolling roads is already levied	... 281	and Administrations	... 6
<i>Punjab—Government of the—</i>		<i>Colonel R. Strachey's Note—</i>	
Proposes a percentage on the salt duties		Exposition of Mr Massey's second scheme	... 5
levied on the Customs Line towards the		<i>Lord Lawrence—</i>	
maintenance of roads	... 288	Somewhat doubtful of the advantage of the	
<i>Bengal—Sir W. Grey—</i>		arrangement, but is not prepared to oppose	
Salt specified as a source of taxation	... 291	it	... 6
Observations on an increase of the salt		<i>Major-General Sir H. M. Durand—</i>	
duties	... ib.	Cannot assent to a great deal in Colonel	
A special extra duty on salt to be locally		Strachey's memorandum	... 6
appropriated is quite feasible	... ib.	<i>Hon'ble Henry Sumner Maine—</i>	
Further observations in respect to, and in		Entirely agrees with the proposal, only	
favor of, the levy of a special extra duty		doubts whether it goes far enough	... 7
on salt, with statistical notes	... 292	<i>General Sir W. R. Mansfield—</i>	
<i>Towns Improvement and Local Funds Bills,</i>		Trusts that the measures favoured by Mr Mas-	
<i>Bengal—</i>		sey and so ably sketched by Colonel	
<i>Hon'ble Sir G. Campbell, 25th March</i>		Strachey may be pushed forward to com-	
<i>1871—</i>		pletion after due inspection of details	... 1
An additional tax on salt was not pos-		<i>The Hon'ble G. N. Taylor—</i>	
sible, it was reserved as a source of im-		In favour of practically introducing the prin-	
perial revenue	... 424	ciples of the scheme	... 1

PAGE	PAGE
SCHMES—OPINIONS IN INDIA RE- GARDING— <i>continued.</i>	SCHMES—OPINIONS IN INDIA RE- GARDING— <i>continued.</i>
MR. MASSEY'S SECOND SCHEME— <i>continued.</i>	MR. MASSEY'S SECOND SCHEME— <i>continued.</i>
<i>The Hon'ble Sir G. A. Yule—</i>	<i>Lord Napier of Merchiston—</i>
Concurs in the views of Mr Massey ... 64	Remarks on the scope of Mr. Massey's scheme and objects to its details ... 188
<i>The Hon'ble H. S. Maine—</i>	Dissents from the opinion of the Madras Board of Revenue that "any change in such a system can hardly fail of being an improvement, and the voluntary and exten- sive abnegation now proffered by the Supreme Government of a control which it cannot exercise with efficiency, and which becomes more injurious the more energetically it is exercised, must be re- garded with the utmost satisfaction by all who take an interest in the welfare of the Empire" ... 189
Appears to be as remarkable for its moder- ation as for any other characteristic ... 65	Diversity of opinion will be found in the papers transmitted. It may not be easy to bring the sentiments of the members of Council into harmony, except in simply declining the overtures now before us ... 190
<i>Circular, Government of India, of 19th Sep- tember 1867—</i>	Advices that an answer be framed to the effect that the Government are of opinion that the measures brought under considera- tion are of too partial and inconclusive a character to justify a disturbance of the present system of financial administration ... .. 191
Practicability of the scheme generally ac- knowledged ... .. 67	<i>Hansard's Parliamentary Debates, vol. 191—</i>
Mr Massey has seen reason to modify his original views and at the same time to enlarge the scope of his proposals ... 70	Sir S Northcote expresses his concurrence in the general principle of Mr. Massey's proposals, but would be the last to weaken or disturb a system which has raised the credit of India to the highest pitch ... 196
<i>Financial Secretary's Note of 28th September 1867—</i>	EARL OF MAYO'S MEASURE—
Observations on Colonel Strachey's exposi- tion of Mr. Massey's second scheme ... 70	<i>Circular, Government of India, dated 17th August 1870—</i>
<i>Hon'ble W N Massey—</i>	The measure by facilitating taxation will be financially advantageous, will develop local self-government, strengthen municipal institutions, and lead to the association to a greater extent than hitherto of Natives of India and Europeans in the administration of affairs ... 216
Details have been carefully prepared and, in his judgment, skilfully adjusted by Colo- nel R. Strachey ... .. 98	<i>North-Western Provinces, 15th September 1870—</i>
<i>Sir W. R. Mansfield—</i>	Hails the scheme with hope and confidence 253
It is clear we must fall back upon Mr Massey's proposals ... .. 101	<i>Oudh—</i>
<i>Hon'ble G N Taylor—</i>	Cordially accepts the scheme .. 260
Entire concurrence in the argument in favour of Mr. Massey's scheme ... 103	<i>Central Provinces—</i>
<i>North-Western Provinces—</i>	Regards the scheme as a measure of great value ... .. 264
Expresses satisfaction with the sound and liberal views which have dictated the pro- posals ... .. 121	The Government policy will be carried out 267
<i>Oudh—</i>	<i>Bombay—Hon'ble Mr. S Mansfield—</i>
The principle on which the proposals are based appears to be thoroughly sound ... 122	Is opposed to accepting the proposals of the Government of India ... 268
<i>Financial Commissioner of—</i>	<i>Hon'ble Mr. Tucker—</i>
Remarks on the objects, advantages, and principles of the scheme ... .. 128	Scheme held to be good, but the measures for carrying it out are unsatisfactory ... 26
<i>British Burmah—</i>	<i>Bombay—His Excellency the Governor of—</i>
Heartily concurs in the advisability of the measure generally ... .. 130	Places a higher value on these proposals than his colleagues ... .. 270
<i>Punjab—</i>	Concurs in the view taken by the Govern- ment of India as to the necessity of the change which these proposals invite ... 26
Appears to offer the very best mode of in- augurating the new policy ... .. 139	<i>British Burmah—</i>
<i>Madras—Hon'ble Sir Thos. Fyfe—</i>	Indication of a radical change in the finan- cial policy of the Empire ... .. 273
Approves of the scheme generally as a step in the right direction ... .. 146	Most cordially accepts the new policy set forth in paragraphs 19 and 20 ... 26
The principle proposed in the memorandum may fairly be accepted, but not the scheme which accompanies it ... 148	
<i>Note by the Revenue Secretary—</i>	
Sees no difficulty in the way of accepting the proposed responsibility ... .. 149	
<i>F. Lushington, Esq, Accountant General—</i>	
On the soundness of the general principle of the scheme there cannot be two opinions 151	
<i>Board of Revenue—</i>	
If fairly initiated and carried out, cannot fail to be eminently conducive to efficient and successful administration, as well as acceptable to Local Governments and their subjects ... .. 153	
It must be regarded with the utmost satis- faction by all who take an interest in the welfare of the Empire ... .. 26	
Urges in the strongest manner the accept- ance of the principle on which the proposed change is based ... .. 26	
While cordially assenting to the principle, considers the method of carrying it out open to serious objections ... .. 26	

PAGE	PAGE
<b>SCHEMES—OPINIONS IN INDIA REGARDING—continued.</b>	<b>SCHEMES—OPINIONS IN INDIA REGARDING—concluded.</b>
<b>EARL OF MAYO'S MEASURE—continued.</b>	<b>EARL OF MAYO'S MEASURE—concluded.</b>
<i>Punjab—Sir H. M. Durand—</i>	<i>Reports of Local Governments upon its operation—</i>
The period has been too limited for entering fully on this complicated question ...	278
<i>Punjab—Government of the—</i>	<i>Madras Presidency—</i>
Considers the assignments for carrying the proposals into effect require considerable modification ...	287
Suggests a fairer plan for giving effect to the measure ...	ib.
<i>Bengal—Sir W. Grey—</i>	<i>Bombay—</i>
Remarks on the scope of the scheme ...	289
<i>Secretary of State, dated 23rd February 1871—</i>	<i>Sir P. Wodehouse, 31st December 1872—</i>
Acknowledges receipt of the resolution of 14th December 1870, and approves of the several propositions and of the principles laid down therein ...	337
<i>Hon'ble F. S. Chapman—Debate of 17th March 1871—</i>	<i>Hon'ble H. P. St. G. Tucker, 29th August 1872—</i>
Approves of the principle of the decentralization measure. The scheme has driven the Local Governments to impose new burdens ...	344
<i>Colonel the Hon'ble R. Strachey—Debate of 17th March 1871—</i>	<i>Hon'ble H. P. St. G. Tucker, 4th October 1872—</i>
Gives the measure his support ...	347
<i>The Hon'ble B. H. Ellis—Debate of 17th March 1871—</i>	<i>Madras Presidency—</i>
Was glad to find that the scheme had met with so little opposition ...	349
The objections to the scheme might be reduced to two—	
1st.—That the Local Governments were forced by this scheme to heavily tax the people under their control ...	ib.
2nd.—That the assignments made were starved assignments ...	ib.
Proceeds to show that those objections were not valid ...	ib.
<i>Local Rates Bill—Oudh—</i>	<i>Bengal—</i>
<i>Hon'ble J. Strachey—</i>	<i>The wisdom and the practical efficiency of the system of provincial finance has been manifest ...</i>
The principal landholders of Oudh and the most influential and wealthy of the taluqdars have signified their approval of the measure ...	354
<i>His Excellency the Earl of Mayo—</i>	<i>The great success of the measure in Bengal is attributable to the absence of narrow restrictions, and the consideration shown by the Supreme Government to all matters of provincial finance ...</i>
Commends this scheme with the greatest confidence to the consideration of this Council, of his own countrymen, and to the natives of India ...	364
<i>Towns Improvement and Local Funds Bill, Bombay Presidency—</i>	<i>Reports of Local Governments on its operation—</i>
<i>Sir W. R. S. V. Fitzgerald, 5th April 1871—</i>	<i>N. W. Provinces—</i>
Acknowledges emphatically and unhesitatingly the wisdom and foresight of the principles upon which the system of provincial finance is founded ...	314
<i>Hon'ble Colonel M. K. Kennedy, 21st April 1871—</i>	<i>The measure has worked so well that all the services provincially administered might advantageously be treated on the same principle, excepting Postal, Telegraph, Customs, Salt, and Opium ...</i>
The scheme of provincial funds frees the Local Governments from a yoke under which they have hitherto painfully toiled ...	419
<i>Local Cases, Central Provinces—</i>	<i>The conditions particularized in paragraph 21 of the Resolution of December 1870 unnecessarily hamper the independent action of the Lieutenant-Governor ...</i>
Scheme of provincial funds highly approved by Colonel Keatinge, Officiating Chief Commissioner of the Central Provinces, except that it did not go far enough ...	475
	<i>Punjab—</i>
	<i>The scheme has worked successfully ...</i>
	575
	<i>Oudh—</i>
	<i>The scheme has generally worked well ...</i>
	576
	<i>Central Provinces—</i>
	<i>The system of provincial funds has succeeded, and many advantages have accrued therefrom ...</i>
	578
	<b>MINUTES AND NOTES IN 1872 AND 1873—</b>
	<i>Lord Napier of Merchiston—</i>
	<i>The measure of success which has attended the scheme of provincial funds may be regarded as satisfactory ...</i>
	583
	<b>SECRETARY OF STATE FOR INDIA—</b>
	<b>EARL OF MAYO'S MEASURE—</b>
	<i>Despatch No. 59 of 23rd February 1871 ...</i>
	337
	<i>" " 4 " 11th January 1870 ...</i>
	602
	<i>" " 9 " 14th March 1872 ...</i>
	623
	<i>" " 5 " 12th May 1870 ...</i>
	652

SETTLEMENTS, LAND—	PAGE
EARL OF MAYO'S MEASURE—	
<i>Oudh—</i>	
Proposes that the term of settlement might be extended from a period of 30 to a period of 25 years .. .. .	259
<i>British Burmah—</i>	
The revision of the settlement will lead to the increase of the land revenue .. .	275
<i>Punjab—Sir D. F. Macleod—</i>	
Enumeration of certain districts in which settlements have expired .. .	279
Enumeration of other districts in which the settlement records carry no engagement to preclude the Government from enhancing the road cess .. .. .	ib.
Enumeration of remaining districts in respect of which there can be no doubt that the Government are at liberty to act as it may think fit, their settlements having terminated or are on the point of terminating .. .. .	ib.
<i>Punjab—E. A. Prinssep, Esq., Settlement Commissioner—</i>	
Provision to be made in the new settlements for the formation of a district fund for municipal and other purposes .. .	284
<i>Local Rates Bill, Oudh—</i>	
<i>Hon'ble J. Strachey—</i>	
Observations on the question of land revenue settlements .. .. .	354
<i>Local Rates Bill, N.-W. Provinces—</i>	
<i>Hon'ble Sir George Campbell, 10th March 1871—</i>	
The result of the settlement of 1841 compared with the new settlement .. .	371
<i>Hon'ble John Inglis, 10th March 1871—</i>	
Regarding the introduction of the permanent assessment into the provinces of Benares by Regulation I of 1795 .. .	370
Ruling of the Secretary of State in his despatch of 12th May 1870, relative to the imposition of special rates or taxes on permanently-settled lands in Bengal .. .. .	ib.
What might be determined to be payable in Bengal would be equally payable by the Benares province .. .. .	ib.
This ruling covered the case of the holders of estates in the permanently-settled districts of the North-West, so far as their liability to the payment of a rate towards local wants, irrespective of the amount of their land assessment .. .. .	ib.
Regarding the expediency of levying a rate on the landholders in the permanently-settled districts .. .. .	ib.
<i>Hon'ble J. FitzJames Stephen, 6th April 1871—</i>	
Imposition of cesses upon the permanently-settled districts in the N.-W. Provinces for certain specified purposes .. .	381
Many persons have maintained that the imposition of such cesses is a breach of the pledge given at the permanent settlement .. .. .	ib.
Observations on the character of that settlement showing that the present measure in no way interferes with any pledge given at the time of settlement, and that the moral right to impose cesses is as unquestionable as the legal right .. .. .	ib.

SETTLEMENTS, LAND—continued.	PAGE
EARL OF MAYO'S MEASURE—continued.	
<i>Local Rates Bill, N.-W. Provinces—continued.</i>	
<i>Hon'ble J. FitzJames Stephen, 6th April 1871—continued.</i>	
Mr. Shore's opinion as to the position of zemindars .. .. .	383
Mr. Grant's opinion as to the position of zemindars .. .. .	ib.
Lord Cornwallis' opinion as to the position of zemindars .. .. .	ib.
Authoritative ruling of the Secretary of State in his despatch of 12th May on the subject .. .. .	386
Compares it with a passage from one of Lord Cornwallis' minutes, which throws a curious light on the subject .. .. .	ib.
These considerations and authorities appear to establish beyond all doubt the broad proposition that the general right of the Government to tax the produce of the land among other forms of property was altogether unaffected by the permanent settlement .. .. .	ib.
<i>Hon'ble J. Strachey, 6th April 1871—</i>	
He completely agreed with Mr. Stephen's remarks regarding the moral duty of the Government to maintain inviolate the engagements formerly entered into in regard to the permanent settlement .. .	387
As to the question of the equitable right to impose taxes in the permanently-settle districts, such as those contemplated by this Bill, he hoped that the controversy, which had been going on for several years, had at last been finally settled by the orders of the Secretary of State to which Mr. Stephen had referred .. .. .	ib.
<i>Hon'ble Sir William Murr, 6th April 1871—</i>	
Agrees entirely in the principle that taxation of permanently assessed estates for local purposes is proper, so long as the burden is imposed on landed in common with other property .. .. .	390
Settled districts in the North-Western Provinces, paying the 10 per cent. cess, are not liable during the currency of the existing revised settlement to any additional cess .. .. .	ib.
Regarding adequacy of the assessment in the settlements now being revised .. .. .	ib.
The integrity of our revenue settlements distinguishes our administration from all native administrations .. .. .	391
<i>Hon'ble J. Strachey, 6th April 1871—</i>	
Regarding desire alleged to have been expressed in some quarters to undermine the stability and integrity of the settlements .. .. .	392
<i>Hon'ble John Inglis, 6th April 1871—</i>	
The imposition or the increase of a cess during the currency of a settlement was entirely opposed to the principles on which the North-Western Provinces settlement had hitherto been made .. .. .	ib.
The principle which had been adopted explained .. .. .	ib.
The rule proposed by Mr. Strachey would be looked upon as a violation of the expectation held out to certain holders of estates when their leases were signed .. .	ib.

	PAGE
SETTLEMENTS, LAND— <i>continued.</i>	
EARL OF MAYO'S MEASURE— <i>concluded.</i>	
Local Rates Bill, N.-W. Provinces,— <i>concluded.</i> Hon'ble John Inghs, 6th April 1871— <i>continued.</i>	
Strongly protests against the application of any rule, such as that proposed by Mr Stiachey, to the temporarily-settled dis- tricts of the North-Western Provinces ...	392
Hon'ble B. H. Ellis, 6th April 1871—	
Observations on the imposition of cesses during the currency of a settlement ...	393
Punjab—The Lieutenant-Governor, 26th May 1871—	
Additional taxation justified by the condi- tion of the country ...	395
Towns Improvement and Local Funds. Bills, Bengal—	
Hon'ble Sir George Campbell, 25th March 1871—	
It would be a scandal that because Bengal had a permanent settlement and that set- tlement had been respected, Bengal should therefore go without the most ordinary comforts and improvements ...	423
Local Cesses, N.-W. Provinces—	
Temporarily-settled districts whose term of settlement had not expired in 1870-71 ...	459
OPINIONS IN PARLIAMENT—	
Duke of Argyll—	
The levy of cesses in permanently-settled districts in Bengal opposed by Sir William Grey, Lieutenant-Governor of Bengal, as a breach of faith ...	496
The question ultimately referred to Her Majesty's Government ...	ib.
The despatch now laid on the table settled the question as far as regarded the opinion of Her Majesty's Government ...	ib.
The argument, based on the permanent set- tlement in Bengal, would apply equally for a certain time to all other settlements in India ...	498
There was nothing whatever in the perma- nent settlement which disabled the Government of India from throwing upon local resources the expenditure necessary for local purposes ...	ib.
Hon'ble Stephen Cave—	
Where faith was pledged, it must be kept, even to our own hindrance; but there was no reason why the landlord should after- wards lay out large sums in raising artifi- cially the value of the same land, without demanding from the tenant a percentage of the cost, which in this country was freely given in such cases every day ...	497
Duke of Argyll—	
After long consideration the Government of India came to the conclusion that it would be unwise to alienate permanently the land revenue, and that over a large area of country it would be unwise to make a permanent settlement. Large questions of public policy were connected with this question. His own opinion was that a permanent settlement was the wisest settlement, and that it was better for wealth to accumulate in the hands of the people than to flow into the trea- sury ...	500

	PAGE
SETTLEMENTS, LAND— <i>continued.</i>	
OPINIONS IN ENGLAND. CESSSES ON LAND REVENUE—	
Bombay—Sir H. B. Frere—	
Special charges added to the land revenue settlement sanctioned in Western India by the Regulations of 1827 ...	501
The charge deferred in some parts from the idea that it would be a breach of the 30-years' settlement ...	ib.
In all new settlements it is made a part of the original settlement, and has the same force as the imperial assessment ...	ib.
Bengal—Mr R. D. Mangles—	
Dissented at first from the view that found favour with the Secretary of State in Council, but gave in at last, as it appeared so desirable; which view was that the permanent settlement in Bengal did not bar the imposition of an education and road cess in the way in which it was pro- posed to impose it ...	503
Punjab—Sir E. Montgomery—	
The arrangement of the settlement is that, in addition to the half net return, the pro- prietors have been called upon to pay one per cent. for roads and one per cent. for education ...	ib.
The levy of additional cesses does not form any part of the understanding at time of settlement ...	ib.
The understanding is that they were not to pay more than the assessment fixed, and the assessment now formed is plus one per cent. for roads and one per cent. for education, if more than that were taken, it would be considered a grievance ...	ib.
The Government is bound in good faith, during the 30-years' settlement, not to increase the land revenue ...	ib.
The one per cent. road cess is as much a fixed part of the settlement as the regu- lar land revenue ...	ib.
Engagements are taken at the time of settle- ment for the cesses and land revenue in one ...	504
Madras—Mr R. A. Dalrymple—	
Rule for the imposition of cesses on the land revenue is reserved in all the settle- ments ...	ib.
There is no guarantee that the Govern- ment shall not put on a special tax for special purposes in the middle of a settle- ment ...	ib.
Central Provinces—Mr J. H. Morris—	
No reservation made at time of settlement of any immunity from special taxa- tion ...	ib.
Under the settlement a local charge for roads conferring direct benefits could be made ...	505
Oudh—Sir C. J. Wingfield—	
Steps taken to impose local cesses in Oudh at time of the 30-years' settlement, and the imposition of an additional levy of 2½ per cent. during the currency of the settle- ment ...	506
Remonstrance against the increase of cesses fixed at the settlement ...	507



	PAGE
SETTLEMENTS, LAND— <i>continued</i> .	
OPINIONS IN ENGLAND CESSSES ON LAND REVENUE— <i>continued</i>	
<i>Oudh—Sir C J Wingfield—continued</i>	
When a cess is imposed at the time of settlement, a knowledge that it is to be imposed notoriously affects the amount of the Government share when the settlement bargain comes to be made	508
The settlement for 30 years is a "contract" in the fullest acceptation of the term	<i>ib</i>
The land revenue fixed at the settlement is a limitation of the Government demand	<i>ib</i> .
Ten years ago the Government deliberately said that a cess of 2½ per cent would suffice for local purposes, and they gave a distinct assurance that that would be the limit of the cesses throughout the term of settlement, and it ought not to be raised during that term	509
The proceedings of the Government are highly injurious. Even if the right to increase the rate of cesses during an existing settlement had been reserved, that right must be exercised with caution	<i>ib</i> .
It is absurd to limit the assessment on the land for land revenue and then to retain power to put on cesses to any extent because that amounts to an increased demand from the land	<i>ib</i>
The practice of the levy of cesses has been invariably to fix them at the time the settlement is made	511
Cesses which can be increased at the pleasure of the Government during the currency of a settlement are incompatible with property in land, which depends on the limitation and moderation of the Government demand	<i>ib</i>
<i>British India—Mr S Laing—</i>	
Cesses for local objects levied in districts permanently settled are justifiable	512
The imposition of local cesses is quite beyond the objects for which the settlement was made	<i>ib</i>
<i>Sir C J. Wingfield—</i>	
Objection of the people to an increase of cesses during the currency of a land settlement is universal	514
There are no grounds of complaint in respect of the cess levied at the time of the settlement under the settlement engagements. The ground of complaint is against arbitrarily doubling that cess	515
OPINIONS IN ENGLAND LOCAL TAXATION—	
<i>The Right Hon'ble W. N. Massey—</i>	
The fact of the permanent settlement being in operation, would not make any difference in the application of local taxation	539
<i>Lord Lawrence—</i>	
The effect of imposing the cess on land was to make the people doubt the validity of the settlement	554
ROAD AND EDUCATIONAL CESS IN BENGAL—	
<i>Government of India, Home Department, to Secretary of State, 31st December 1869—</i>	
The conclusion arrived at by the Government of Bengal is, that a separate tax for education in the permanently-settled districts is very unadvisable	634

	PAGE
SETTLEMENTS, LAND— <i>continued</i> .	
ROAD AND EDUCATIONAL CESS IN BENGAL— <i>continued</i> .	
<i>Government of India, Home Department, to Secretary of State, 31st December 1869—</i> <i>continued</i>	
The permanent settlement does not exempt the zemindars in Bengal from charges which are thrown upon the land in other parts of British India	637
<i>Government of Bengal, to the Government of India, Home Department, 30th April 1869—</i>	
Definition of the terms "Proprietors of the soil," "Proprietors of the land," and "Landholders"	641
Drawing attention to certain misconceptions in respect to the "Proprietors of the soil"	642
Relations of zemindars and tenure-holders to the third degree in respect to the profits on cultivation of lands	<i>ib</i>
Respecting estates which have exchanged hands since the settlements	<i>ib</i> .
The time chosen for re-adjusting the proportion of rents to be retained by the State has generally been when a contract of settlement was to be made or renewed between the State and the zemindars	645
Practice followed in the Punjab	<i>ib</i> .
Educational cess was levied for the first time in Oudh at the commencement of the regular settlement now in progress	<i>ib</i> .
Owing to the incomplete state of the settlement operations in the Central Provinces, no cess was levied until the year 1862-63	<i>ib</i> .
Manner in which cesses are being consolidated in the new settlements now in progress	<i>ib</i>
The true principle by which the permanent settlement should be interpreted	646
A special tax for education in the permanently-settled districts is very unadvisable	649
<i>Secretary of State for India, 12th May 1870, to Government of India—</i>	
Consideration of the specific objections to the levy of special rates in Bengal, owing to the binding promises made to the landholders under the terms of the permanent settlement	654
The question of the right to impose taxes upon land in Bengal, even for the general purposes of the Empire, has been ruled and decided in the case of the Income Tax	<i>ib</i> .
Regarding Article VII of the Permanent Settlement Regulation	655
The great object and purpose of that settlement, as clearly defined in Article VI, should govern our interpretation of its terms	<i>ib</i>
Relative to the application of the term "public demand"	<i>ib</i>
Observations on Bombay Act III of 1869	657
<i>Sir E Perry, 14th May 1870—</i>	
Objects to the despatch of the Secretary of State of 12th May 1870, because it seems to decide, and does decide, that there is nothing in the language or promises of Government in 1793 to preclude the present Government from levying local taxes in Bengal for local objects	661
The levy of cesses in the four permanently-settled districts of Benares, with the distinct assent of the landholders, not attempted in any other permanently-settled district in India	662

PAGE	PAGE
<b>SETTLEMENTS, LAND—concluded.</b>	<b>STATEMENTS—continued.</b>
<b>ROAD AND EDUCATIONAL CESS IN BENGAL—concluded.</b>	<b>MR. MASSEY'S SECOND SCHEME—continued.</b>
<i>Sir E. Perry, 14th May 1870—continued.</i>	<i>Colonel R. Strachey's Note—continued.</i>
Bombay Act of 1869 relied on as a precedent of procedure for imposing a compulsory cess on lands under settlement ... ..	Statement No. 3, amount available for expenditure on public works, and proposed application of it ... .. 60
<i>Sir F. Currie, 16th May 1870—</i>	Statement No. 4, actual and estimated public works charges, with the proposed balance of revenue to meet such charges 61
There is no analogy between the agreements entered into with the zemindars in the temporarily-settled districts of the Punjab, the North-Western Provinces and Oudh, and the holders of land in another province in which the settlement was concluded 80 years ago; they form no precedent which can justify the Government in imposing a compulsory "public demand" on the holders of land in the permanently-settled districts ... .. 663	Statement No. 5, of modifications of net land revenue transferred ... .. 62
The imposition of a special tax exclusively on the zemindars of Bengal would be a breach of faith, and the violation of the positive statutory engagement made with those zemindars at the permanent settlement ... ..	<i>Financial Secretary's Note of 28th September 1867—</i>
<i>Sir H. E. Montgomery, 18th May 1870—</i>	Statement A, gross revenues and charges of British India ... .. 68
It cannot be denied that, with the promises given at the time of the permanent settlement and subsequent declarations made, some grounds exist for the claims advanced by the zemindars of Bengal. A Government should not voluntarily place itself in a position to be charged with a breach of faith ... .. 664	Statement B, net revenue and net expenditure of India ... .. 89
<i>H. T. Prinsep, Esq., 19th May 1870—</i>	Statement C, details of heads of charges lumped together in statement A ... .. 90
The measure further objected to on the ground of its constituting a breach of the proclamation of Lord Cornwallis, which definitely settled the jumma upon each estate in 1789 ... .. 667	Statement D, explanatory of paragraph 71 of this note ... .. 91
<i>R. D. Mangles, Esq., 25th May 1870—</i>	<i>Central Provinces—</i>
Thinks that the Council were agreed that the pledges given by Lord Cornwallis absolutely forbade the imposition of a novel tax, cess or rate, upon the zemindars of Bengal alone, for any purpose whatever ... .. 668	Statement A, transferred charges ... 114
<i>Sir F. J. Halliday, 12th May 1870—</i>	Statement B, assigned revenues ... 115
Over-riding of the pledges of the permanent settlement ... .. 670	Statement C, land revenue from which an aliquot part might be assigned to each provincial budget ... 116
The despatch does not give such a clear and unambiguous decision on the momentous question of the alleged violation of the permanent settlement as the zemindars have the right to expect ... ..	Statement D, charges which might be borne by imperial budget ... 117
Regarding the pledges of the permanent settlement ... ..	Statement E, revenues which might be retained in imperial budget ... 118
<b>SHORE, MR. (Lord Teignmouth).</b>	Statement F, transferred charges ... 119
Quotation from—regarding the position of zemindars in relation to the land ... .. 833	Statement G, assigned revenues ... 120
<b>STRACHEY, COLONEL R.—NOTE BY—</b>	<i>Oudh—Financial Commissioner of—</i>
<b>MR. MASSEY'S SECOND SCHEME—</b>	Statement showing the estimated receipts from provincial and local funds in the Province of Oudh for the year 1863-69 ... 129
On the transfer to Local Governments of the control over certain portions of expenditure, dated 17th August 1867 ... .. 51	<i>British Burmah—</i>
<b>STATEMENTS—</b>	Statement No. 1, of proposed transfer of charges to provincial account ... 136
<b>MR. MASSEY'S SECOND SCHEME—</b>	Statement No. 2, of proposed transfer of revenues to provincial account ... 137
<i>Colonel R. Strachey's Note—</i>	Statement No. 3, showing balance of revenue transferred to provincial account which would be available for expenditure on public works, and the proposed application of it ... .. 139
Statement No. 1 of proposed transfer of charges ... .. 58	<i>Punjab—Mr. L. C. Probyn, Accountant General—</i>
Statement No. 2 of proposed transfer of revenues ... .. 59	Statement A, proposed transfer of revenue and charges from imperial to local control 144
	Statement B, anticipated income from local taxation ... .. 145
	<i>Madras, Board of Revenue—</i>
	Statement showing the result of Mr. Massey's proposal of transfers of revenue and charges in 1868-69 as regards that Presidency ... .. 161
	Statement A, return of local funds in Madras under the management of the Board of Revenue ... .. 15
	Statement B, imperial revenue and expenditure ... .. 16
	Statement C, provincial revenue ... .. 18
	Statement D, provincial expenditure ... .. 18
	<b>EARL OF MATO'S MEASURE—</b>
	<i>Sir Richard Temple's memo on local finance—</i>
	Appendix 1, a Bill for the regulation of marriages ... .. 23
	<i>North-Western Provinces—Taxation Committee's Report—</i>
	Appendix I, abstract of information regarding intermediate tenures and division of landlord's profits in the Benares division 3

**STATEMENTS—concluded.**

**EARL OF MAYO'S MEASURE—continued.**

*North-Western Provinces—Taxation Committee's Report—continued.*

Appendix II, memorandum on the liability of the domains of the Rajah of Benares to any further demand on account of local expenditure . . . . . 315

Appendix III, abstract of answers to Commissioner of Allahabad's circular letter . . . . . 317

Appendix IV, statement of towns containing more than 3,000 inhabitants with the percentage of such towns in which Act XX of 1876 or VI of 1863 is in force . . . . . 319

Appendix V, proposed rules for the levy of fees on arms' license . . . . . 320

Appendix VI, introduction of Act III of 1869 . . . . . 323

Appendix VII, comparative statement showing income, expenditure, and surplus from the municipal cess in certain districts of the North-Western Provinces . . . . . 324

*Government of India's Resolution of 14th December 1870—*

Appendix A, assignments to be made for provincial services . . . . . 330

Appendix B, schedule of works for which separate funds will hereafter be provided from the imperial revenue . . . . . 331

**MINUTES AND NOTES IN 1872 AND 1873—**

Annexure to Minute of Lord Napier of Merchistoun of 3rd May 1872 . . . . . 536

Table to illustrate approximately propositions in Sir John Strachey's note of 23rd July 1872 . . . . . 596

**SUCCESSION DUTY—**

**MR. MASSRY'S FIRST SCHEME—**

*Central Provinces—*

Quite unobjectionable . . . . . 30

*Bengal—*

On *lakhraj* lands, not suitable for local purposes . . . . . 33

*North-Western Provinces—*

Produces nothing . . . . . 35

*Oudh—*

Unobjectionable, but it would yield next to nothing . . . . . 36

*Madras—*

If limited as proposed, would produce a very trifling revenue . . . . . 38

*Punjab—*

Easily available, and quite in accordance with the feelings of the people . . . . . 39

*Bombay—*

An equivalent to the—already in force by the summary settlement of *mām* lands, it would be a just and productive tax if applied to all property . . . . . 45

**MR. MASSRY'S SECOND SCHEME—**

*Central Provinces—*

A succession duty might be levied without difficulty or much risk of unpopularity . . . . . 112

Observation on the assessment of succession duty . . . . . 16

*Punjab—*

A succession tax on revenue-free lands might be levied . . . . . 140

**EARL OF MAYO'S MEASURE—**

*Sir Richard Temple's memo on local finance—*

Succession duty, one of the known ways of taxing the people . . . . . 226

**SUCCESSION DUTY—continued.**

**EARL OF MAYO'S MEASURE—continued.**

*Sir Richard Temple's memo. on local finance—continued.*

Succession duty, if imposed, should be reserved for imperial purposes . . . . . 230

*The Hon'ble J. Strachey—*

Does not agree with Sir Richard Temple in regard to succession duties, and states his reasons for dissent . . . . . 234

*His Excellency the Governor General—*

Regarding the substitution of a Succession and other taxes for the income tax . . . . . 238

**SUGAR AND GOOR—**

**MR. S. LAING'S SCHEME—**

*Oudh—*

A tax on—could be levied, but does not recommend it . . . . . 20

*Nagpore—*

Transit duty of one rupee per maund on all sugar, and four to six annas per maund on goor . . . . . 22

Sugar pays a town duty of Rs. 4 and goor a town duty of Re. 1 the load . . . . . 26

Rates of town duty levied in Nagpore, Kamptee, the sudder stations of districts, and some of the chief *quasbahs* in the province on— . . . . . 26

Estimate yield of duty on— . . . . . 23

Notification of a levy of customs duty on—manufactured or imported in the territory . . . . . 26

*India—*

Government approves of the proposals respecting—in the Nagpore territory . . . . . 24

**SURPLUS—**

**EARL OF MAYO'S MEASURE—**

*Sir Richard Temple's memo on local finance—*

An effort must be made next year to provide a surplus of half a million . . . . . 225

*His Excellency the Governor General—*

Lays aside the item "surplus," being opposed to taxing the people for the mere purpose of securing a surplus which may not be wanted . . . . . 235

*Local Cesses, Central Provinces—*

Provincial Funds Budget for 1871-72 exhibits a working surplus of £1,324 . . . . . 475

*Reports of Local Governments on its operation—*

*Bengal—*

The financial year (1871-72) closes with a saving of £130,000 . . . . . 566

Disposal of the surplus . . . . . 24

**TAXATION—**

**MR. S. LAING'S SCHEME—**

Proposal to make over to Local Governments certain objects for local taxation . . . . . 3

Consent of Governor General in Council requisite before the imposition of any new taxes, and only permitted when they do not interfere with imperial taxation or with objects of general policy . . . . . 26

Tobacco, a subject for local taxation . . . . . 26

Other subjects of a purely local nature may present themselves to Local Governments for taxation . . . . . 4

Certain subjects are better dealt with by local than by imperial taxation . . . . . 5

Consent of the Legislative Council to every proposal for taxation when a law is required . . . . . 26

Willingness of Local Governments to raise considerable sums by local taxation for local objects . . . . . 26

PAGE	TAXATION—continued.	PAGE	TAXATION—continued.
	<b>MR. S. LAING'S SCHEME—continued.</b>		<b>MR. MASSEY'S FIRST SCHEME—continued.</b>
	Powers of local taxation would possibly lead to Local Governments being credited with a liberal share of reductions of expenditure ... .. 6		<i>Bombay—</i>
	Whether local taxation should be abandoned by reverting to the license tax ... .. <i>ib.</i>		Local taxation imposed during the last two or three years, if it has not relieved the budget of old imperial charges, has greatly diminished the prospective pressure on it ... .. 40
	Subject of local taxation fully considered at a meeting of the Board of Revenue, Bengal ... .. 8		Colonel R. Strachey's note of 17th August 1867, regarding the expediency of adding to the sums now available for local expenditure by means of local taxation ... 52
	<i>Bengal—</i>		<b>MR. MASSEY'S SECOND SCHEME—</b>
	Cordially accepts certain subjects for local taxation ... .. <i>ib.</i>		<i>Lord Lawrence, Viceroy and Governor General of India—</i>
	Will be able to contribute 15 lakhs from local taxation ... .. 10		Taxation must be resorted to, but not extended beyond actual necessities ... 93
	<i>Oudh—</i>		The question of taxation opens the door to a very bitter controversy as to what that taxation shall be ... .. 94
	Estimated yield of the existing taxation applicable to local purposes, Rs. 3,00,000 ... .. 19		<i>Hon'ble W. N. Massey—</i>
	Division of existing taxation into imperial and local ... .. <i>ib.</i>		Difficulty and danger of resorting to increased taxation ... .. 98
	Unequal bearing of existing taxation between Oudh and the adjoining districts of the North-Western Provinces ... .. <i>ib.</i>		Asks why should the whole of India be subjected to taxation for expenditure merely local ... .. <i>ib.</i>
	Claims the right of exemption from further taxation ... .. 20		<i>Sir W. R. Mansfield—</i>
	Unable to suggest any other subject for taxation ... .. <i>ib.</i>		The Local Governments were called upon to devise sources of local taxation for local purposes ... .. 102
	<i>British Burmah—</i>		Danger in encouraging Local Governments to devise new schemes of local taxation ... .. <i>ib.</i>
	Not safe to impose any new tax or increase the rate of any existing tax in the province of Pegu ... .. 21		<i>Lord Lawrence, Viceroy and Governor General of India—</i>
	Unable to mention any local tax adequate to cover the expense of constructing the useful works contemplated ... .. <i>ib.</i>		An economical administration of the finances rather than increased taxation was expedient ... .. 104
	Would prefer raising some local fund for each local work to making any new scheme of taxation ... .. <i>ib.</i>		Two important objects to be kept steadily in view, viz, limitation of taxation and development of the resources of the country ... .. 105
	People already pay as much as they can bear		Admits that there are some arguments in favour of local taxation, but they are much over-estimated ... .. <i>ib.</i>
	<i>Government of India—</i>		Observations on the nature of taxation in different parts of India ... .. <i>ib.</i>
	Has no wish to press the question of a scheme of local taxation with regard to the province of Pegu ... .. <i>ib.</i>		<i>Oudh—</i>
	<i>North-Western Provinces—</i>		Apparent means of adding to the imperial revenues of India by new taxation are very limited ... .. 122
	Remarks on the imposition of purely local or district taxes for local objects ... 26		Remarks on the extent to which the power of imposing new local taxes will follow the transfer of financial responsibility for local objects to the Local Governments... 126
	<i>Bombay—</i>		<i>British Burmah—</i>
	Is unable to recommend any but indirect taxation in the shape of light customs duties ... .. 27		Details of taxation in the provinces of—... 134
	<b>MR. MASSEY'S FIRST SCHEME—</b>		<i>Punjab—</i>
	<i>Circular of 21st February 1866—</i>		On the question of raising additional taxes 140
	Indian territory is unfitted for the application of a uniform fixed system of taxation ... .. 29		<i>Madras—F. Lushington, Accountant General—</i>
	<i>Bengal—</i>		The system of voluntary taxation should be maintained ... .. 152
	The time has arrived to have recourse much more largely than hitherto to local taxation ... .. 32		<i>Sir Richard Temple's proposals—</i>
	To the natives the system of provincial taxation would not differ in appearance from imperial taxation ... .. <i>ib.</i>		Comparison of English with Indian taxation ... .. 204
	<i>North-Western Provinces—</i>		Evils of over-taxation ... .. 205
	English system of local taxation not applicable to India ... .. 33		The people of India are not able to bear much more local taxation, and they do not see the distinction between local and imperial taxation ... .. <i>ib.</i>
	Additional taxation inexpedient ... .. <i>ib.</i>		There may be room for additional taxation here and there, though not for general expansion ... .. <i>ib.</i>
	Strongly opposed to direct taxation in any form ... .. 35		
	An increase to the duty on salt would be a mercy to the people, if it saved them from the evils of direct taxation ... .. <i>ib.</i>		

TAXATION—continued.	PAGE	TAXATION—continued.	PAGE
<b>MR. MASSEY'S SECOND SCHEME—continued.</b>		<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Sir Richard Temple's proposals—continued</i>		<i>Hon'ble B. H. Ellis—continued.</i>	
Enumeration of taxes which have been recommended ...	205	The greatest caution should be exercised in requiring contributions by means of new taxation ...	239
Apprehends that but few of them would be allowed by the Government of India ...	ib.	If the provinces be required to contribute heavily in the form of local taxation, the more genuine development of local taxation will be crushed ...	ib.
<b>COLONEL C. CHESNEY'S SCHEME—</b>		The demand on Local Governments for fresh taxation should be limited to the minimum that can be proposed with safety ...	240
Responsibility being placed on Local Governments, it would influence them to discover suitable modes of taxation ...	216	There will be difficulty as well as danger in attempting to raise large sums by new taxation, which, though called local, is in effect, for imperial purposes ...	ib.
Recommends the substitution of a diversity for uniformity in taxation ...	ib.	<i>Oudh—</i>	
No tax that can be named suitable to the whole country ...	ib.	The Madras principle should be followed with regard to general taxation ...	259
Political danger of imperial taxation ...	ib.	<i>North-Western Provinces—</i>	
Uniformity of taxation a peculiarity of Indian finance ...	ib.	Measures for raising funds from local sources are now under consideration by the Taxation Committee ...	257
Existing policy of Indian taxation should undergo a radical change and the greatest diversity be encouraged ...	217	<i>Government of India—</i>	
Mode of raising taxes ...	ib.	Anxiously awaits information upon the essential question whether the necessary revenue of £200,000 a year can safely and properly be raised by local taxation in the North-Western Provinces ...	259
<b>EARL OF MAYO'S MEASURE—</b>		<i>Central Provinces—</i>	
<i>Sir Richard Temple's memo. on local finance—</i>		New taxation as a means of meeting the reduction of the imperial grant ...	264
There must be some increase of taxation on the mass of the people ...	226	Direct taxation offers no chance of raising anything like the sum required ...	ib.
Three known ways of taxing the people, viz., tobacco tax, marriage tax, and a succession duty ...	ib.	<i>Bombay—Hon'ble S. Mansfield—</i>	
Also a fourth, by raising the salt duties of Madras and Bombay to the level of the Bengal Presidency ...	ib.	The population is already burdened with taxation ...	267
If taxation must be imposed, it may be done by the Governor General's Council, or it may be done by Local Governments ...	ib.	Sees no possibility of contributing anything more in the shape of taxation ...	ib.
Shares the belief that the lower classes have already got nearly as much taxation as they can properly bear ...	227	<i>Bombay—Hon'ble Mr Tucker—</i>	
If the concession of financial freedom to the Local Governments were to lead to any increase of local taxation, would not regard the change of system as an unimproved good ...	ib.	Great dissatisfaction and discontent prevails throughout the presidency with reference to present taxation ...	269*
<i>Hon'ble J. Strachey—</i>		Taxation of the profits from land, in addition to the assessment and other cesses imposed upon land, amounts to a breach of faith ...	269
Disagrees with the opinion expressed by Sir Richard Temple that steps should be taken for bettering the general account for 1871-72, by imposing additional taxation to the extent of at least one million ...	231	Recourse to local taxation, as a substitute for the income tax not feasible ...	ib.
<i>His Excellency the Governor General—</i>		<i>Bombay—His Excellency the Governor of—</i>	
Benefit will be obtained by invoking the aid of local taxation in relief of imperial finance ...	235	Local taxation should have some stability of character ...	270
Many roads are open to local authority, both for economy and increased taxation, which are closed to the Supreme Government ...	ib.	So long as income tax is levied, no addition can safely be made to local taxation ...	271
Imperial control of a general character to be retained over the entire levy of local taxation ...	237	<i>British Burma—</i>	
Discretion to Local Governments in levying any local tax which did not interfere with any source of imperial revenue ...	ib.	Has repeatedly expressed objections to any new taxation ...	273
<i>Hon'ble B. H. Ellis—</i>		The imposition of new taxes in a newly annexed country is a measure to be avoided ...	274
Earnestly deprecates a demand for heavy new taxation to relieve the Imperial Exchequer ...	239	Is absolutely and entirely opposed to any scheme of local taxation beyond what may already exist ...	ib.
Though the proposed taxation is called local, it differs essentially from local taxation for really local purposes ...	ib.	<i>Punjab—Sir H. M. Durand—</i>	
		Remarks on the principle of transferring direct taxation to Local Governments ...	278
		Additional taxation cannot by any action of the Local Government be made agreeable to the people ...	ib.
		<i>Punjab—Sir D. F. Macleod—</i>	
		Nature and extent of local taxation for the maintenance of communication, conservatism, and sanitation ...	280

PAGE	PAGE
<b>TAXATION—continued.</b>	<b>TAXATION—continued.</b>
<b>EARL OF MAYO'S MEASURE—continued.</b>	<b>EARL OF MAYO'S MEASURE—continued.</b>
<i>Punjab—Financial Commissioner—</i>	<i>Hon'ble B H Ellis—Debate of 17th March 1871—continued.</i>
Observations on local taxation ... 281	These measures of taxation were independent of the scheme of the Government of India ... 350
Is unable to suggest any other sources of direct taxation ... 282	Whether the contraction of the Public Works grant afforded ground for taxation remains to be considered ... <i>ib.</i>
<i>Punjab—Government of the—</i>	<i>Hon'ble Sir George Campbell—Debate of 27th March 1871—</i>
Local taxation for the transferred services will be more acceptable to the people than imperial taxation ... 287	The Local Governments had been driven to create systems of taxation ... 351
Manner in which the required sum of 11 lakhs may be raised by local taxation ... 288	This was the position the Government of India taxed the rich, and the Local Governments taxed the poor, between the two every one was taxed ... <i>ib.</i>
<i>Bengal—</i>	<i>His Excellency the Earl of Mayo—</i>
The Local Government is at present engaged in devising and inaugurating a large and permanent scheme of local taxation 289	In administration, taxation must always form a leading feature ... <i>ib.</i>
Enumeration of taxes proposed to be levied <i>ib.</i>	The people of this country never had the power of self-taxation ... <i>ib.</i>
These sources of taxation being thus anticipated, is quite unable to undertake the raising of a quarter of a million by local taxation of any other kind which shall not trench upon any existing means of taxation ... <i>ib.</i>	How to avoid unnecessary taxation ... <i>ib.</i>
Instead of searching for new forms of direct taxation, thinks it would be preferable to adopt the plan introduced by Mr. Wilson in 1860 ... 290	<i>Local Rates Oudh Bill—Hon'ble J Strachey, 10th March 1871—</i>
Unsuitableness of direct taxation to this country as a material source of revenue <i>ib.</i>	All works of local importance must be provided from local resources, and not by imperial taxation ... 352
Objections urged against the measure of direct taxation ... <i>ib.</i>	It is said that the result of these measures will throw upon the Local, instead of the Imperial Government, the obligation to raise, by unpopular taxation, the funds necessary for carrying out all sorts of local improvements ... 352
<i>North-Western Provinces—</i>	It was indeed thought right to give to those Local Governments, which have no legislature of their own, power to supplement, to a moderate extent, their existing local funds by fresh local taxation ... <i>ib.</i>
Report of the Local Taxation Committee 297	<i>His Excellency the Earl of Mayo—</i>
Preliminary observations on the subject of extraordinary taxation ... <i>ib.</i>	Denies the assertion that the whole object of the Supreme Government in proposing these measures has been the increase of taxation ... 352
<i>Financial Statement for 1871-72, by the Hon'ble Sir Richard Temple—</i>	The whole policy and the whole object of this Government ever since 1869 has been the steady decrease, and not the increase of taxation ... <i>ib.</i>
To secure financial benefit, Local Governments must reduce expenditure, or improve existing receipts, or impose new taxation ... 341	Gives a full exposition of the question "what has been the effect of the measures of Government with regard to taxation" ... <i>ib.</i>
Averse to the imposition of any new taxes that can be avoided ... <i>ib.</i>	Remarks on the manner in which local taxation will affect the Local Governments during the ensuing year ... <i>ib.</i>
Does not approve of liberal provincial taxation ... <i>ib.</i>	<i>License, North-Western Provinces Bill—Hon'ble J Strachey—Debate of 18th March 1871—</i>
The necessity for caution and moderation in the levy of provincial taxes <i>ib.</i>	The system of taxation has been a great deal too much like the bed of Procrustes 359
<i>Hon'ble W. Robertson—Debate of 17th March 1871—</i>	<i>Hon'ble J. Strachey, dated 27th March 1871—</i>
Pressure of existing taxation represented to be very severe ... 344	The withdrawal of the License Tax Bill should be accepted as an earnest of the desire to practise a reasonable economy and to avoid the imposition of needless burdens, whether by imperial or local taxation ... <i>ib.</i>
<i>Government of India's Resolution, 14th December 1870—</i>	The actual reduction of taxation in the North-Western Provinces and Oudh would be £211,000, as the result of the late measures ... <i>ib.</i>
It may be possible next year to give substantial relief from existing taxation ... 326	
<i>Hon'ble F. S. Chapman—Debate of 17th March 1871—</i>	
Views with the greatest anxiety this constant increase of taxation ... 344	
<i>Hon'ble Sir George Campbell—Debate of 17th March 1871—</i>	
Deficit of nearly £350,000 was to be made good by local taxation ... 345	
<i>Hon'ble B H Ellis—Debate of 17th March 1871—</i>	
There could be no ground whatever for the imposition of additional taxation on account of the civil portion of the provincial charges ... 349	
Measures taken by the Governments of Madras, Bombay, and Bengal in respect of raising money by local taxation ... 350	

	PAGE
<b>TAXATION—continued</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>License, North-Western Provinces Bill—</i>	
<i>Hon'ble Sir George Campbell, 27th March 1871—</i>	
Local Governments could not continue in the path of improvement without some additional taxation . . .	869
<i>Hon'ble Sir Richard Temple, 18th March 1871—</i>	
The extent to which taxation had been imposed under the resolution in the North-Western Provinces . . .	374
<i>Hon'ble Sir Richard Temple, 6th April 1871—</i>	
The Government of India has not hesitated, and will not hesitate, to incur responsibility, however grave, in respect to taxation, when necessary, but that is no reason why Local Governments should not bear an increased share in deciding whether expenditure shall be reduced or local taxation augmented . . .	381
<i>His Excellency the Earl of Mayo, 6th April 1871—</i>	
The Local Governments will be the best judges of the particular form of taxation which will be found best suited to their provinces . . .	388
Never heard that any taxation was popular . . .	389
It is not an unreasonable hope that the people will acquiesce in new taxes if they be spent for the health, wealth, and comfort of the people . . .	ib.
<i>Local Rates Bill, Punjab—The Lieutenant-Governor—</i>	
The necessity for additional taxation represented to be two-fold . . .	394
<i>Towns Improvement and Local Funds Bills, Madras Presidency—Hon'ble A. J. Arbuthnot, 17th February 1871—</i>	
It is absolutely necessary that the reduction should be met by additional taxation . . .	399
<i>Hon'ble J. B. Norton, 17th February 1871—</i>	
Waves his intended opposition to the Bills for local taxation . . .	ib.
A distinction has been rightly drawn between imperial and local taxation . . .	401
<i>Lord Napier of Merchiston, 23rd February 1871—</i>	
It was far from the intention of the Government to press the measure of taxation to the maximum contemplated in the Bills; the operation for the first year would necessarily be of a very limited character . . .	411
<i>Hon'ble A. J. Arbuthnot, 10th March 1871—</i>	
The numerous suggestions for developing new sources of taxation had failed in striking out any scheme on which the Government of India could take practical action . . .	414
<i>Bombay Presidency—Sir W. R. S. F. Fitzgerald, 6th April 1871—</i>	
Observations on increased taxation, the responsibility of which, he affirms, rests with the Government of India and with that Government alone . . .	415
We have attempted to raise the larger part of our demand by bringing under taxation the classes that have hitherto escaped all taxation . . .	417

	PAGE
<b>TAXATION—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued</b>	
<i>Hon'ble Mr. H. P. St. G. Tucker, 5th April 1871—</i>	
Shows how the necessity of taxation might have been avoided . . .	418
Efforts have been made to equalize as much as possible the distribution of the public burdens by drawing within the circle of direct taxation those classes who have hitherto managed to escape from contributing . . .	ib.
Explains the manner in which it is proposed to distribute the weight of new taxation . . .	419
<i>Hon'ble Colonel M. K. Kennedy, 21st April 1871—</i>	
The means placed at the disposal of this Government have been fixed at a much lower point than we have ever had to encounter, thus throwing closely and unmistakably upon this Government the alternative of increasing its mean by fresh taxation, or encountering a deadlock as regards works necessary for administrative purposes or needful public improvements . . .	ib.
<i>Hon'ble A. R. Scoble, 25th April 1871—</i>	
Where further taxation becomes inevitable, it is the duty of the State to raise that further taxation, so far as it legitimately may, by equalizing the pressure of taxation on all classes of the community under its rule . . .	420
Additional taxation necessitated by the inadequacy of the allotments . . .	ib.
A scheme for taxation should be devised, which, as the necessities of the Government increase, will provide the means that will be required without recourse to perpetually increasing or new taxation . . .	421
<i>Bengal—Hon'ble Sir Geo. Campbell, 25th March 1871—</i>	
It was morally impossible that while other provinces were being taxed Bengal should go free . . .	423
<i>Hon'ble Degumber Mitter, 25th March 1871—</i>	
It was not easy to discover any new source of taxation . . .	429
<i>Local Cesses, Bombay Presidency—</i>	
Three Bills in furtherance of local taxation were introduced in 1871 . . .	441
<i>Local Cesses, N.-W. Provinces—</i>	
The Government of the North-Western Provinces responded with a scheme of additional taxation . . .	460
<i>Opinions in Parliament—Sir S. Northcote—</i>	
The transfer of the power of local taxation to a limited extent to Local Governments would be advantageous . . .	495
<i>Mr. Grant Duff—</i>	
Local improvements not directly remunerative to be met by local taxation . . .	496
<i>Sir C. Wingfield—</i>	
Great danger will result to India should increased taxation be uncompromisingly persevered in . . .	498
In England local taxation meant self-taxation, but in India the additional taxes would be levied under Acts of Legislative Councils in which the natives were not represented . . .	ib.

	PAGE
<b>TAXATION—continued.</b>	
<b>EARL OF MAYO'S MEASURE—continued.</b>	
<i>Sir C. Wingfield—continued.</i>	
Additional taxation could only safely be imposed with the co-operation of the people ..	498
Heavy taxes levied from a poor people only further impoverished them, and every year the people grew less disposed to submit without murmur to taxation which they regarded as oppressive, or as a breach of faith ..	ib.
<i>Mr C B Dawson—</i>	
Feared that the scheme of decentralization would involve an addition to local taxation, of burdens which it was found inexpedient to couple with imperial taxation ..	499
<i>Marquis of Salisbury—</i>	
Taxation in India should be permanent ..	ib.
New taxes should be avoided as a political danger ..	ib.
<i>Duke of Argyll—</i>	
Objected to annual budgets and the imposition of new taxes ..	ib.
Regarding local taxation for local expenditure, the Government of India were divided on the point, and the Home Government and the majority of the Council decided in favour of the perfect legitimacy of the plan of raising local taxes for local taxation in India ..	500
<b>OPINIONS IN ENGLAND. CESSSES ON LAND-REVENUE—</b>	
<i>Bombay—Sir H B E Frere—</i>	
There is a special reservation in the Bombay Regulations of the power of Government to levy such additional taxation as imperial circumstances may require ..	502
<i>Quth—Sir C J. Wingfield—</i>	
Local Governments should have no power to levy taxes without the consent of the Supreme Government ..	510
<i>British India—Mr. S. Laing—</i>	
Impatience of local taxation is stronger in India than in England ..	512
The value of property in land in India depends on moderation in taxation ..	513
<i>Sir C J Wingfield—</i>	
There is no analogy between local taxation in India, which is taxation by the Government, and local taxation in England, which implies self-government and self-taxation ..	515
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—</b>	
<i>Mr S Laing—</i>	
The expenditure of local taxes for local purposes must reconcile the people to the taxes ..	516
The danger of pushing local taxation to excess greater with local than with imperial taxation ..	517
Imposition of local taxation in the face of strongly expressed opposition from public opinion ..	ib.
Petitions against local taxation ..	ib.
The people of India are very impatient of taxation ..	ib.
<i>Mr. Da Costa—</i>	
Definition of the term "local taxation" ..	ib.

	PAGE
<b>TAXATION—continued.</b>	
<b>OPINIONS IN ENGLAND. LOCAL TAXATION—continued.</b>	
<i>Mr. Da Costa—continued.</i>	
Enumeration of local taxes ..	515
Discontent arising from taxation ..	ib.
The spending of local taxes for local objects does not reconcile the people to the taxes ..	519
The decentralization scheme is a means of increasing taxation by throwing on Local Governments the burden of taxation ..	ib.
The increase of taxation has been so great during the last ten years that there should now be a reduction of expenditure' ..	ib.
<i>Sir C. B Trevelyan—</i>	
Since the mutiny nothing has been done except inventing, discussing, and elaborating new taxes ..	ib.
The discomposing effects of the perpetual discussion of new taxes ..	ib.
Taxes, obviously spent for the benefit of the people, are more willingly paid ..	520
Sir C Wingfield's experience in India was that it is utterly immaterial to the people how the money is spent ..	ib.
<i>Lord Laurence—</i>	
The people do not like to pay direct taxes, and it was wise to limit the indirect taxes for municipal purposes ..	521
The tendency to increase local taxation ..	ib.
The great development of local taxation took place under the decentralization policy ..	ib.
<i>Major-General R. Strachey—</i>	
The imposition of local taxes is subject to the consent of the Governor General, and the Act which imposes it is subject to the veto of the Secretary of State ..	522
The statement of Mr. F. S Chapman, that in some districts the local taxation which had been levied amounts to 50 per cent. of the land revenue, held to be inaccurate	ib.
General Norman's remarks on the subject ..	ib.
Mr. Robinson's remarks on the subject ..	ib.
Does not think that, under the decentralization scheme, taxation must necessarily increase ..	ib.
The schemes of irrigation which he had recommended were proposed to be carried out entirely by loans, and they would not affect in the least local taxation ..	523
India is not over-taxed, as evidenced by the natives, being immensely richer and more prosperous in 1872 than they were in 1856 ..	524
<i>The Right Hon'ble W. N. Massey—</i>	
Regarding local taxation ..	529
Definition of the term "local taxation" ..	532
Views in respect of local taxation ..	533
When the Local Government is armed with the power of local taxation, that power will be very cautiously exercised ..	539
Local taxation invalid, until sanctioned by the Imperial Government ..	ib.
Not at all hopeful of new systems of taxation ..	ib.
The landholders of Bengal are sufficiently acute to understand and appreciate the distinction between taxation for imperial and taxation for local purposes ..	540



PAGE	TAXATION—concluded	PAGE	TAXATION—concluded
	OPINIONS IN ENGLAND. LOCAL TAXATION—concluded		EARL OF MAYO'S MEASURE—continued, Central Provinces—continued.
	<i>Sir C E Trevelyan</i> —		The distinction attempted to be drawn between imperial and local taxation is a fallacy . . . 579
	The necessity from which additional taxation arises . . . 541		The people cannot be made to contribute more than a certain amount in the way of taxes, whether the taxes be imperial, provincial, or local rates or cesses . . . 56
	The system of indefinite taxation restrained by representation . . . 542		Provincial taxation on a large scale must always affect the revenue from imperial taxes . . . 56
	Constitution of Provincial Councils . . . 542		Local taxation a plant of slow growth . . . 581
	No new or additional taxation should be allowed without the express previous sanction of the Supreme Government . . . 56		Imperial taxation a dangerous fallacy . . . 56
	New provincial taxation wrongly attributed to the reduction of the income tax . . . 548		The problem of extending local taxation is one which demands most careful consideration . . . 56
	Provincial taxation was really owing to an unsound financial arrangement . . . 56		MINUTES AND NOTES IN 1872 AND 1873—
	Cannot imagine anything more calculated to disturb the public mind than novel and incessant taxation . . . 549		<i>Financial Secretary, 5th September 1873</i> —
	<i>Sir C Wingfield</i> —		Provincial taxation but little necessary . . . 595
	Local taxation should be regulated by representative bodies . . . 550		Freedom of control over taxation not to be parted with, and no share or separate interest therein to be given to Local Governments . . . 56
	Objects to the landholder being singled out for local taxation; if we are to raise additional taxation, the income tax would be the most equitable . . . 56		Taxation being more acceptable from the hands of a Local Government than when imposed by the Imperial Government, is a profound delusion . . . 56
	<i>Lord Lawrence</i> —		ROAD AND EDUCATIONAL CESS IN BENGAL—
	Adverse to the system of shifting the duties of taxation from the Government of India to the Local Governments . . . 558		<i>Government of India, Home Department, to the Secretary of State, 31st December 1869</i> —
	Did not think it expedient that local taxation should come in contact with imperial taxation . . . 554		Reasons urged by the Government of Bengal why the inhabitants of the province should be exempted from any special burden, and that if further taxation is necessary, it should be imperial and not local . . . 638
	The character of the taxes levied under the decentralization scheme . . . 56		<i>Government of Bengal, to Government of India, Home Department, 30th April 1869</i> —
	EARL OF MAYO'S MEASURE—		Observations on taxation . . . 646
	<i>Reports of Local Governments upon its operation, Bombay—Sir P. Wodehouse, 31st December 1872</i> —		Comparative statement of net receipts from taxation, from 1st May 1861 to 31st March 1867, for Bengal, N-W. Provinces, Punjab, Madras, and Bombay . . . 647
	Strongly urges that the Local Government should not be required to supplement the imperial assignment by provincial taxes . . . 557		Comparative statement of net cost of local administration for same period . . . 56
	<i>His Excellency the Governor, 16th September 1872</i> —		If taxation is necessary, it ought to be imperial, and not provincial . . . 648
	Hopes his colleagues may yet be willing to propose with him the abandonment of provincial taxation without insisting on the substitution of an assignment of revenue . . . 561		If Bengal is to be specially taxed, the general principle of the equality of taxation should not be lost sight of within the province itself . . . 56
	<i>His Excellency the Governor, 10th October 1872</i> —		<i>Sir E Perry, 14th May 1870</i> —
	Adheres to his recommendation of the abolition of provincial taxation—taxation applied to such an area as Bombay cannot be regarded as local . . . 568		Objects to the Secretary of State's despatch of the 12th May, because it seems to decide, and does decide, that there is nothing in the language or promises of Government in 1793 to preclude the present Government from levying local taxes in Bengal for local objects . . . 661
	<i>Bengal</i> —		<i>H T Prinsep, Esq., 19th May 1870</i> —
	Views of the Lieutenant-Governor on provincial taxation . . . 566		Observations on direct taxation . . . 666
	Provincial taxation unnecessary . . . 56		Protests against the assertion of any claim to the right of arbitrary taxation by direct taxes, which are in the nature of a forced contribution, and will be so regarded by the population . . . 667
	Local self-taxation for local benefits will be elaborated and carried into execution . . . 56		TAXES—PROPOSED OR DISCUSSED—
	<i>Central Provinces</i> —		ABKAREE TAX . . . which see.
	Most of the Local Governments were obliged to supplement the smaller allotments made to them from the Imperial Treasury by new taxes, or increasing the weight of old ones . . . 577		ARMS LICENSE TAX . . . ditto.
	No new taxation or increase of taxation should be thought of . . . 578		CAPITATION TAX . . . ditto.
	Constant change in matters of taxation not desirable . . . 56		CESSSES—EMBANKMENT . . . ditto.

TAXES— <i>continued.</i>	PAGE	TOBACCO— <i>continued</i>	
CESSSES ON ROADS, FERRIES, BRIDGES <i>which see.</i>		<i>Modes of levying the tax—continued.</i>	
" ON LAND REVENUE ...	<i>ditto.</i>	Bengal—licensing the cultivation ...	34
CHOWDHRIES OF GUILDS—TAX ON ...	<i>ditto.</i>	N.-W. Provinces—probable yield 6 to 8 lakhs ...	24 & 27
EDUCATION—TAX FOR ...	<i>ditto.</i>	Central Provinces—a license to vend ...	31
EXPORT DUTIES ...	<i>ditto.</i>	Government of India—monopoly inexpedient ...	10
FAIRS—TAX ON ...	<i>ditto.</i>	<i>Tax would be vexatious and oppressive—</i>	
FARTS—TAX ON ...	<i>ditto.</i>	Hon'ble Sir Ashley Eden, 25th March 1871 ...	428
FISHERIES—TAX ON ...	<i>ditto.</i>	Observations on levy of a tobacco tax, Sir W. Grey ...	291
FRONTIER DUTIES ...	<i>ditto.</i>	TOLLS ( <i>see</i> CESSSES ON ROADS.)	
GHEE—TAX ON ...	<i>ditto.</i>	TOWN DUTIES—	
GRAZING DUES ...	<i>ditto.</i>	MR. S. LAING'S SCHEME—	
HORSE AND WHEEL TAX ...	<i>ditto.</i>	Nagpore—should be considerably reduced ...	27
HOUSE TAX ...	<i>ditto.</i>	Sugar pays as <i>kramha</i> a duty of Re. 4, and goor of Re. 1 the load ...	26
INCOME TAX ...	<i>ditto.</i>	Rates of—levied in Nagpore, Kamptee, the sudder stations of districts, and some of the chief quasbahs in the province on opium, sugar, and goor ...	26
INTOXICATING DRUGS ...	<i>ditto.</i>	TRANSIT DUTIES—	
IRRIGATION ...	<i>ditto.</i>	MR. S. LAING'S SCHEME—	
LAND AND LAND REVENUE ...	<i>ditto.</i>	Nagpore—	
LICENSE TAX ...	<i>ditto.</i>	Considers that there might be transit duties on opium, sugar, and goor ...	26
MARRIAGE TAX ...	<i>ditto.</i>	MR. MASSEY'S FIRST SCHEME—	
MUTAHARAFI TAX ...	<i>ditto.</i>	Punjab—	
MUNICIPAL TAXATION ... <i>see Municipalities.</i>		There could be levied a duty on trade crossing our north-western frontier into British territory ...	34
NON-AGRICULTURAL CLASSES—TAX ON ... <i>which see</i>		EARL OF MAYO'S MEASURE—	
OCCUPANCY RYOTS—TAX ON ... <i>ditto.</i>		N.-W. Provinces—	
OCTROI ... <i>ditto.</i>		Taxation Committee's report on proposed levy of transit duties of kinds ...	304
ONE PER CENT. TAX ... <i>ditto.</i>		TUCCAVEE ADVANCES—	
OPIMUM (Customs, Town and Transit Dues) ... <i>ditto.</i>		NORTHERN INDIA CANAL AND DRAINAGE BILL—	
PANDHRI TAX ... <i>ditto.</i>		COMPULSORY WATER-RATES—	
PAWN TAX ... <i>ditto.</i>		Colonel R. Strachey, 18th February 1870—	
POLICE TAX ... <i>ditto.</i>		The grant of Tuccavee Advances contemplated by Government for facilitating the execution of agricultural improvements by applying such advances to the construction of minor water-courses requisite for the introduction of irrigation ...	601
" VILLAGE TAX ... <i>ditto.</i>		UNITED STATES ALSO FEDERAL GOVERNMENT—	
RAILWAY TRAFFIC AND CONSTRUCTION ... <i>see Railways.</i>		MR. WILSON'S SCHEME—	
RAW PRODUCE—TAX ON ... <i>which see.</i>		Rule observed by the United States relative to property tax ...	1
TRADES AND PROFESSIONS <i>see License Tax</i>		MR. MASSEY'S SCHEME—	
SALT TAX ... <i>which see</i>		The financial position of the central authority should by degrees be brought to assimilate generally to that of the United States Central Government ...	52
SETTLEMENTS—LAND ... <i>ditto.</i>		Lord Lawrence, Viceroy and Governor General of India—	
SUCCESSION DUTY ... <i>ditto.</i>		The system of the United States is not applicable to India ...	92
SUGAR AND GOOR—TAX ON ... <i>ditto.</i>		Hon'ble Sir H. M. Durand—	
TOBACCO TAX ... <i>ditto.</i>		Fails to see any analogy between English County expenditure, American States' expenditure, and that of the Indian Local Administrations ...	96
TOLLS ... <i>see Cesses on Roads</i>		Sir W. R. Mansfield—	
TOWN DUTIES ... <i>which see.</i>		The analogy of a confederation, such as that of the United States, with the bundle of Governments under that of India, is not altogether so irrelevant as it would appear to be to His Excellency the Viceroy ...	102
TRADES AND PROFESSIONS. <i>see License Tax.</i>		Some of the principles obtaining in the United States may be applied to India ...	26
TRANSIT DUTIES ... <i>which see.</i>			
WATER-RATE ... <i>ditto.</i>			
WOOL—TAX ON ... <i>ditto.</i>			
TOBACCO—			
If taxed, must be taxed by Local Governments for local purposes—Mr. Laing's scheme ...	3 & 5		
Government of India ...	21		
Sir Richard Temple ...	226 & 230		
The Hon'ble Sir John Strachey ...	234		
<i>A fit subject for taxation—</i>			
Bengal ...	8		
Oudh—can only be levied in common with N.-W. Provinces ...	20		
British Burmah—might probably produce a small sum ...	21		
Nagpore—levy approved ...	22 & 24		
N.-W. Provinces—quite feasible ...	24		
Punjab ...	39 & 140		
Bengal, Sir W. Grey ...	291		
" Hon'ble Sir G. Campbell ...	425		
" Degumber Mitter, would reach the masses, but it would not be productive ...	429		
<i>Modes of levying the tax—</i>			
Bengal, a short Bill authorising its introduction ...	8, 10 to 18		

PAGE	PAGE
UNITED STATES ALSO FEDERAL GOVERN- MENT—continued.	WATER-RATE—continued—
MR. MASSEY'S SCHEME—continued.	NORTHERN INDIA CANAL AND DRAINAGE BILL—COMPULSORY WATER-RATE—continued.
Sir W. R. Mansfield—continued.	Mayor-General Sir H. M. Durand—continued.
The principle of Government in the United States described . . . . . 102	If the section imposing a compulsory rate be struck out, the Bill was a good Bill . . . . . 609
Analogy drawn from the United States still further pursued . . . . . 103	The Hon'ble F. S. Chapman—
VILLAGE SERVICE FUND—	Objected to the principle of Section 56 610
EARL OF MAYO'S MEASURE—	Held to the belief that if irrigation works were well conceived, there need be no fear about their financial success . . . . . <i>ib.</i>
Local cesses, Madras Presidency—	Lord Mayo, 21st January 1870—
Provisions of Act IV of 1864 for the maintenance of village officers in the Revenue and Police Departments . . . . . 436	The objection to a compulsory irrigation rate may be removed by limiting the meaning of the words "irrigable land" . . . . . <i>ib.</i>
WATER-RATE—	By which restriction the law would be such that no persons could be made to pay for canal water who are not directly bene- fited thereby, unless their land is actually increased in value, and unless the water is actually brought upon the farms . . . . . <i>ib.</i>
EARL OF MAYO'S MEASURE—	Regarding the burden of the charge incur- red in the construction of water-works 611
Punjab—	Lord Mayo, 12th October 1871—
Observation on the water-rate . . . . . 575	The Government has long since declared its opinion in favour of a compulsory water- rate to be levied under fixed conditions, and certain well-defined limitations . . . . . <i>ib.</i>
COMPULSORY IRRIGATION RATES ON LAND—	Hon'ble R. E. Egerton—
Colonel R. Strachey, 17th April 1867—	In the Punjab, where the demand for water is very great, there will never prob- ably be occasion to enforce the compul- sory clause . . . . . 612
Deprecates the procedure of forcing culti- vators to pay for the use of water from irrigation works at the Government rate, whether they desired the use of the water or not . . . . . 602	Hon'ble F. R. Cockerell—
NORTHERN INDIA CANAL AND DRAINAGE BILL—	The new Bill puts no limit to the amount of compulsory irrigation rate to be levied . . . . .
COMPULSORY WATER-RATE—	The opinion of the Lieutenant-Governor of the North-Western Provinces on the amended Bill in regard to this point is that it is even more objectionable than it stood in the original Bill . . . . . <i>ib.</i>
Secretary of State, 11th January 1870—	Whether the rate be levied or not, it is wrong, because it would be levied without the consent of the payers . . . . . <i>ib.</i>
Great objections to Section 56 of the Bill... <i>ib.</i>	No analogy between the levy of special taxation for municipal improvements and this compulsory water-rate . . . . . <i>ib.</i>
Suggests an alteration which may render it comparatively unobjectionable . . . . . <i>ib.</i>	Observations on the burden of the charge incurred in the construction of water- works . . . . . 613
Colonel R. Strachey, 21st January 1870—	Where these works are wisely designed and carried out, they are sure to answer their purpose without the aid of Section 44 . . . . . <i>ib.</i>
Observations on Section 56 of the Bill . . . . . 603	The Hon'ble B. H. Ellis, 26th October 1871—
Mayor-General H. M. Durand, 21st January 1870—	Observations on the principle of the Bill, there were too many safeguards rather than too few, against oppression and injustice to the people . . . . . <i>ib.</i>
Adverts to the somewhat arbitrary powers taken by the Bill for the imposition of a water-rate on irrigable lands . . . . . 604	In the Punjab, where the people are only too glad to get water, the compulsory clause would be virtually inoperative . . . . . <i>ib.</i>
Colonel R. Strachey, 15th February 1872—	The Bill did not charge the people with engineering failures . . . . . 614
Observations on the policy of the Bill . . . . . <i>ib.</i>	Punjab—The Hon'ble the Lieutenant-Governor of the, 20th October 1871—
Observations on the objects of the Bill . . . . . <i>ib.</i>	Observation on the imposition of a compul- sory rate, and when the rate can be con- sidered equitable . . . . . <i>ib.</i>
Financial disaster and collapse of a very alarming character might readily follow an inconsiderate line of action in such operations . . . . . 605	Lands already irrigated from wells could not be brought under the compulsory rate . . . . . <i>ib.</i>
The remunerative character of the works would insure the payment of interest, but the compulsory irrigation rule would afford additional security . . . . . <i>ib.</i>	
The importance of such additional security Regarding the burden of the charge incur- red . . . . . 606	
Sir W. Mansfield—	
The provinces, the districts, the popula- tions, which benefited by the reproductive works, must be responsible for the expendi- ture incurred on account of them . . . . . 607	
Views of Local Governments hostile to Section 56 of the Bill . . . . . <i>ib.</i>	
Mr Muir's views regarding that section . . . . . 608	
Board of Revenue, North-Western Pro- vinces ditto . . . . . <i>ib.</i>	
There were others equally hostile to it . . . . . <i>ib.</i>	
Punjab Financial Commissioner's views . . . . . <i>ib.</i>	
Chief Commissioner of Oudh, equally hostile In the Central Provinces alone, where there was not much experience in these matters, an opinion favourable to the principle of the section is given . . . . . <i>ib.</i>	
Observations regarding the burden of the rate imposed . . . . . 609	

251485

	PAGE		PAGE
<b>WATER-RATE—continued.</b>		<b>WATER-RATE—concluded.</b>	
<b>NORTHERN INDIA CANAL AND DRAINAGE BILL—COMPULSORY WATER RATE—continued.</b>		<b>NORTHERN INDIA CANAL AND DRAINAGE BILL—COMPULSORY WATER-RATE—concluded.</b>	
<i>Hon'ble Sir Richard Temple—</i>		<i>Secretary of State for India, 15th March 1872—</i>	
The Secretary of State has not condemned the levy of a rate on irrigable but not irrigated land; on the contrary, he suggests possible conditions under which a rate might be leviable from such land	615	Cannot regard the provisions of section 44 in any other light than an encroachment on private rights, and concurs generally in the views set forth in the Minute of Lord Napier of Magdala	615
The analogy of municipal taxation in towns and cities distinctly applies to the proposed compulsory rating of irrigable lands	<i>ib.</i>	Desires that a new Bill may be introduced into Council, omitting the clauses which have challenged objection and re-enacting the general provisions	...
A compulsory irrigation rate does not differ from a road or school cess	<i>ib.</i>	<b>IRRIGATION CESS AND INDIRECT REVENUE FROM IRRIGATION—</b>	
The compulsory rate will not be levied to cover the cost of failures	616	<i>Major-General R. Strachey, 11th June 1872—</i>	
<i>Hon'ble J. Strachey, 16th October 1871—</i>		Interpretation of the term "land revenue from irrigation"	616
The principle of a compulsory water-rate levied under the conditions defined has been repeatedly declared, and its enforcement is a virtual necessity	617	The difference between wet and dry rates on land includes revenue which, before the land was irrigated from canals, may have been irrigated from tanks and wells. If the whole of that revenue be credited as revenue from irrigation, there would be a certain amount of fallacy	...
Objects and benefits of irrigation works	<i>ib.</i>	The nature of the compulsory provision of the first Canal Act	621
Lord Sandhurst's views on the subject	618	Repeal of that portion of it bearing on compulsory irrigation	...
An irrigation rate would be on precisely the same footing as the cesses for roads, schools, &c.	<i>ib.</i>	Inexpediency of passing that Bill for the North-Western Provinces	...
By no possibility could an irrigation rate be heavy	<i>ib.</i>	Bill made exclusively applicable to the Punjab	621
It would be unjust to levy a water-rate from people where it is not their interest to take canal water; but nothing of this kind has ever been contemplated	619	Godavery water-works—estimated returns from the—	624
Observations on the water-rate levied in Calcutta	<i>ib.</i>	Orissa water-rate—reduction in the—	624
A compulsory irrigation rate would simply apply the pressure which is now supplied by famine	620	Regarding expenditure on irrigation works	624
Ruling of the High Court, Allahabad, in respect of facilities for irrigation provided by landlords at their own cost, which their tenants with occupancy rights can avail themselves of if they choose	<i>ib.</i>	Charge for irrigation	624
The justice of a compulsory rate from lands, which have been improved in value by irrigation works, has been admitted by Sir H. Maine, Sir H. Durand, Lord Sandhurst, Sir D. Macleod, three successive Lieutenant-Governors of the Punjab, and three out of four Local Governments of Northern India	621	Cultivation by irrigation works	624
<i>Lord Mayo, 26th October 1871—</i>		Benefits of an irrigation canal	624
Does not concur in the opinion that if errors in design and mistakes in construction occur, the incidence of re-payment should be changed and placed on the shoulders of the people at large	622	Compulsory rate held to be a sort of insurance against famine	<i>ib.</i>
Considers that the parallel drawn by the Hon'ble Mr. Strachey in quoting the Calcutta water-works to be most apt	<i>ib.</i>	Interpretation of clause 44 in the Punjab Canal Act	631
A compulsory irrigation rate will simply render the people more disposed to take the water	<i>ib.</i>	The Act distinctly contemplates, under certain circumstances, that if the people do not use the water, they shall be charged a rate	632
<i>Lord Napier of Magdala, 24th October 1871—</i>		Compulsory labour—power given in the Punjab Canal Act of obtaining—	<i>ib.</i>
Objections to the 44th section of the Bill...	623	There is an obligation to labour, but it is only a statutory obligation	<i>ib.</i>
		<i>Lord Lawrence, 27th June 1872—</i>	
		A compulsory rate for irrigation works is neither necessary nor expedient	633
		<b>WOOL—</b>	
		<b>MR. S. LAING'S SCHEMES—</b>	
		<i>Bombay—</i>	
		Advocates a duty on wool	27
		<i>India—</i>	
		Government is reluctant to impose an export duty on wool, or on any other article of Indian produce of which India has no monopoly	28