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SIR STAFFORD NORTHCOTE'S FINL. STATEMENT.

1868-69.

INDIA—EAST INDIA REVENUE ACCOUNTS.—COMMITTEE.

Considered in Committee.

(In the Committee.)

SIR STAFFORD NORTHCOTE: Mr. Dodson, I think there is nothing in the statement with which I shall have to trouble the Committee to-day which calls for any very lengthened remarks from me. I must express my obligations to my right hon. Friend the Member for Kilmarnock (Mr. Bouverie) for having allowed the House to proceed with the business of the day without raising a preliminary discussion in accordance with the Notice which he placed on the Paper. As I just now remarked, I shall have very little to say; but at the outset I must take the opportunity of expressing my regret that this is the last financial statement on which any Minister of State will have to comment which has been drawn up by my right hon. Friend Mr. Massey. As the Committee is doubtless aware, Mr. Massey has left India and returned to this country, although the period during which he might have expected to hold the position of Finance Minister of India has not yet expired. I am anxious to express my great regret that India has been deprived of the services of Mr. Massey; although, looking at the matter from a purely English point of view, I am sure the Committee will rejoice with me at Mr. Massey having again come among us, and will concur with me in expressing a hope that we may see him once more a Member of the House of Commons. I am quite sure that whenever Mr. Massey takes his place among us again, India will feel the advantage of there being present in the House of Commons another statesman who is able to speak with personal information and personal knowledge of the state of that Empire. These intercommunications between England

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and India are, I feel satisfied, very advantageous to both countries; and I must express a hope that in future we may have the advantage of Mr. Massey's frequent advice upon Indian affairs. I am particularly sorry, however, that Mr. Massey's retirement should have occurred at this particular moment; because at the time he left India he was engaged in prosecuting an inquiry in reference to a reform in the system of the financial arrangements between the central Government of India and the local Governments. This is a reform to which I attach very great importance; and I think he would, perhaps, have been better able than any one else to effect it. However, the matter has been set on foot, and by-and-by I shall have occasion to refer to it more particularly. The good work which Mr. Massey has initiated will, I trust, not be allowed to fall through.

Actuals of
1866-67.

And now, Mr. Dodson, I will begin, according to the usual practice, by referring very briefly to the actual accounts which we have received for the year 1866-7—that is, the year ending on the 31st March, 1867. The Committee are aware that the statement made last year with regard to these accounts was a statement founded partly on information and partly on Estimates. It was founded on information extending over about eight months of the year, and on Estimates for the remaining four. Now that we have the actual accounts we shall, of course, find some slight difference in the results, though it will not be so striking as the difference on which I had occasion to comment last year between the actual accounts and the Budget Estimates of the preceding year, 1865-6. Last year it was estimated that the revenue of the eleven months ending the 31st March, 1867, would be, in round numbers, £12,000,000, and the expenditure £44,300,000. The actual accounts show that the revenue for that period was £12,013,000, and the expenditure, including that for public works extraordinary, was £14,530,000. Therefore, there is an excess of expenditure of £2,517,000, against the expected excess of £2,300,000; and the difference may be explained by the difficulty of making a clear estimate when one month of the year is omitted. I now turn to what is of more importance—the regular estimate for the year 1867-8. Last year we had before us the Budget statement or Estimate for the year ending the 31st March, 1868, showing that the revenues and receipts would probably amount to £16,783,000, and the charges and expenditure of all kinds, including public works extraordinary, to £18,610,000; showing, therefore, a deficit, according to that calculation, of £1,827,000.

Regular
Estimate of
1867-68.

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The account which we now receive shows that the revenues and receipts are estimated at £48,258,000, being an improvement of very nearly £1,500,000 upon the revenues. But, on the other hand, the regular Estimate for charges and expenditure of all kinds stands at £49,364,000, instead of £48,610,000, showing an increase of £754,000. The general result, therefore, is that, instead of a deficiency of £1,827,000, which we expected, the account for the years 1867-8 only shows a deficiency of £1,106,000. The Committee must understand that when I speak of a deficiency I am indicating the difference between the estimated revenue and the estimated total expenditure of the year, including the public works extraordinary. But it was never intended or contemplated that the revenue would be sufficient to cover all the charges for public works extraordinary. Nor has it been usual to include the public works extraordinary in these comparative statements of revenue and expenditure; but it has now been considered more convenient that I should take them in this form. I only wish to put this caution before the Committee that they may not be alarmed when I speak of deficiencies to such a large amount; for if you exclude these public works extraordinary, and charge their cost to capital, then the accounts would show a large surplus, instead of a deficiency. I put, then, the revenue as £1,500,000 better, and the expenditure as £750,000 greater by the accounts which are just received. Now what are the items on which the improvement of revenue has taken place? There are three principal items on which almost the whole of the increase has arisen. There is, first, a better return from the Licence Tax, which was estimated to produce £500,000, but which is now estimated to produce £658,000. There is next a gain under the head of customs of £188,000; and the last is the most important increase of the whole—on the item of opium the increase has been no less than £1,100,000. Opium is estimated to produce £8,814,000, which is decidedly the largest amount that opium has produced for a great number of years past. [Colonel Sykes: Unhappily.] The increase on the whole of these items amounts to £1,446,000, which is very nearly the whole amount of improvement on the revenue. At the same time some changes have taken place in other items; some have increased and others have fallen off—the increase and decrease nearly balancing each other. There has been an increase under the heads of “Land Revenue,” “Excise,” “the Post Office,” “Miscellaneous,” and some others; and, on the other hand, there is a decrease in “Salt,” “Stamps,”

Items of
improved
revenue com-
pared with
Budget
Estimate.

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Increase in
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“Mint,” “Telegraphs,” and one or two others—I mean a decrease as compared with the Budget Estimate, not that the revenue itself has decreased as compared with the revenue of former years. Stamps, for instance, have fallen short by £93,000 of the Estimate of last year; but, in point of fact, the revision of the judicial stamps has proved financially a very satisfactory measure, and has led apparently to an increase in the revenue of some £400,000. The item of Customs shows, I think, a very satisfactory improvement. Comparing the revenue—as far as it has yet been estimated—for the year 1867-8 with the year 1865-6, the last complete year—for the intermediate period of eleven months was a broken year, when a change was made in the date of closing the accounts—I find that in the year 1865-6 the revenue under this head was £2,279,000, and the actual Estimate for this year is £2,545,000, showing an improvement in the recent yield of Customs of some £270,000. Considering what depression there has recently been in India, consequent upon the cessation of the cotton demand, and upon the various other troubles, of which this House is aware, I think we may consider it very satisfactory that there has been this improvement, more especially when we remember that the whole system of Customs duties has recently been revised, a great number of duties done away with, and the tariff reduced to great simplicity. It is also satisfactory to observe that the addition made to the export duty on grain—of which I expressed doubts last year—has not been attended with any evil effect. Mr. Massey, in his statement, makes this observation—

“From the accounts we have received at the Custom House, it will be found that during the eleven months the increased duty has been in operation, the exportation of grain has increased from 355,000 maunds to 645,000 maunds, so that it is clear that the increased duty on exportation has not caused any diminution in the quantity exported, but that the exportation has gone on and increased very largely.”

Under these circumstances, Mr. Massey naturally says that he is not inclined to take off or to alter the duty. But I feel bound to say that, upon general principles, I regret that there should be any imposition of export duties, and I hope that in process of time it may be found possible to dispense with them, and that we shall find the benefit in the encouragement of trade as soon as these duties are taken off. This, however, is matter of theory; in practice I am bound to admit they have not worked badly.

To convey a complete view of the case to the Committee, I must now inquire under what heads the expendi-

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ture has increased by £750,000 or thereabouts. Indian expenditure is divisible roughly under four heads. There are, first of all, the ordinary charges of India, including the whole of the army and public services of the country; then there are the charges for public works extraordinary; then the head for the net expenditure in England, which includes the stores sent out to India; and lastly, the head of guaranteed interest upon railway capital. Upon three of these four heads I find that there has been an excess, and a saving only on the fourth. I am sorry to say that the saving is upon the one head on which I would have gladly seen an excess, and that is the head of public works extraordinary. Under that head the Budget Estimate provided for a sum of £3,513,000, but the regular Estimate only anticipate an expenditure of £2,761,000, so that there is a difference of about £750,000 between the expenditure as originally estimated and as afterwards determined on. [Colonel Sykes: Is that decided on by the excess of revenue?] It has nothing to do with revenue. There is an increase in the ordinary charges in India of £265,000; there is an increase in the net expenditure in England of £580,000, and there is an increase in the guaranteed interest (less traffic receipts) on railways in India of £660,000. On these three items, put together, there is an increase of £1,400,000 or £1,500,000, which would pretty nearly have balanced the improvement in the revenue. In fact, if there had not been the reduction in the account on public works extraordinary the great increase on opium and the Licence Tax and Customs would have been entirely swallowed up by the increase in the expenditure under those three heads. That is certainly not a satisfactory statement. I have looked into the causes of this increase; and first, as to the increase under the head of ordinary charges in India, which amounts to £265,000, the increase is due, in the first place, to some considerable advance under the head of opium. The large receipts from opium may have caused some increase in the charges in respect to it. I find it stated that the increased receipt under opium is due to the sale of an increased quantity at a higher price, while the increased expenditure is due to the payment of arrears of the past year and advances to cultivators. There is also an increase in the marine charges; but it is chiefly due to expenditure in the purchase of stores at Bombay, probably for the Abyssinian expedition. That is a matter of account, and will be repaid from the Imperial Exchequer; therefore, it is not of much importance. There is, however, an increase in

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Heads of
increased
expenditure.

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increase.

Ordinary
charges.

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Charges in
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Guaranteed
interest on
Railway
capital.

Public Works.

the army charges, arising from a variety of small additions, which, I am afraid, must be taken as indicating a tendency to an increase rather than a restriction of expenditure under that head; and this is a matter which requires very carefully to be watched. With regard to the net expenditure in England, including stores sent out for the public service of India, there is an increase of £580,000. Of that, about £100,000 is merely nominal—that is, there are certain items which were formerly provided under different heads which have now been included in the payments under this head. Other sums have to be deducted, and the adjustment will be made with the Imperial Government on account of troops serving in India. A sum of £100,000 has been paid by the settlement of old claims, and there is £28,000 on the furlough allowances. There is a considerable sum—£91,000—for passages of officers and troops, £44,000 on account of the overland service, and a further sum on account of the Victoria Hospital at Suez, which are items that have been introduced by the system of overland transport. [Colonel Sykes: What is the amount paid to Lord Clive's representatives?] £23,079. The other head in which there has been an increase is the guaranteed interest on Indian railway capital, which amounts to £660,000—that is, the additional sum paid in interest and the falling off in the traffic receipts have caused the balance of the account to be to that extent against us under that head. That is mainly due to the accident on the Great Indian Peninsula line, which caused a considerable falling off in the traffic, and to the diminution of the cotton trade. There has also been a falling off on the East India line. In one way or another the result of the year has been less favourable to us in that respect, and the amount we have to pay is £660,000 more than was estimated at the time the last Budget was brought forward. Under all these circumstances, there is nothing in the outturn of 1867-8 that we can look at with any great satisfaction. Undoubtedly the net result looks satisfactory; an Estimate was made that we should have a deficiency of £1,800,000, and we have only a deficiency of £1,100,000. That looks as if matters had improved, but we find a great increase of revenue due to the increase of that most uncertain of all sources of revenue—opium, while the increase in the expenditure is of a character which I fear I must describe as permanent; and, in point of fact, we should have had no improvement at all but for the fact that the sum we expected to spend on public works has not been spent. With regard to that non-expenditure, it is certainly

not the duty of the Government of India to force any expenditure. It is better that we should be careful in undertaking projects which, however promising, may, after all, involve the State either in loss, or in the necessity of lying out of its money for some time. It is proper to be cautious in these matters. Money will be quite quickly enough spent if it be well spent. I do not find any fault with the Government of India for not spending the whole money they had estimated to spend. I believe they were very careful in examining the different projects submitted to them, and we now find the benefit of their caution. At the same time, this is not a matter—the non-expenditure of the estimated amount on public works—on which we can look with any pride or pleasure. That, then, is the account of the regular Estimate of the year ending on the 31st of March last. The Committee understand that it is an account made up from actual information for about eight months of the year, and from a close Estimate for the remaining four. I now come to the Budget Estimate for the current year—the year which expires on the 31st of March next. I estimate the revenue and receipts at £48,586,900, and the charges of all sorts at £49,613,394—leaving a deficiency of £1,026,494. That is the gross amount, allowing all public works extraordinary to fall under the head of charge. Under the head of public works extraordinary there are charges of £3,092,090; and if that were removed from the Budget and charged to capital you might convert your deficiency into a surplus of £2,065,596, just as in the preceding year, if the same thing were done, instead of a deficiency there would be a surplus of £1,600,000. And I think it would be perfectly fair if I were to make such a statement to the Committee, leaving the item of public works extraordinary out of the expenditure, and representing to the Committee that we have a good surplus for the last two years. But I think it wiser to take the course I have adopted, and that, as prudent men, we ought not to run away with the idea that financially we are in a better position than we actually are. And I am bound to say that this distinction between public works ordinary and extraordinary is one which I view with extreme jealousy. I assent to the principle, as it was enforced by my noble Predecessor (the Marquess of Salisbury), and I have adopted it in my Budget Estimate. I entirely agree with the principle that it is a fair and right thing to provide for that class of public works which are of a reproductive character by raising money on loan. I think it may fairly be compared

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Extraordinary

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to the conduct of a landed proprietor who keeps his household expenditure properly within his income, but for real improvements on his estate calls in aid his credit, and borrows the money which, in the course of time, the improvement itself will repay. That is a perfectly legitimate and fair operation; but he will be open to the great temptation of transferring to this land account a portion of his ordinary expenditure, which ought to be met out of the year's income. He will be inclined to add a new wing to his house, or to put a new conservatory in his garden, and thus he may go on borrowing to a greater extent than he is aware, and yet all the while he may appear to be keeping a pleasant account at his bankers. No doubt, the temptation will be equally strong on the Indian Government to charge to loans public works that are of an ordinary, or, at all events, not of a reproductive character. I observe that, under the old system, before this distinction between public works ordinary and extraordinary was made, large sums were spent on certain classes of works without having recourse to borrowing. But I find that, since this new principle has been adopted, the extraordinary public works have grown to a very considerable extent, while the charges for ordinary public works have shrunk in a corresponding degree. For instance, in the year 1865-6 we spent upwards of £5,000,000 on public works, and charged the amount to the income of the year. But this year there is put down in our statements of public works charged as ordinary no larger sum than £3,800,000, being a difference of £1,200,000. It certainly seems curious that, whereas the system of making a charge for public works extraordinary was adopted with a view to undertaking works of a remunerative character, the charges for other works should be reduced. This year we have for extraordinary works a charge of £1,820,000 for military buildings, barracks, and embankments; £800,000 for irrigation works; and £170,000 for special fund works. With regard to the latter two classes of works, there is no doubt that they are precisely the description of works for which it is legitimate to borrow money. Irrigation works, if properly conducted, will, no doubt, in time recoup you, while the special fund works will do so directly because they are works undertaken by municipalities or other independent bodies to whom money is lent by the Government upon proper security. Therefore, as regards this sum of £1,270,000, it is perfectly legitimate to charge it to extraordinary public works in the Budget. With regard, however, to the items for military buildings,

Irrigation
Works and
Special Fund
works.

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buildings,
barracks and
embankments.

barracks, and embankments, we ought to be very chary of allowing them to be treated in the same manner. No doubt, with regard to these latter works, there is a large exceptional expenditure going on which should be included within certain definite limits, and when the contemplated works are finished, that exceptional expenditure ought to come to an end. It may not be unfair that such exceptional expenditure should be provided for by a loan, so as to spread it over a certain number of years. That is a principle which we adopt in this country with regard, for instance, to fortifications. Instead of constructing such works out of revenue, we raise money by terminable annuities, which we expect to pay off within a certain definite period. That is a principle, however, which I myself have never liked, and I should be sorry to see it carried further than is absolutely necessary. But in India the safeguards that exist with respect to that system in this country, are not to be found, because the money is not there raised by terminable annuities, but is treated as a certain excess over the income of the year, about which we need not trouble ourselves; and is provided for by either reducing the balances or by borrowing the money necessary without any special provision being made for the reduction of the debt. That is a reason for looking with jealousy upon this kind of expenditure, and another reason for doing so is that there are items in the revenue of India—especially that of opium—which are so uncertain that it is desirable that we should be careful how we incur anything in the nature of debt. Under all these circumstances, there has been some confusion not only in this country but in India—as to what is the actual condition of our finances; and a question has arisen which has disturbed even the minds of several members of the Governor General's Council—namely, whether we can be fairly said to have a surplus or not in the present year; and the question was raised whether it was or was not necessary to have recourse to further taxation. The whole difference turns on the question what is to be reckoned extraordinary expenditure. Under these circumstances I thought it desirable in the despatch which I have addressed to the Government of India, in reply to their financial despatch, to lay down the rule that in future years irrigation and special fund works ought to be the only works which should appear as public works extraordinary. There may be good reason why, when the expenditure upon public works ordinary is very heavy, it may be necessary to meet it by a loan; but the fact should always be recognized that

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the deficiency to be so met is a deficiency to be provided for out of revenue. Until we lay down that rule we shall never be safe in borrowing money for public works.

Increase in
Land
Revenue.

Decrease
estimated for
opium and
customs.

Modification
of mode of
estimating
opium.

I wish now to make one or two observations on the Budget for the present year as compared with that for last year. Taken as a whole, the Budget for the present year shows an increase of £328,000 in revenue, and an increase of £248,000 in expenditure over that of last year. In point of fact, however, the increase on both sides is merely of a nominal character. There is a substantial increase in the item of Land Revenue, which will be £362,000 better this year than it was last year, and this increase is owing to the improved condition of Orissa, and to some new settlements which have taken place. On the other hand, it has been thought prudent to take a reduced Estimate for the opium revenue, which is estimated at £8,385,000, being £400,000 less than the Estimate of last year under that head. The Estimate under the head of Customs duties is less by about £100,000, on account of the decline in the sugar trade in the Central and North-Western Provinces, and other causes. The total estimated revenue is about £48,500,000, of which upwards of £8,000,000 is estimated to be received from opium. Seeing that opium is estimated to produce more than one-sixth of the whole revenue of India, and seeing that that sum is considerably in excess of the average revenue it has produced during the past ten or twelve years, I think it would be prudent that we should put some limitation upon the amount that we ought to take credit for from this source of revenue, and, therefore, I have suggested to the Government of India that it would be better if, instead of forming each year an estimate of the amount which may be yielded by opium, and taking the full credit for that amount in estimating our revenue for the year, we took a certain sum to place to credit as representing the average revenue we derive from that article, and thus arrived at a fixed and reliable basis upon which to estimate our revenue. In those years in which the revenue from opium exceeds the sum so taken, the excess may go towards strengthening the balances, and defraying the charges for the construction of the public works; and should it fall below that sum we might be able to draw upon the balances to meet the deficiency, or we might go into the market for a somewhat larger loan to meet the public works expenditure. I think that by adopting such a course as I have suggested, we should be able to get something like consistency and fixity of taxation and of expenditure in India. By making some

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such arrangement, in combination with an improved system of advances for public works, and by introducing some more careful mode of keeping the accounts of reproductive funds which we may hope will arise from these public works, we may establish a system of carrying on public works by means of borrowed money upon a solid and secure basis. At present, however, I feel considerable uneasiness with respect to that particular feature in our financial system, because, while I fully recognize as a good one the principle of borrowing for works that are to be reproductive, I am afraid that in carrying it out in detail we may lose sight of the reproductive element, and that we may carry all that comes to us from the public works to the credit of the Land Revenue; and, that, so losing sight of it as belonging to a particular fund, we may cease to extinguish debt, and may allow it to increase upon us to an extent that may be very undesirable. Under all these circumstances, I think the policy pursued by Mr. Massey and the Government of India on the present occasion is a perfectly sound and right one—I mean with regard to the maintenance of the existing sources of taxation. It was questioned whether, looking at the account in the more favorable aspect in which I admit it is capable of being regarded, it was necessary to renew the Licence Tax. To have extinguished it was a course so popular that the Government might have been much tempted to adopt it. The amount raised by its means was not a very large one—only £658,000 last year, and undoubtedly there were some features in the tax which gave annoyance and which it was necessary to alter. That alteration reduces somewhat the value of the tax, even as it exists; but I think the Government of India were perfectly right in resolving to maintain this mode of taxation. It is after all but a slight burden on the classes who have to pay it, and it maintains a sort of regard to the principle that those who are the possessors of wealth, and those who are exercising profitable occupations, should contribute something to the interests of the State. I would call the attention of the Committee to the progress in late years of the different branches of taxation. I have compared the taxation of 1856-7 with the taxation proposed in the present year, taking it under three different heads. In the first place I take the Land Revenue, which can hardly be called a tax, but which is a very important—by far the most important—source of revenue to the State, and the revenue in 1856-7 from this source amounted to something less than £18,000,000, being in fact £17,900,000. In 1868-9 the

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Borrowing for
reproductive
works.

Necessity
of renewing
Licence Tax.

Comparison
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with 1856-57.

Land Revenue.

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Excise, Salt
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Taxes.

revenue from this source had risen to £20,400,000, showing an increase under this head of £2,500,000, or about 14 per cent. Then I take the group of taxation which bear upon the consuming population—the Excise, Salt, and Customs. In 1856-7 these three produced £5,700,000, and in 1868-9 they had risen to £10,600,000, showing an increase of very nearly £5,000,000, or about 85 per cent., in this class of taxation. I take thirdly the class of duties which fall upon the mercantile and trading communities and upon the possessors of wealth, such as the Stamps and the Assessed Taxes. In 1856-7 there were, of course, no Assessed Taxes, and the revenue from Stamps only amounted to £612,000. The revenue from these sources in 1868-9 was £2,942,000, showing an increase of £2,330,000, or about 380 per cent. In the former year the Land Revenue yielded 53 per cent. of the whole revenue, while now it produces only 42 per cent. I think, under all the circumstances, that it would have been a pity to attempt to get rid of the Licence Tax, and therefore in retaining it and depriving it, as Mr. Massey has done, of its more objectionable features, I think he has exercised a wise discretion. The Government did not think it wise to turn it into an acknowledged income tax. It is, indeed, very little else but an income tax, and I am not sure that it would not have been well to have given it that name, and to have rendered it a little more productive. But that is a matter upon which the Government of India—who ought to be better acquainted with the feelings of those with whom they have to deal than we are—can better judge than the Home Government, and I am ready to accept their opinion on this point.

Additional
particulars
given in
Home
Accounts.

I have now gone through the principal heads of the Budget of 1868-9. There is one point, however, relating to the Home charges, upon which I should wish to say a few words. I wish to call the attention of the Committee to the fact that we have this year made an alteration, or, rather, an addition to the usual accounts which are presented to Parliament. We have added to the Return a new account, giving a comparison of the estimated with the actual receipts and disbursements of the Home Treasury for 1866-7; and another account giving a comparison of the original with the regular Estimate of the receipts and disbursements of the Home Treasury for 1867-8. I think it is very desirable that the Members of the House of Commons should have an opportunity of getting fuller information with regard to these Home accounts than they have hitherto had, and I have introduced a new form of account for the

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purpose of showing what are the differences between our original Estimate and the amount which is ultimately furnished, with a column giving an explanation of the increase or the decrease, so that, in point of fact, they resemble very nearly the accounts of the army and navy expenditure which are laid upon the table, and which are in the hands of hon. Members when the Estimates are before them. This account shows in what respect the expenditure has or has not exceeded what was estimated. In addition to this, we have adopted this year a new system of referring the accounts to the Standing Committee on Public Accounts, in the hope that they will examine them, and will put any question they may think desirable to the auditor or the officers of the India Office. I am quite satisfied that it is desirable that Parliament should exercise that kind of control and criticism over the whole of the expenses. I am not, however, of opinion that it would be desirable that Parliament should take into its own hands the direction of our expenditure, or that it should endeavour to introduce a system of voting the money that we should spend. I think any system of that sort would prove not only delusive, but positively mischievous, for we all know how few Members of Parliament take a real interest in the subject or have sufficient knowledge to enable them effectively to criticize the details of Indian expense; but frequently a strong pressure would be put upon Parliament by persons having an English interest in the expenditure of Indian money, and this might lead to expenses which are avoided under the present system. I believe that the minute control exercised by a body of men like the Council of India is much more advantageous than any control exercised by this House would be; any acceptance, too, of the responsibility by Parliament which such a control entails would also, in my opinion, tend to introduce laxity into the supervision which that Council exercises in those matters, inasmuch as they would be to a great extent relieved from the responsibility which at present attaches to them.

The statement which I have now laid before the Committee is one, I think, which can excite no great amount of enthusiasm one way or the other. If there is nothing very unsatisfactory in that statement, there is, on the other hand, nothing in it of which we have any great reason to be proud. Our revenue, undoubtedly, keeps up, but it does not increase very largely, and though our expenditure exhibits no large increase, there is a tendency to creep up. We are, undoubtedly, spending a good deal of money on very beneficial

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Examination
of accounts
by Standing
Committee.

Control of
expenditure
by Parliament.

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undertakings, such as public works and railways; yet, on the other hand, there are many excellent works which we are unable to undertake from want of funds. In the past year I have had to lament that we have been obliged to refrain from carrying out those sanitary and educational measures which we could wish to see adopted, but the consideration of the Government has been turned to these measures, and we are, I believe, making progress. We have established a sanitary Department in our Office, and we are in communication with the Government of India in respect to improved sanitary arrangements. An impulse has been given to the educational movement, but what the result is likely to be we are not in a position to say. What we have to do is to keep our eyes upon the details of the expenditure, and that is by no means an easy thing to do in this country. It must be done mainly in India, but still we believe that much can be done even here. One step of some importance we have taken; we have put a stop to the system of sending home continually by every mail proposals for an increase of salary or expenditure in this or that Department. We have directed, instead, that all those proposals should be reserved and sent home at one time, so that the whole of them may be considered together; and though this is apparently a very simple measure, it is exactly one of those measures which are likely to tend to economy. I hope it may be found possible in the matter of civil, and more particularly of military expenditure, to exercise a more *rigorous* control over some details than, I think, has been exercised hitherto. At all events, that is the object to which we are now devoting our attention. I have already said, respecting public works, that we are endeavouring to devise a system by which we shall be able to discover what returns we get from the money laid out upon the re-productive principle. Respecting railways, we are now in communication with the Government of India, requesting them to lay before us a complete scheme for the further prosecution of railway works, and to state what railways should be first completed, and at what rate we can safely and properly proceed. There are some lines which must be very speedily taken up by the Government from political motives, and there are others which it may be desirable to take up with a view to commercial improvement. I have also spoken of the advisability of establishing proper financial relations between the central and local Governments. I very much regret that more progress has not been made in that undertaking since last year, but those who are acquainted with

Extension of
Railway
system.

Establishment
of financial
relations
between
Central and
Local
Governments.

See Statement, p. 100.

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Indian affairs will readily understand that this is a matter which gives rise to much difference of opinion and to considerable discussion between the central Government and the local Governments; and it is not surprising that although Mr. Massey prepared a plan and submitted it to the local Governments, we have not yet received the full Reports which have been sent in. We have before us the nature of the proposition in outline; we have also remarks of certain members of the Council and some influential persons upon it, but we have not yet received the views of the Presidencies of Bombay and Madras upon the subject. That, however, is a matter which will be proceeded with. Altogether I think we may congratulate ourselves upon the financial position of India, that our credit keeps good, and that there is a very fair relation between the revenue and the expenditure. Under these circumstances, I will not longer detain the Committee, but I will move the Resolution I have placed in the hands of the Chairman, which differs somewhat in form from that of past years, because while it records the figures as usual, it also contains a reference to the Report of the Committee on Public Accounts for the year, and expresses the assent of this Committee to that Report.

MR. LAING said, he saw very little to except to in the clear and judicious statement of the right hon. Baronet the Secretary of State for India. No one could doubt the judiciousness of the conclusion come to by Mr. Massey and the Indian Government, and which had been affirmed by the authorities in this country, that there should be no alteration in the taxation for the current year. Whatever objection there might have been to the policy of the Licence Tax when it was first imposed, it would, in his opinion, have been impolitic, without a much larger surplus, to repeal taxes simply because we had had an exceptionally good opium year. He also generally concurred with the right hon. Baronet's observations as to the danger of allowing items of expenditure on public works to be improperly carried from revenue to capital under the head of extraordinary expenditure. Such a practice resembled the condemned system of keeping railway capital accounts open. But he wished to say a few words on Indian finance generally, because it seemed to him that there still remained a disposition in the Home Indian Government to take a rather too gloomy view of the financial position of India, and that might lead to bad results. About five years ago very important practical questions were at issue, arising out of the doubt as to whether the restoration of the Indian finances after

Mr. Laing.

Hopefulness
of Indian
Finance.

Mr. Laing.

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Accumulation
of deficit since
mutiny.

Equilibrium
of Indian
Budget.

the Mutiny had been so complete that practically the equilibrium had been established. If the equilibrium had been established, it would have been obviously right to incur a more liberal expenditure in useful and reproductive works than would otherwise be possible; and it was also clearly right not to impose an excessive amount of unpopular direct taxation to maintain an unnecessary surplus. On those questions he had taken a different view from that of the Secretary of State of that time. That controversy between Lord Canning's Government and the Home Government should guide them for the future. He most cheerfully bore testimony to the fact that the administration of the Home Indian Government under the right hon. Baronet and the Marquess of Salisbury, had been of a much more liberal tone than the policy of earlier times; but he could not help thinking the right hon. Baronet had spoken too gloomily of Indian finance; and he (Mr. Laing) proposed to point out why a more cheerful view of things should be taken. During and after the time of the Mutiny, the financial condition of India was one of extreme distress—there was an accumulated deficit in the four years from 1858 to 1861 of £42,000,000, so that the average deficit for the four years was £10,500,000 per annum; and during 1860 and 1861, two years after the Mutiny, the annual deficit amounted to the formidable figure of £5,250,000. Great efforts were then made towards the establishment of an equilibrium, and since 1861 those efforts had been practically successful. During those six years they had been paying their way. For three years there had been a surplus, and for three years a deficit; but the six years together showed that the debt had slightly diminished; at the commencement it was £113,000,000; in 1867 it was £108,000,000. The interest paid in the year 1862 was £5,160,000, and in 1867 it was £4,829,000. It was true, however, that the cash balance in 1862 had amounted to £17,000,000, and that it stood in 1867 at only £11,000,000; so that to within a few pounds, India was in the same position, as regarded her public debt, less cash balances, now as she occupied in 1862. This, he thought, proved the soundness of the view entertained by Lord Canning's Government as to the preservation of an equilibrium in the Indian Budget. And he thought it right to observe that the equilibrium of the Indian Budget was very different from the equilibrium of any European Budget; because in the former works were charged to revenue which in the latter would be charged to capital. From 1862 to the present year the cost of the public works

undertaken in India was £28,667,000; of which no less than £16,000,000 was for original works and improvements exclusive of the cost of maintaining. Just about one-half of that £16,000,000 was for new civil and military buildings, and might be regarded as adding to the value of the public estate; the other half was for strictly reproductive works; so that £8,000,000 had been charged to revenue, which, he ventured to say, in the Budget of any other State in the world, would have been charged to capital. In India the compensation for land taken for railways was charged to revenue, though it was as strictly a charge against capital as was the cost of constructing the railways themselves. During the last six years £15,000,000, or £2,500,000 a year, had been charged to revenue in India, which, if we took the analogy of any European State, or any private railway company, would have been charged to capital. During the same period, though there had been no large war, India had not been completely tranquil, and some of the military operations there had been attended with considerable expense. If there had been no increase in the cost of pay and provisions, there ought to have been a diminution of £1,500,000 or £2,000,000 as compared with the military establishments of 1861-2; but, instead of a decrease, there had been a small increase. He thought, however, that the expenditure under this head would not have been an increasing one; and he believed that if peace continued, it would be possible to effect a reduction. Here he would observe that his experience led him to believe that if we wanted economy in military matters, we must have a civilian primarily responsible for that expenditure—a Minister for War in England and a Governor General in India. In other words, we must not allow a Commander-in-Chief to control his own Estimates. But the Estimates being under the control of a civilian, one man ought to be made responsible for carrying out all the details; and a military man thoroughly acquainted with all the practical details of his profession, was best adapted for this latter duty. He believed that in respect of this matter second thoughts in India had been the worst. In his opinion the original plan was best, and the amendments made on it by the Treasury were not improvements in regard of economy. A point of difference between him and others who took a sanguine view of Indian finance, on the one side, and those who did not take that view on the other, was in respect of the revenue from opium. He had heard it said that this was a precarious revenue; that it was a reed which some day or other would break in our hand, and that therefore

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Compensation
for land for
Railways.

Military
expenditure.

Civilian control
over
military
expenditure.

Alleged precariousness of
Opium
revenue.

Mr. Laing.

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Net revenue of
Opium.

Progress of
Indian
revenue.

we did wrong to depend on it. In 1862 he had occasion to look into the matter very closely, and he arrived at quite an opposite conclusion. He came to the conclusion that there was no reason why the revenue from opium should be more precarious than any other revenue depending upon an artificial taste widely diffused among a large population. He at that time ventured to predict that there would be an increase rather than a decrease in the revenue from opium within the next few years. He did so because, having looked back for a few years, he found that in China the expenditure for opium had been steadily and rapidly increasing. For the five years ending in 1857 that expenditure had been £8,000,000 per annum. During the next five years, from 1857 to 1862, it was about £11,000,000 per annum. In 1857 the gross revenue from opium in India was in round numbers £5,000,000, and the net £4,000,000. From 1857 to 1861 the average receipts from the same source were £6,080,000. In 1861 they were £6,676,000 gross, or £4,160,000 net. He might observe that in the case of opium the net revenue was the thing to look to, as the article was one of Government manufacture. Between 1861 and 1867 the gross revenue had risen to £7,380,000 and the net to £5,600,000. In 1867-8 the gross revenue was £8,814,000, and the net £6,951,000. That appeared to him to be as little like a precarious and declining revenue as anything could well be. The enormous population of China preferred opium to any spirit or other stimulant, and, as the experience of the last twenty years proved that, practically, India had a monopoly in the supply of that article to China, the trade in that article would increase as new communications were opened up. He was altogether unable to see why there was anything more objectionable financially in a revenue derived from the sale of opium than in one derived from the sale of spirituous liquors, or, as in Russia, from the monopoly of brandy. He was anxious to call attention to a few facts showing the progress of India; for he believed that while it was important to encourage a reasonable and prudent liberality with regard to public works, it was not less important to exercise a wholesome influence upon public opinion, which was being very rapidly created in India. He should be the last person in the world to indulge in anything like self-laudation or puffery, believing that it always defeated its own object; but, feeling convinced that our government in India was not only the cheapest and best of any oriental nation, but perhaps one of the cheapest civilized governments in the world, he felt it to be only right

that the facts should be known generally, and that the Natives should not be led into the mistake of supposing that the British rule was bad economically, or in any other respect. The first question to be considered was the intrinsic elasticity of the revenue. In 1862 Lord Canning's Government had to decide upon the important question of imposing a Licence Tax, and, accordingly, before this resolution was adopted, it became necessary for him to go into very minute calculations with regard to the revenue. Excluding all those additions arising from annexations of territory, to which the right hon. Baronet had referred, and looking merely to the inherent elasticity of the revenue, he found that for the previous ten years an increase at the rate of more than £700,000 a year had been going on, and he ventured to hazard the opinion that the tendency was still further to increase. That was in 1862, and in the last six years the revenue had increased from £42,900,000 to £48,935,000, being an average increase of over £1,000,000 a year. [Colonel Sykes: From opium?] Of course, a portion of the increase was derived from opium, and he had already tried to show that this was as legitimate a source of revenue and as little injurious as any other. But to show that opium was not the only source of increased revenue, he would investigate the progress made during the five years from 1861 till 1866, the date to which the latest complete Returns were available, which seemed to him a period more applicable to the present state of things than some of the examples given by the right hon. Baronet. By comparing the Returns of 1861 with those of 1866 it would be seen that the Land Revenue had increased from £18,500,000 to £20,478,000. Yet during that period there had been no annexations of territory, and no increase in the rate of assessment; the whole of that increase, therefore, must be due to the prosperity of the agricultural interests of India, causing additional and waste lands to be brought into cultivation. During the same period the Excise Returns showed an increase from £1,778,000 to £2,612,000; and the yield of the salt tax had risen from £3,805,000 to £5,342,000, the Estimate for next year being even higher. The latter was a very important increase, because the salt tax was perhaps the only one affecting the great mass of the population of Hindustan. There was no man so poor as not to consume salt, and the progress therefore of the revenue from salt in India might be regarded very much in the same way in which the Excise Returns in this country were supposed to throw light on the condition of the great body of the

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Land Revenue.

Excise and
Salt.

Mr. Laing.

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Stamps.

Educational progress.

Progress of correspondence.

Imports and Exports.

Railway mileage and receipts.

Incidence of taxation.

people. Stamps during the same time had risen from £1,182,000 to £1,994,000. These were all items independent of opium, and they exhibited a rapid and satisfactory state of progress. The Government grants for education had increased in five years from £235,000 to £440,000; but, besides this, he found from official Returns that the amount expended upon education from local and private sources, other than grants from the State, had increased from £128,000 to £330,000—that was to say, had increased nearly three-fold in five years. The average attendance of scholars had risen from 333,030 to 559,000, or 66 per cent. The increase of intelligence was shown in another way; the number of letters and newspapers sent through the Post Office had increased from 47,077,000 in 1861 to 59,931,000 in 1866. In fact, reviewing the career of India for these six years, he knew no other country in the history of the world in which such a great material progress had been made. The increase in the imports and exports was something almost fabulous. The aggregate imports and exports which in 1861 amounted to £68,000,000, in 1866 had risen to £123,000,000—that was to say, had very nearly doubled in five years. The amount of bullion imported into India during the last six years amounted to no less than £115,000,000. The tonnage of shipping entered and cleared rose from 5,101,000 in 1861 to 7,621,000 in 1866, and the railway mileage increased from 1,028 to 3,452 miles. The gross receipts upon these lines stood at £730,000 in the former year, and £4,607,000 in the latter. Contrasting these figures with the financial working of the government of any other country in the world that he was aware of, the results, he believed, must prove most creditable to British government in India. He was the more anxious to dwell upon these points because last year an authority no less eminent than the Marquess of Salisbury expressed, in language which had since become memorable, a doubt whether, as a whole, British rule in India had proved a benefit to the Natives or not. He was very glad that doubt had been expressed, because it had led to what was no doubt a very useful inquiry, and to the production of a body of most valuable Reports, which must convey to the mind of any gentleman who read them attentively, the impression that British rule had undoubtedly been of the greatest possible benefit to India. The taxation of India was lighter than that of any other civilized country in the world. There could be no reasonable doubt that the revenue raised from land there was in the nature of a rent, and that if it were not paid to the State it

Mr. Living

would be paid to private proprietors. The large revenue from opium, moreover, was not really paid by India, but by the consumers in China. If these two items were deducted, the whole amount of revenue raised in India would be only £18,000,000 a year; but even of this limited amount about £1,500,000 accrued from the tribute paid by other native princes, and for services, such as that of the Post Office, for which an equivalent was given. A careful analysis, therefore, of the taxation levied in India for the purposes of the public administrations, civil and military, would show that this did not exceed £15,000,000 a year, which would be about 2*s.* per head on the population of British India, numbering 150,000,000. But, even if the question affecting the nature of the land revenue were waived, and this were treated as an Imperial tax, even then the taxation of the population would be under 5*s.* a head. In no country in the world, making a pretence to civilization, was the taxation upon so low a scale; he did not refer merely to highly taxed countries like England or France, where the taxation was at the rate of over £2 a head, but to such countries as Turkey, Egypt, or Russia, where, with the comparative amount of civilization which they possessed, the taxation was from 15*s.* to 20*s.* a head. Take, again, the Public Debt of India. The annual charge was a shade under £5,000,000 sterling, which was but one-tenth part of the revenue of India; and it had been stationary at this rate since 1861; whereas in other parts of the world, not only was the debt large and rapidly increasing, but the annual payment of interest upon it amounted, perhaps, to one-half, or, as in the case of England, to 33 per cent. of the annual revenue. And what had been obtained in return for a portion of the obligation so undertaken? No less an amount than £65,000,000 of British capital had been expended upon the construction of railways in India. In India no less than £65,000,000 of British capital had been expended in making water communications and carrying out other invaluable and important public works. Now, while he quite agreed with the right hon. Baronet as to the importance of economy, and deprecated launching out into extravagance in small matters, yet he had come to the conclusion that, in the present condition of Indian finance, we ought not to starve great, important, and necessary public works. We ought not to mind contracting a national debt in India for purposes of primary importance. Although he was as averse as anybody could be from keeping a small capital account open, yet he could not help seeing that it was a totally different

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Public Debt of
India and
other
countries.

Encourage-
ment to
undertake
important
Public Works.

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Railway
extension to
Peshawur and
Kurrachee.

thing from contracting a debt in order to carry out public works of a political and commercial necessity, such as railways and irrigation works. It was obvious, for instance, that a system of railways leading up to Peshawur, on the frontier of the Punjab, was a primary necessity. The political use of such an undertaking must be evident to everybody. As Russia was extending her dominion in Central Asia, it was patent that our policy should be to keep on friendly terms with her, and, while allowing her to do what she liked on the north side of the range of mountains, to put ourselves in an efficient state of defence on the south side. With that object we ought to construct a line of railway to Peshawur, and to complete another up the Indus Valley from Kurrachee. He also thought that the Benares irrigation scheme ought to be proceeded with without delay. On the whole, he was in favor of the Government executing these great works, instead of intrusting them to private companies; and this opinion was, he believed, shared by most of the Indian authorities. At all events, he was anxious that there should be no delay; because, while we were higgling with the company which had possession of the field, we might lose the opportunity of raising the money when the money market was in an easy state. Indeed, he particularly wished to impress on the right hon. Baronet the importance of taking advantage of the present condition of the money market, and of the high credit of India, to make ample provision for the wants of that country for a series of years to come. It would be necessary to expend at least £20,000,000 during the next eight years or so. He did not mean to say that a sum of £20,000,000 should be borrowed at once, and then locked up to remain idle. He thought that the right hon. Baronet might very well take a leaf out of the book of some railway companies, which had been making provision for paying off their terminable debentures as they fell due over a series of years. The lenders should be allowed either to pay up in full, or leave a deposit of perhaps 10 per cent. on the remaining calls, so as to insure their being paid. Under such a system the necessity was avoided of disturbing the money market by raising a large sum in any one year, while, on the other hand, there was a certainty of getting the money year by year as it was required. By this method the right hon. Baronet might raise the money he wanted within about 5 per cent. or so as cheaply as if he were to take the whole at once, and in the present state of the money market the amount would probably be advanced at a very favourable rate. So far as regarded

Provision by
loan for
Public Works.

Mr. Lubbock

finance. As to general questions, he should not refer to them at any length, though he must say a few words as to the measures to be adopted for maintaining in India the excellent government which she had enjoyed during the last six years. A question had been raised as to the relative merits of personal government and of Councils. In his judgment the question was one of degree. Everybody must, on the one hand, admit that personal government and personal character was the mainspring of everything in a country like India; but, on the other hand, it stood to reason that all matters could not be intrusted to individual impulse, the more especially as the Secretary of State for India in this country necessarily changed with the Ministry. It was absolutely necessary, that he should have the benefit of the advice of experienced Indian officials, and he would suggest that it was of vital importance that men of eminence, like Sir Bartle Frere or Sir Robert Montgomery, should, in returning from India, receive a kind of official retainer to give advice to the Secretary of State for India. In conclusion, he wished to state that he had listened with great satisfaction to the statement of the right hon. Baronet, whose administration had been on the whole a very enlightened, a very economical, and a very successful one.

MR. GRANT DUFF: Sir, I should have been sorry if this conversation had come to an end, without my having had an opportunity of expressing my very great regret that one of those untoward accidents, to which the House is subject, should have prevented the hon. and gallant General the Member for Frome (Sir Henry Rawlinson) bringing before us a subject, which will, I fear, however favourably matters may turn out, exert a sinister influence on many future Indian budgets. I allude, of course, to the recent advance of Russia on Central Asia. I am as far as possible from being an alarmist on this question. Some who have given much attention to it say that I am too little of an alarmist; but I do think that even in this crowded Session this matter should not have been passed by. There is a difference between panic and wise foresight. A discussion, inaugurated as it would have been by the hon. and gallant General, with whose views some of us do and some of us do not agree, but whose acquaintance with a certain portion of the subject we all admit to be great and almost unique, would have enlightened opinion in Europe, strengthened the hands of the Viceroy in what I consider his wise policy, and above all calmed opinion in India. Far be it from us to wish to see a revival of the anti-Russian feelings of thirty years ago; but

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Relative
merits of
personal
government
and Councils.

Mr. Grant
Duff.

Advance of
Russia in
Central Asia.

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let us not deceive ourselves. This is a grave matter. It is for the interest of all of us, and above all for the interest of the Government for the time being, that all the best information and all the best thought about Russia, which exists in Western Europe, should be called out for our guidance; and it is known to every one that the most sovereign means of calling out all the best knowledge and all the best thought existing in Western Europe on any political subject, is a discussion in the British House of Commons.

Col. Sykes.

COLONEL SYKES said, the right hon. Baronet had brought forward the Indian Budget in a spirit of great fairness. He could not agree with the hon. Member for Wick (Mr. Laing) that great progress had been made in the trade of India, seeing that the exports and imports showed a great falling off. It appeared from the official Progress Report of India recently printed that the export trade between 1865-6 and 1866-7 had diminished £17,453,698, and that the import trade, including treasure, for the same period had diminished £10,919,196, in all £28,372,894, or 23 per cent. on 1865-6, and 19 per cent. on 1864-5. The number of sea-going vessels had diminished 917, with a tonnage of 227,547; and the coasting trade, 11,555 vessels, with a tonnage of 318,907. This was matter for serious consideration. He would urge the desirability of a more speedy issue of these Returns. He thought that the House should not, at the end of July, 1868, be called upon to discuss the Budget and policy of India only up to the 31st March, 1867. In his opinion, the revenue derived from opium could not be a source of gratification to the moral sense of this country, since it rendered us responsible for the destruction of the *physique* and *morale* of the Chinese, who were the chief consumers. It was satisfactory to find that education was making rapid strides in India. There were 17,117 school in India in 1864-5, with an attendance of 435,818 scholars, at a cost of £613,000. In 1866 there were 18,562 schools, with an attendance of 559,317 scholars, at a cost of £770,834. The Government Colleges and private institutions had increased; the Colleges from 295 in 1865-6 to 305 in 1866-7, and the institutions from 2,266 to 2,602 in 1866-7, and other schools from 197 to 425—in all from 2,758 to 3,332, and the scholars in these schools from 121,286 to 134,640, and in the private schools from 7,433 to 13,460. The number of Colleges was increasing; but he must point out that the Natives, who received a superior education at these institutions, would expect employment in positions suited to their attainments, and that, unless such employment was provided for them,

Falling off
of Imports
and Exports.

Lateness of
budget.

Educational
progress.

Colonel Sykes.

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they would naturally become discontented. They would not be satisfied with small Government clerkships. In illustration, he would take the number of scholars in the University of Madras who had gone up for matriculation examination. In 1857 there were only 41; but in 1866-7 there were 895, and the total number in ten years was 3,161—of these there had graduated in degrees and honors in the different faculties from 1857 to 1867:—Bachelor of Arts, sixty-three; from private tuition, twelve; Bachelor of Civil Engineering, five; Bachelor of Laws, twenty-three; Fine Arts examination, 168; and from private tuition, ninety-seven. One candidate has taken the degree of M. D., and three others have passed preliminary examinations. The successful scholars of the Calcutta and Bombay Universities are even more numerous. With regard to finance, he agreed with the right hon. Baronet (Sir Stafford Northcote) in thinking that a distinction should be drawn between extraordinary public works, whether remunerative or otherwise, and ordinary annual works. If this were done, instead of throwing extraordinary public works upon revenue, the Budget would show an annual available surplus, and this surplus, if devoted to extraordinary public works, would enable us to make considerable progress, particularly with regard to irrigation; for completing extraordinary works recourse should be had to loans. There was a growing feeling of dissatisfaction and discontent with reference to the prospective state of the Indian army. Before the transfer of that army to the Crown regimental bonuses for senior officers on retirement were subscribed to by the officers; but those who have joined the Staff Corps have no longer any motive to subscribe, being promoted for length of service alone; the consequence was that the bonus system fell through in all Native regiments, and officers who had expected to retire with a bonus of £5,000, or £6,000, were still kept in the service and deprived of every shilling they had subscribed. Committees had sat in India upon this subject, but with what result? In a literally trading and huckstering spirit the officers had been asked how much they had received in additional pay at every previous step of promotion in their career, and they were told that so much should be deducted from their bonus—that is to say, from the money they had actually subscribed. This had created great dissatisfaction and resentment, and could not have been intended by the kind liberal spirit in which the despatches of Viscount Cranbourne and the right hon. Baronet on this subject was conceived. He was glad to observe that the health of both European and Native troops

Ordinary and
Extraordinary
Public Works.Dissatisfaction
in army
amongst
officers.*Colonel Sykes.*

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Health of
troops.

Increased cost
of army.

had been very satisfactory—the death-rate of Europeans which formerly was 10 per cent., including invaliding, being in 1865, on 64,405 men, $2\frac{1}{2}$ per cent. for the death-rate. And in 1866, on 59,941, it was no higher than 2 per cent. The invaliding in 1865 was 4·4 per cent., and in 1866 it was 3·4 per cent. The rate of deaths in the Native army in 1866, on 99,036, was only 1·2 per cent., and the invalided were only 1·7 per cent., the happy results, it is to be hoped, of sanitary measures for the European and Native troops. He observed, however, that while the number of troops had diminished by 183,023 officers and men since the Mutiny, the expense had increased by £5,000,000. This opened a wide field for inquiry, and, he hoped, for reduction. While the cost of the Company's army had never been more than £10,300,000 a year from 1851 to 1857, except on two occasions, 1854 and 1855, when it rose to £11,000,000, the cost of the army in India now was £15,825,791—with an increased number of Europeans it was true, from 42,000 in 1857 to 59,941 in 1868, but with the Native force reduced nearly two-thirds, from 300,000 men to 99,036. Upon the whole the prospects of India, he was glad to think, were not unfavourable. He entreated his right hon. Friend to consider the question of the Native regiments being without officers. In the late Abyssinian expedition some of the regiments had not one of their own old officers. If it were resolved to have only six officers, to be named by the Commander-in-Chief, with a regiment, surely he would have the common sense to keep the old officers with the men with whom they had served, and between whom and themselves a feeling of sympathy had grown up. To put strange officers with the men was decidedly impolitic and even dangerous.

Mr. Bazley.

MR. BAZLEY said, while thanking the right hon. Gentleman the Secretary of State for India for the statement which he had laid before the House as to the Indian finances, he felt it was deeply to be deplored that the interests of 200,000,000 of men should come on for discussion only at the very eve of the prorogation of Parliament; and he trusted that in future the subject of India would be brought before the House at a time when it could be really discussed. Nothing would contribute more to the prosperity of India than attention not only to the rights of labour, but to proper investments in public works. A large amount of money had been expended that would be really unproductive; but he did not know that too much had been laid out upon productive works. They wanted in India supplies of water, not only for irrigation, but also for communication. The

Earlier
submission of
Budget.

Mr. Bazley.

Punjab furnished an example that might be followed with advantage in every part of India. With regard to railways, it was to be observed that, while we in this country had about 14,000 miles of them laid down, in India there were not, probably, 4,000 miles. In the United States of America there were probably 40,000 miles of railway. He submitted that in India, instead of 4,000 there ought to be 40,000 miles of railway communication. He congratulated the right hon. Baronet on the prospects connected with the thirty years' tenure of land. It was very probable that there would every year be an increasing revenue from a continually increasing rent; and he was glad to hear that land, in an uncultivated state, was let at as low a price as 1½d. per acre per annum for a certain number of years. At the end of thirty years it would let for 1s. an acre. He rejoiced to hear that efforts were being made to increase the quantity and improve the quality of the cotton, and that, according to the gentlemen who have travelled through the cotton cultivating districts, that there was an improvement in the crop. He would be glad to see an agricultural inspection of cotton through the whole of India, and also that there should be a system of agricultural statistics. By that means India would attain a state of prosperity to which she had hitherto been a stranger. One great proof of the progress that had been made was that the price of labour had been considerably increased. He wished very much to see a remission altogether of the duty upon salt, as no greater boon could be conferred upon the inhabitants of India. He trusted that every effort would be made to develop the resources of the country: and in that case he thought that India had a great future before her. In a word, he asked for no favor for our Eastern possessions; he only demanded that justice should be done them. To see palatial structures rising, and costly entertainments given at the expense of India, was not creditable to us. We should not only give the people of India our language and civilization, but in all our intercourse with them we should be careful to do them justice.

MR. KINNAIRD said, that it was only because he believed that British rule, as had been proved to demonstration by the speech of the hon. Member for Wick (Mr. Laing) had done good to India, that he rejoiced that we were placed there. He rejoiced also that there was an increasing number of Natives coming to this country, who would learn to value our institutions; and he believed that history would yet do us justice, and show that there never was a nation in the world that had won a country by arms which

Mr. Kinnaird.

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1868.

Railways.

Tenure of
land.

Cotton
production.

Mr. Kinnaird.

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1868.
Education.

Moral consi-
derations in
relation to
opium.

Indian Council
in England.

Mr. Lusk.

had so applied itself to promote the interests of the people as we had done. He had been very much gratified to hear from the right hon. Baronet that it was the intention of the Government to increase the amount devoted to education. Such was the appetite the Natives had for education, and such their desire to improve themselves, that it would be found to be a wise economy to increase the grant for education that had been made. By means of grants-in-aid much had been done in this country, and much, too, had been done in India already. He entirely concurred with the hon. Member for Wick in what had fallen from him on the subject of irrigation, and he hoped the wise advice that hon. Gentleman had given would be followed. He hoped, too, if they were to meet in another Parliament, the right hon. Baronet would grant him the Committee which he had moved for this Session. With regard to opium, he would suggest whether there were not moral considerations which outweighed the financial advantages of the revenue from this article, and upon this subject his right hon. Friend had promised to lay before Parliament some valuable Papers which had not yet reached the Home Government. He thought that with regard to another point alluded to by his right hon. Friend, it was a mistake to suppose that Mr. Massey had defrayed the sanitary expenses and barrack charges out of loans; in justice to Mr. Massey it should be understood that they were really defrayed out of revenue. The only other point to which he need allude had reference to the Council of India, and he believed that, in withdrawing the Bills which he had introduced on this subject, his right hon. Friend would explain that next year, if in Office, he meant to move for a Select Committee to go into the whole question with reference to the Council. The subject was certainly one requiring grave consideration, for the Council as now constituted did not command out-of-doors the confidence which it ought to inspire. There was a general feeling that it did not contain sufficient new blood, and that most of the members had left India so long that they were not acquainted with the existing wants of the country. When the Bills were introduced he had suggested the appointment of a Select Committee, and he hoped that next year this course would be followed.

MR. ALDERMAN LUSK said, that it was a little disheartening to a Minister, who took an interest in the Government of India, to address empty Benches on this subject. [Sir Stafford Northcote: Hear!] The dozen Members present constituted a sorry display of the interest

Mr. Alderman Lusk

felt in the welfare of 150,000,000 of human souls. He thought that the Indian Government should advertise for tenders whenever they wanted freight or stores. The chain cables and anchors sent out to India should be the subject of public competition. He noticed that estimates had been given at £37 5s., but those which had been taken were at £85 and £90. And so with provisions. He had been told that a gentleman recently offered to send out coals to Annesley Bay at 10s. a ton cheaper than the Government were being supplied, but that the offer was declined.

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SIR STAFFORD NORTHCOTE, in reply, said, he took the criticisms of the hon. Member for Finsbury (Mr. Alderman Lusk) in good part. It was very useful for India as well as for England, that a check should be placed upon expenditure by such criticisms; but he believed that the principle upon which the Government went in supplying stores of a naval character to India, was to go to the Admiralty contractors, and adopt the Admiralty scale of prices, feeling that on this point the Admiralty were better judges than the India Office could be. In the case of the chain cables and anchors alluded to by the hon. Member, he believed that there was a special reason why a patented article was necessary; for serious losses had arisen from the drifting of vessels in a cyclone, and it was thought advisable to have a certain description of anchor which would hold more firmly than the ordinary description. With regard to provision, he knew nothing, but he remembered a gentleman coming to him and offering to send coals to Annesley Bay at a lower rate than that at which the Government were being supplied. At that time, however, the arrangement had already been made with the Peninsular and Oriental Company, and he believed that the offer made applied only to a very limited quantity of coals—one or two ship-loads, which would have been insufficient for the purpose. He was sorry if he conveyed the impression that Mr. Massey had this year thrown the barrack charges upon loans. What he meant was that Mr. Massey had put down barrack charges in the category of public works extraordinary, and that the principle recognized was that you might provide public works extraordinary by loan. It was not so on the present occasion. It happened that there had been no loan in India this year, for last year a larger loan than was required had been raised in anticipation of public works, and the balance was available for use in the present year. He would not follow the hon. and gallant Member opposite (Colonel Sykes) into all the points he had named, which, no doubt,

Sir S.
Northcote.

Sir Stafford Northcote.

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Trade
Returns.

Remission of
salt duty.

Railway
extension
towards
North-West.

required attention. With regard to trade Returns, it was rather discreditable that we did not get them of a later date. He was not cognizant of the deficiency until the other day, when, in preparing what he had to say, it occurred to him to make a comparison, and he found that the Returns did not come down later than April, 1867. He thereupon gave instructions that they should be sent within a much more reasonable time; and he did not see why we should not get them quarterly, if not monthly, so that we might know what was going on. The hon. Member for Manchester (Mr. Bazley) made a large call upon the Government of India when he asked for the remission of the salt duty, which produced £6,000,000. A question had been raised as to the propriety of making any addition to the salt duties in Bombay and Madras, in order to bring them up to the Bengal standard; that, however, was prevented by remonstrances that were made, and he was glad that it was. The whole question of the salt duties was being considered with a view to an arrangement. He thanked the hon. Member for Wick (Mr. Laing) for the kind way in which he had spoken of the financial statement. That of the hon. Member might be taken as a counterpoise to the insufficiently sanguine view which he had taken; but it was better for one in his position not to be too sanguine and not to encourage expenditure and the increase of debt. He admitted that the hon. Member's picture of the finances of India was, upon the whole, a very fair one; and there was one point he was glad the hon. Member called attention to—namely, the importance of developing the railway system in the direction of the North-West. He already concurred in the importance of that policy. He regretted, as much as his hon. Friend opposite (Mr. Grant Duff) did, that the hon. member for Frome (Sir Henry Rawlinson) had not had an opportunity for bringing forward the whole subject of the foreign policy; but he was quite certain that the true policy was that which had been indicated—that we should abstain from any action which would provoke collision or would produce complications on our frontier, and that we should take all the means in our power to develop our system of communication. This year steps have been taken which would make a considerable stride in the development of communication in the North-West. The Government of India had been called upon to give a general view of the railways with which they thought it best to proceed—keeping separate the commercial system from the political railways, especially in the North-West. In regard to the political

Sir Stafford Northcote.

railways, the Government had said that, without waiting for anything further, steps ought to be taken for proceeding with, at all events, a portion of them. The Government of India were about to undertake, at Government expense, the construction of a railway from Lahore in the direction of Peshawur, though not further than Rawul Pindée. Commercially it would be a long time before this line would pay, but it was to be constructed for a great political object, and, therefore, it seemed to be an undertaking for Government rather than for a private company. To guarantee a company was a good system when there was a probability of a line paying; but where there was no reasonable probability that it would do so, it seemed desirable to try the experiment of Government making the line. The surveys were being commenced, and arrangements made for bridging the rivers and opening up a communication with the salt mines of Rawul Pindée. He attached great importance to the missing link on the Indus Valley system; but it was best to do one thing at a time, and in this case a great deal depended upon the report to be made respecting the harbour of Kurrachee. Sir Seymour Fitzgerald had made a visit to Kurrachee, and sent home a very good report on the state of the works. They had consequently sent out Mr. Parker, an engineer, to see what was the effect upon the bar of the monsoon wave; upon his report it would depend whether Kurrachee was made a first or a second class harbour, and that would determine the direction of the railway. The suggestion to borrow £20,000,000 was not one to be passed over slightly; but he thought it was a bad principle to borrow money merely because it was cheap, and that it was just as advantageous in the long run to go boldly into the market when money was wanted. There would be no indisposition on the part of the Council of India to raise money for useful works, whether of irrigation or communication.

Resolved, That it appears by the Accounts laid before this House that the total Revenue of India for the year ending the 31st day of March 1867 was £42,122,433; the total of the direct claims and demands upon the Revenue, including charges of collection and cost of Salt and Opium, was £7,637,527; the charges in India, including Interest on Debt, and Public Works ordinary, were £29,848,640; the value of Stores supplied from England was £873,363; the charges in England were £5,549,345; the Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting net Traffic Receipts, was £731,049, making a total charge for the same year of £44,639,924; and there was an excess of Expenditure over Income in that year amounting to £2,517,491.

House resumed.

Resolution to be reported *To-morrow*.

Sir Stafford Northcote.

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1868.

Line from
Lahore to
Rawul Pindée.

THE DUKE OF ARGYLL'S FINL. STATEMENT,
1869-70.

RAILWAYS (INDIA)—FINANCIAL STATEMENT.

THE DUKE OF ARGYLL: My Lords, I have to lay on the table certain despatches lately received from the Governor General of India on the construction of railways in that country, together with the reply which, on behalf of Her Majesty's Government, I have made to the Government of India with reference to that important question. The construction of railways has so important a bearing on the subject of the finances of our Indian Empire, that I have thought this a convenient opportunity for fulfilling the pledge which I gave the noble Duke (the Duke of Somerset) at an early period of the Session that I would make a statement with regard to those finances. The "Indian Budget" is a term altogether inapplicable to the financial statements made from time to time to the British Parliament by Secretaries of State for India. The British Parliament does not authorize the expenditure in India, nor vote the Indian taxes, the estimate of expenditure and income for the year being made by the Finance Minister in India before the Legislative Council there. All that could be done here is to give an explanation of the state of matters brought before the Indian Legislature. I do not propose to trouble your Lordships at any length with the statement of the Budget for the current year, because to those who do not remember the pre-existing state of Indian finance, the figures for the present year have little significance. I shall state very shortly the Estimate for the current year; but I am most anxious to give the House an idea of the state of Indian finance by placing before them a comparison of the last year for which we have completed accounts with the beginning of the last decennial period. The last year for which we are in possession of completed accounts is the year 1867-8, the tenth since the mutiny; and, in order to

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Duke of
Argyll.

Character of
Indian Budget.

Comparison of
1867-68 with
1856-57.

Duke of Argyll.

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1869.

Increase of
revenue.

Customs
duties.

Land revenue.

give an idea of the general progress of Indian finance, I propose to compare the revenue and expenditure of that tenth year since the mutiny, with the year preceding the mutiny. I shall then state the regular Estimate for 1868-9, and the Budget Estimate for 1869-70. I will first state the increase of revenue arising from our Indian Empire since the mutiny,—that is, compare the revenue of 1856-7 with the revenue of 1867-8. In the year immediately preceding the mutiny the revenue stood at £33,378,026; whereas the revenue for 1867-8 stood at £48,534,412; in other words there has been an increase in the ten years of £15,156,386, or 45½ per cent. on the whole revenue of the Indian Empire. First of all, in the excise there is an increase of £1,318,581, due to an additional duty on distilleries; and in assessed taxes an increase of £653,848, due to the imposition of a new tax, the license tax, which is substantially a modified income tax. Customs show an increase of £1,380,735, arising from a revised tariff, but not generally from the increased duties; on the salt tax there is an increase of £2,133,037, a large portion of it being due to increased duties; and stamps of £1,573,481; while the electric telegraph, a new item, amounts to £241,947; thus showing that of the whole £15,000,000 of increase, £7,801,620 is due to sources of revenue on which there has been increased or new taxation. Turning next to that portion of the increase not due to this cause, the land revenue shows an increase of £2,083,727; opium, of £3,912,043; the post office, of £399,487; law and justice, of £667,108; marine, of £295,573; and miscellaneous, of £707,714. These items of increase are peculiarly satisfactory, especially the increase in the customs duties, since concurrently with this increase in the total receipts there has been a very large reduction in the duties levied immediately after the mutiny. There has been very much the same process, indeed, in India as in this country of diminishing the number of articles on which duties are levied, and in many cases of reducing the rates levied on those articles. Generally speaking, the tariff stood before the mutiny at 5 per cent., with some exceptional classes at 3½ to 10 per cent.; cotton piece-goods being at 5 per cent., and cotton thread, twist, and yarn at 3½ per cent. Now, on fifty-five classes out of sixty-six the duty is 7½ per cent., including cotton thread, but cotton twist and cotton piece-goods are still at 3½ and 5 per cent. respectively. The land revenue has increased in all the provinces of India, and this is peculiarly satisfactory, because it is going on concurrently with more moderate assessment and a lower rate. In some cases we

Ind. J. Appell.

do not now take more than 50 per cent. from the net produce of the soil, whereas in former times upwards of 66 per cent. was taken. This shows, then, a pretty steady increase in the land revenue. In the Punjab the increase is £112,000; in Madras, £412,000; in Bombay, £710,000; in Bengal, £282,000; and in Oude, £362,000. No doubt one of the minor causes of the increase is that we have had, to a certain extent, confiscated estates subsequent to the mutiny, and we have had the resumption of rent-free estates also to a small extent; but, as far as I can make out, some £250,000 would fully account for the whole increase due to these sources, and the rest of the increase must be attributed to the increase of cultivation and the general prosperity of the people. With regard to opium, which stands at a very high figure, I find that in the ten years since the mutiny, the net receipts from opium have risen from £3,861,045 to £7,049,447, being an increase of £3,188,402. It may be interesting to your Lordships to have a short statement of the increase of Indian trade during the same period, which is also peculiarly satisfactory as showing the progress of the prosperity of the Empire. The imports in the year before the mutiny were—£28,608,284, while in 1866-7 they were—£44,291,496; showing an increase of £15,683,212. The exports in the year before the mutiny were—£26,591,877, while they now stand at £50,202,777; showing an increase of £23,610,900. To the increase in the imports cotton goods contribute £8,247,960, and cotton twist and yarn £1,488,152; metals for the purpose of railway construction figure very largely, contributing also. As regards exports it is satisfactory to find that the export of raw cotton has increased from £1,437,949 before the mutiny to £19,756,489, the increase being £18,318,540; and that the export of grain has also nearly doubled, having increased from £2,587,456 to £4,168,935; the increase being £1,581,479. With regard to agricultural produce, including seeds for the purpose of making oil, wool, coffee, tea, and jute, these have increased since the mutiny by £22,358,887. This, remember, is a comparison of two ordinary normal years, and it by no means gives an adequate idea of the resources of our Indian Empire as regards production, when there are any unusual circumstances stimulating production, for, in 1865-6, during the American War, the imports increased from £28,608,000 to £56,156,000; and the exports from £26,591,000 to £67,656,000; of which raw cotton alone accounts for £34,000,000, and grain for £2,660,000. This increase of

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1869.

Opium.

Imports and
exports.

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1869.

Post Office.

Deficit and
surplus.

Expenditure
of 1867-68.

exports and imports is a most satisfactory indication, not only of the existing trade of the country, but of its enormous resources, whenever any extraordinary circumstances bring high prices to bear to stimulate production. The postal increase is another gratifying item, for the letters and newspapers received for delivery have increased from 37,260,000 to 67,978,000. Before passing to items of expenditure, I wish to call the attention of the House to a statement which has been made in this country that our Indian Empire has, for a great many years, been in a state of chronic deficit. This is an inaccurate statement of the facts of the case. There was, of course, an enormous deficit in the year of the mutiny, and for four or five years afterwards there was also a very large deficit; but the seven years which succeeded 1861, when the mutiny deficits came to an end, three have shown either small deficits or an actual surplus. In 1861-2 the deficit was the nominal one of £50,000; in 1863-4, there was a surplus of £78,000; in 1864-5, there was a deficit of only £193,000; while in 1862-3, there was a surplus of £1,800,000; in 1865-6, one of £2,766,000; this last being partly due to a mere question of account, but partly also to a large increase in the opium revenue. The year 1866-7 was altogether exceptional, only eleven months being taken, owing to a change in the system of accounts; and in 1867-8 there was a deficit of £1,000,000.

I now proceed to give an account of the expenditure for 1867-8. The revenue, as I have already stated, being £48,534,412; the expenditure was £49,542,107, leaving a deficit of a little more than £1,000,000. This increase of expenditure, which is a little more than the increase of revenue, arises, in the first place, from the military expenditure in India and in England. Exclusive of military buildings, the army showed an increase of £1,863,625 in India; and £1,457,755 in England; making a total of £3,321,380. Together with this there is an increase in the police force of £1,341,085; making for the internal defence of India an increase of £4,662,465. In public works the increase of expenditure during the same period was £1,913,659; and in the charges connected with the collection of the revenue, £2,180,483. Law and justice stand for £824,950; science and education for £536,903; superannuation and retiring allowances, £548,044; interest on the increase of debt, since the mutiny, £2,654,108; and lastly, the loss on the guaranteed interest to railway companies over and above the traffic returns, which is £1,136,238; thus accounting for

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£14,500,000 out of the total increase of £15,000,000. The other items are such as are not easily classified. I will now refer to one or two of the items on which an enormous increase has arisen. First, as to the army. Before the mutiny the number of European troops was 45,522, and the Native army numbered 249,153; making a total of 294,675—the cost being £12,781,916; while the police force cost only £1,093,040; so that the total cost of the army and police was £13,874,956. There are now 64,704 Europeans and 122,984 Natives, a total of 197,688 men, at a cost of £16,054,061 for the army, and £2,374,290 for the police, showing a total of £18,428,351; or an increase on the year before the mutiny of £4,553,395. Lord Canning, before he left India, estimated that when the immediate exigencies of the mutiny should have passed away the cost of the army and police would be £15,266,378, whereas it has been £18,428,351,—showing; therefore, that the military expenditure for India was not only very much in excess of what it stood at before the mutiny, but also considerably in excess of what Lord Canning estimated for the necessities of our Indian Empire. Perhaps it may not be thought quite fair to compare the expense of the army with its expense before the mutiny, because undoubtedly every one believed that the expense of a much larger European army must necessarily be greater. It is, perhaps, fairer, therefore, to compare the military expenditure of last year with the lowest point to which it has been reduced since the mutiny—namely, 1863-4, when the expense was reduced to £14,546,410; it now stands at £16,054,061, being an increase of £1,507,651 in addition to an increase in the cost of military buildings of nearly £1,000,000, to which I shall afterwards refer. I have endeavoured to ascertain the causes of this very large increase, with the view of seeing whether any reduction could be made, and I have directed the attention of Lord Mayo and the Government of India very earnestly to the question whether considerable economy might not be carried out in the military expenditure. A considerable portion of the increased cost can, however, be satisfactorily accounted for. I find from the speech of Sir Richard Temple, the Finance Minister for India, in the Indian Council in the early part of the year, that much of this increased expense has arisen from the necessity of giving increased pay and better clothing to the troops. Then there is a considerable increase on account of providing for the wives and families of a larger number of married soldiers. A third cause is the increased pay to Native troops; a fourth, a large increase in the cost of the medical staff; a fifth, the

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1869.

Army.

Comparison of
military ex-
penditure in
1863-64 and
1867-68.

28th July
1869.

Causes of in-
crease in
England.

Law and
Justice.

Interest on
debt.

extension of batta; a sixth, the cost of Staff Corps; and a seventh, compensation to Native troops for the great rise in the price of provisions in India. These various causes are calculated by Sir Richard Temple to account for an increase of £950,000. Then there are the following causes of increase in England, owing to the very much larger number of European troops kept in India. The cost of transport of troops has increased by £255,713, the charges for recruiting by £420,231, the retired pay pensions and furlough allowances by £460,199; thus accounting for an increase of £1,136,143. There remains another £1,000,000 for which I confess I am unable to account, and I earnestly trust that, the attention of the Government having been directed to the point, some economy may be effected both in England and in India with regard to the military expenditure required for the latter. With regard to recruiting, a joint Committee is now sitting on behalf of the War Office and the India Office, and I hope that the result of their labours may be a considerable reduction in the cost; for I cannot help expressing an opinion that the increase in the cost of recruiting is inordinately large, and that a considerable saving may be effected. The expenses of law and justice account for an increase of £741,798, which is satisfactorily accounted for by such items as the establishment of a new system of registration, which is likely to pay for its own cost; the multiplication of small cause courts in the Mofussil and other districts, the very large outlay on gaols and prisons, the administration of justice in the Punjab and Oude, and the increased salaries of Judges. I now come to another formidable item of the increased charge on the Indian revenue—the interest on the increasing amount of debt. The total amount of debt raised since the mutiny is £50,425,000; but £7,618,000 having been paid off, the net increase, at the end of 1868, was £12,777,000. The whole debt of India immediately before the mutiny stood at £53,489,115, while now it stands, I am sorry to say, at £96,251,543, the average rate of interest on the whole being £1 13s. 8d. per cent. A very large portion of the debt being raised during the difficulties of the mutiny, when our credit was considerably damaged, the rate of interest was higher than it would otherwise have been; but our recent loans have been raised on very favourable terms—namely, in England at only 4 per cent., and in India at 4½. The total increased charge due to this increase of debt is £2,305,000. The state of our Indian credit is extremely satisfactory, being better than any of the great European States, for

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France, I believe, pays something more than 4 per cent. on its national debt. Another large item of increase is the loss on the guaranteed railways; for in 1867-8 the total expenditure on this account stood at £1,768,744; the total amount of capital guaranteed to railway companies at the close of 1867 was £75,020,436, and during 1868-9 and 1869-70 it is calculated that there will be an increase of £10,000,000. Observations have lately been made in India which would convey the impression that the Indian Government have no control over the expenditure which occurs in this country, and that considerable economy might be effected in it. The fact is that the items of expenditure in this country are very few, and, excepting that of recruiting, they are such that there is very little chance of any diminution being effected on them. There are charges connected with the collection of revenue in India amounting to £275,381, and direct charges on the revenue of India, including the army, debt, superannuations, furlough allowances, &c., amounting to £6,681,806, added to which is the guaranteed interest on railways, £3,494,317, making a total of £10,451,504, independently of certain items which are mere matters of account. The result, then, is that while our revenue is increased by upwards of £15,000,000, our expenditure has increased rather more; so that there is an actual deficit upon the ordinary income and expenses of our Indian Empire for the last year for which we have completed accounts of a little more than £1,000,000.

Before passing to 1868-9 and 1869-70, I wish to explain an item which has recently appeared in Indian expenditure, and which is likely to occupy a much more prominent place in future years—I mean extraordinary expenditure for public works. In the last Minute which Lord Dalhousie recorded before he left India, reviewing his own administration, and referring to the frequent deficits in Indian revenue and expenditure, he says—

“But these apparent deficits are caused by the enormous expenditure which the Government is now annually making upon public works, designed for the general improvement of the Indian Empire. Wherefore a large annual deficit must and will continue to appear unless the Government shall, unhappily, change its present policy, and abandon the duty which I humbly conceive it owes to the territories entrusted to its charge. The ordinary revenues of the Indian Empire are amply sufficient to meet all its ordinary charges; but they are not sufficient to provide for the innumerable and gigantic works which are necessary to its due improvement. It is impracticable to effect, and absurd to attempt, the material improvement of a great empire by an expenditure which shall not exceed the limits of its ordinary annual income.”

This, I need hardly observe, points to the absolute necessity of continuing great public works, and of meeting the cost by

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Guaranteed
interest on
Railways.

Extraordinary
expenditure
for Public
Works to be
met by loans.

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special loans. Now, in November 1865, in answer to a despatch from the Government of India on this subject, my noble Friend the then Secretary of State (Viscount Halifax), replying to the Government of India with reference to irrigation works, which constantly amounted to much more than £500,000 sterling, gave a qualified assent to the proposal that this expenditure should be met by separate loans, of which a separate account should be kept. During the few months when the noble Marquess (the Marquess of Salisbury) held the seals of the India Office he replied very much to the same effect, and he approved the principle of providing by special loans for such outlay as roads, barracks, and remunerative public works, but he refused to include in it prisons or gaols. His immediate successor, Sir Stafford Northcote, declined to allow other than remunerative works to be included in such loans; and in July 1868, he sent out a definitive despatch regulating the works in future to be met by special loans, and to be called extraordinary works. His decision was that irrigation and "special fund" works should alone be included under this head. Now, had the decision of the noble Marquess been adhered to, and barracks and great military buildings been included in extraordinary public works, the Indian expenditure and revenue would now have shown no deficit. The deficit has not been above the sum expended on great military buildings. A great scheme for new barracks has cost for the last five or six years more than £1,000,000 annually. I am not questioning the policy of Sir Stafford Northcote's decision, but simply pointing out that it more than accounts for the deficit. Under that decision which I have not thought it necessary to reverse, we have in 1867-8 a new item for extraordinary public works. In that year irrigation cost only £219,255, and other works at Bombay—special fund works, against which assets were expected to be set off—£382,613, besides £594 on State railways, making a total of £602,462. This increased the deficit in 1867-8 from £1,000,000 to £1,600,000.

Regular Estimate of
1868-69.

I now come to the regular Estimate of 1868-9. The accounts are now made up to the end of March, but the regular Estimate is made up when three-quarters of the year has elapsed. We have, therefore, the regular Estimate for the year which ended March 1869; but we can only guess at the actual result, and circumstances have occurred in India which lead us to believe that there will be some deficit in revenue, and a considerable excess in expenditure. The regular Estimate of revenue for 1868-9 was £49,389,734, which, compared with

Done at Austin.

the previous year, showed an increase of £855,322; while the expenditure was reckoned at £50,464,203—leaving another deficit on ordinary expenditure and income of £1,074,469. Then there are extraordinary works to be met by loans to the extent of £1,838,455; leaving a total deficit on ordinary and extraordinary expenditure of close upon £3,000,000. I am sorry to say that, owing to the very severe drought which has prevailed over a large part of India, there is reason to believe that the revenue is not likely to meet the expectations originally formed of it, and I really believe that but for the energetic efforts of the Government—of which we hear very little because actual famine has not occurred—there would this year have been actual famine over a large part of the North-Western Provinces, Central India, and the Punjab. This is likely to affect the finances of the country both by deficient land revenue and increased expenditure. I have received an account, showing that in the North-Western Provinces the average harvest is 17,000,000 maunds, whereas this year it is expected to be only 7,000,000 maunds, and in the Punjab 470,000 persons have been receiving direct relief, 89,000 being employed on relief works which are anything but remunerative. I am happy to say that not only has the threatened famine been mitigated by the direct action of the Government, in the form of charity and relief works; but also by a considerable increase in the irrigated districts, showing that the natives are more and more taking advantage of the irrigation canals supplied them in former years, and how advantageous it is that irrigation works should be generally promoted. In the district of Meerut, the increase over the average of the last five harvests amounts to no less than 38,000 acres; and in Moozuffurnuggur there is an increase of 118,500 acres. The Irrigation Report for the North-Western Provinces says—

“We find that the land irrigated in 1868 exceeded that irrigated in 1867 by 195,000 acres, made up as follows:—Sugar-cane, 11,000 acres; rice, 12,000 acres; Indian corn, 43,000 acres; cotton, 44,000 acres; and miscellaneous, including all inferior grains, 85,000 acres. The increase of cotton is attributed to the market, and that of Indian corn and inferior grain is regarded as proof that the instructions of Government to push that cultivation as far as possible have been kept constantly in mind. Good crops have been raised on nearly 500,000 acres; and 2,000,000 acres have been preserved from pressure of famine. The khurreef irrigation is 64 per cent. more than that of the previous year.”

This is a most satisfactory statement as regards the progress of irrigation in the North-Western Provinces; and I repeat what I have said, that had it not been for the action of the

Duke of Argyll.

28th Jun
1869.

Drought in
North-
Western
Provinces and
Punjab.

Progress of
irrigation in
North-
Western
Provinces.

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Government and the increase of the irrigated land we should this year have had over a large part of India a famine hardly less severe than that which desolated Orissa a few years ago.

estimate of
89-70.

I now come to the current year. The estimated revenue is £49,394,000, and the expenditure £49,342,000, showing a small surplus of £52,000. The estimated expenditure for public works extraordinary is £3,565,000, of which £2,705,000 is for works of irrigation, and £360,000 for railways. The only new item in the income of this year to which I shall advert is the conversion of the license tax into an income tax. When I came into office I found that Sir Stafford Northcote had sent out a despatch to the Government of India pointing out that the certificate or license tax was really nothing but an income tax, and one of a very unjust kind; for while the servants of the Government were assessed as under an income tax, and while the commercial classes were assessed upon their assumed rate of profit, landowners, houseowners, and fundholders escaped; and he expressed an opinion that under a better and more equal system the tax might be made much more productive. One of the first steps I took, after I came into office, was to inform the Indian Government that Her Majesty's Government entirely approved its conversion into an avowed income tax operative on all classes within the sweep of its operation, and that course was accordingly adopted by my noble Friend (Lord Lawrence) before he left India, and sanctioned by the Legislature. The proceeds are not reckoned very high, because at present the rate is only 1 per cent., but Sir Richard Temple calculated that in the present year it would produce something like £900,000. The result, my Lords, of this statement is simply this—that on our ordinary income and ordinary expenditure—remembering always that we are including Government public works in the ordinary expenditure—there is an average annual deficit of £1,000,000, and that on extraordinary public works to be met avowedly by loans, there is an estimated expenditure of from £2,000,000 to £3,000,000 annually. On the whole, it is impossible to deny that the condition of Indian finances is fairly satisfactory. Considering that the public debt amounts to little more than two years' income of revenue, and that we are able to raise money at 4 per cent., I may fairly say this much. Nevertheless we are not in such a condition as to be careless with regard to expenditure, either ordinary or extraordinary. There has been much dispute among those versed in Indian affairs as to how far those

range of
ense to
come-tax.

irrigation works called remunerative can, in reality, be found directly remunerative to the State. I cannot doubt that irrigation, if done in a careful and economical way, must, in time, be remunerative to the State; and I believe that this very year—although there are no direct returns from water rates, and although we cannot get at the amount directly due to those works—we have been saved from famine in many districts by the works executed in former years, and saved to a large amount the loss of land revenue which must have naturally followed such a visitation.

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The last point to which I would direct attention is the construction of railways. I do not know whether the House is aware of the exact footing upon which the Government stands in regard to Indian railways and guaranteed companies. It is commonly supposed that guaranteed railways have been constructed by what is called private enterprise; but I hardly think it can be called so when the money is raised on the credit and authority of the State, under an absolute guarantee of 5 per cent. involving no risk whatever to the shareholders, and sacrificing on the part of the Government every chance of profit, while taking every chance of loss. The system is this—We guarantee the companies 5 per cent. upon every shilling of the money which they pay into the Treasury here, that being subject to no deduction except in the case of actual loss upon the working expenses of the line, which has very rarely occurred; and even where it has occurred the Government has flinched from charging it to the guaranteed interest of the company for fear of affecting the credit of railway stock in the market. But that is not all. Not only does the Government guarantee 5 per cent., but it engages that if there be any profit on the working of the line, one-half only of it shall go to the Government, until its own advances have been repaid, and after that the whole profit and surplus above 5 per cent. goes, not to the Government, but to the companies. The Government thus lends money at 1 per cent. above that which it could command by direct loans in the market, and if there is any profit the Government gives it to the companies; while any loss is borne by the former. Very soon after I came into office my attention was directed to this question, and I could not help asking myself why the Government should not have the benefit of its own credit, and raise the money directly at 4 per cent. I consulted very competent persons, and among them my right hon. Friend Mr. Childers, who having lately been chairman of one of those companies, would, I expected, be able at least to see the question from

Railways.

Guarantee
system.

Duke of Argyll.

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1869.

Construction
of Railways
by Govern-
ment.

Advantages
of direct
plan over
companies.

the railway companies' point of view. He, however, was unable to see why the Government should sacrifice its own credit in this way, and bear all the loss while unable to share in any of the profits; and he entirely agreed in the conclusion to which I was inclined to come, that the Government should raise this money directly. I brought the subject before the Members of the Council, and, after prolonged discussion, they agreed that we ought at least to try the experiment of a less extravagant mode of raising the money, and a less extravagant mode of spending it. So far I had come to this conclusion when despatches arrived from my noble Friend (Lord Lawrence) and from the present Governor General upon the question of railway construction, and I was rejoiced to find that they took the same view, urging it with a force which made it irresistible. I now, therefore, lay on the table the reply we have given to those despatches, authorizing the Government of India to undertake the construction of railways by themselves, raising the money upon their own credit, and expending it by their own officers. The guaranteed companies may be regarded from either of two points. They may be regarded as agents for the raising of the money, or as agents for the expenditure of it. Now, as regards the first point, there is no advantage to be gained by the employment of companies—on the contrary, there is a loss incurred, inasmuch as the Government of India could raise the money required directly at least 1 per cent. cheaper than it is now raised through these companies. Again—regarding them as agents for the expenditure of the money, it must be remembered that the Directors of these companies are gentlemen in London who employ contractors to make these lines or send out engineers to hire the labour necessary for their construction. Now, why cannot the Government take precisely the same course, entering into a contract where it seems advisable, or, under other circumstances, employing labour ourselves? To these questions I apprehend but one answer can be given—namely, that the Government can raise money better and expend it better than the guaranteed companies can. I may give an instance of the excessive inconvenience and cost of the present system. The other day, upon one of the most important lines in India—the Great Indian Peninsula Line—the bridges and other extensive works necessary for carrying the railway through a difficult country came down by the run. These works were found to be of so defective construction that they were wholly insecure, and when the engineers began to mend the bridge they found

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the structure so rotten that it was necessary to take it down. More than £1,300,000 sterling had been paid for the re-construction of these works, on every shilling of which the Government have had to give a guarantee of 5 per cent. This is a most extravagant system. The railway shareholders have hardly any interest in the working economy of the lines. It is the 5 per cent. guarantee which gets the money, and the shareholders calculate very little as to whether twenty years or so hence there may be a surplus above the 5 per cent. With regard to the construction of the lines, I may remark that the companies have their own engineer, and the Government a consulting engineer; the result being that there is a division of responsibility between the two, and there are frequent disputes in consequence. For instance—there is a dispute now going on between the engineer of the Great Indian Peninsula Company and the consulting engineer of the Government as to whose fault it was that such bad works were constructed on the line; and you will, of course, always have such disputes as long as there is divided responsibility. Let the Government undertake the construction of the lines, and you will have single responsibility and single management; and it will be contrary to the nature of things if you do not have a considerable reduction in the cost of Indian railways. When Lord Dalhousie assented to these arrangements he must have had in his mind a state of things very different from that which exists at present. The credit of the Indian Government is much higher now than it was then, and we have been driven step by step into conditions as regards our terms of agreement with these companies which Lord Dalhousie never contemplated, and which, I am sure, he would never have sanctioned. I believe the time has now come—except with regard to the small extensions of existing lines, which probably ought to be given to the existing companies—when the Government of India ought to take into its own hands the construction of new lines at its own cost. I shall not detain the House by any explanation as to the particular selection of lines, which your Lordships will find referred to in the despatches which I now have the honour of laying upon the table. My noble Friend near me (Lord Lawrence) after a careful consideration of the subject, has recommended that various lines of railway, upwards of 9,000 miles in length, should be constructed in our Indian Empire in the course of the next ten or twenty years, and that we should proceed by the direct action of the Government, taking advantage of its own credit and

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its own agency. One of these lines will connect the port of Bombay with the province of the Punjab, and it will be of the greatest importance both for developing the great commercial and productive resources of the Punjab, and with reference to the military defence of our Indian Empire. This is a line which certainly ought to be undertaken by a company or by the Government, and which Her Majesty's Government has itself determined to undertake. There is another most important consideration which is dwelt upon by my noble Friend in the Minute I have laid upon the table; it is that many of those lines will go through important Native States, into which, as a consequence, a very large amount of European labour will be introduced, and it is therefore very inexpedient that those lines should be out of the control of the Indian Government. On all these grounds I trust that the House will give its approval to the course which Her Majesty's Government have taken in regard to this very important question of Indian railways.

The noble Duke then *presented* (by command) a Correspondence with the Government of India respecting Railways (India). Also, Report on Railways (India) for the year 1868-9.

Viscount
Halifax.

VISCOUNT HALIFAX said, he was sure their Lordships had heard with the greatest pleasure the statement of his noble Friend respecting the state of the finances of India. This was, he believed, the first occasion on which a statement of such a kind had been made in that House. It had always, heretofore, been made in the House of Commons; but as the vote to which they came was merely formal, he saw no good reason why a statement, the sole object of which was to inform the people of this country of the state of our Indian Empire, should not be brought forward in their Lordships' House. He confessed, however, that he was in some respects disappointed with his noble Friend's statement, which, he could not think, showed a satisfactory state of the Indian finances. He attached the greatest importance to the financial status of any country, but more than of any other to that of India, where we could not draw upon the resources of the country for any considerable addition to the taxation, and where therefore it was the more necessary to be watchful as to the expenditure. It might be that he was the more impressed with the necessity of paying attention to economy in India, because he had the superintendence of Indian finance at a time when there was a large annual deficit, but his noble Friend would admit the paramount importance of keeping the ordinary

Unsatisfactory
condition of
finances.

Viscount Halifax

expenditure within the ordinary income. He did not think it necessary to refer to the period before the mutiny, because since that time a complete revolution in almost every respect had taken place in India. For three or four years the expenditure, in consequence of the mutiny, caused enormous deficits of £8,000,000, £14,000,000, £10,000,000 and £4,000,000 in successive years. This state of things, however, came to an end in 1860-1, and for the next five years there was either an insignificant deficit, or a fair surplus. In the last of the five years, 1865-6, there was a large surplus, partly owing to the receipts of railroads in previous years not having been brought to account in those years, as ought properly to have been; but if the surplus in those five years after deducting the deficiencies was divided equally amongst them it would give an average annual surplus of between £800,000 and £900,000. In the next year, however, matters changed for the worse. In the year 1866-7 there was a deficiency of £2,500,000; in 1867-8 a deficiency of about £1,000,000; and, in 1868-9, an estimated deficiency of £1,000,000, which from recent accounts seemed likely to be swelled to £1,500,000 or £2,000,000. This is independent of any extraordinary expenditure for public works. In three years of profound peace there had been a deficiency of near £5,000,000. The interest of the money borrowed to meet this had, of course, to be added to the expenditure. Beyond this, the balances in the treasuries had been reduced. He could not call this a satisfactory state of things for the past. He came now to the present year, in which his noble Friend anticipated that, without any increase of income, they should be able, by reducing the expenditure to the extent of £1,000,000, to produce a practical equilibrium. He must say that he entertained great doubts as to the practicability of reducing the expenditure in India to such an extent. The revenue of India had steadily increased to a very large extent, but during the same time the expenditure had as steadily increased still more. The additions to the expenditure being higher than that to the income by about £1,000,000, and the tendency to increase was strong and he believed inevitable. His noble Friend had said, and said very truly, that the demands of the local administration constantly required an increase of expenditure. The cost of administering justice in a civilized way was very much greater than that of administering a system of patriarchal justice, under which a man was punished, for example by cutting off his hand, instead of being imprisoned for perhaps a couple of

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Deficits and
surpluses
since mutiny.

Practicability
of reducing
expenditure.

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years, rendering necessary, of course, the maintenance of expensive gaoles. It was the same thing in regard to the police; and, again, the introduction of Europeans into the interior of India rendered it necessary to establish courts up the country capable of trying Europeans. All these things, and many others which he could mention, added very seriously to the expenditure in India. The expense of living had likewise greatly risen, rendering necessary an increase in the rate of wages. In every possible way, in fact, the expense of the civil administration of India went on increasing year by year, and he feared it must continue to do in spite of every effort that might be made to keep it down. [A noble Lord: So much the better.] That might be so in some ways, but the increased expenditure could only be met by increased taxation, and it was not quite certain that this would be so much the better, and satisfactory to the people of India. His noble Friend had referred to the extraordinary increase of the military expenditure. That resulted to a considerable extent from the employment of a large number of European troops: and the greater cost of living rendered necessary increased allowances of various kinds. The pay and allowances to officers which were formerly regarded as liberal, were now barely sufficient to meet their expenses; and taking all things into consideration, he could not say that he felt very sanguine about a reduction of expenditure, either civil or military, and he was quite sure that it would require the most strenuous efforts both of the Home and of the Indian Governments to effect any material reduction. Neither, on the other hand, did he see the prospect of any great increase of the revenue. The great source of income was the land revenue, which increased but very slowly indeed. In 1865-6 it was £20,3£3,000; in 1867-8 it fell to £19,900,000; and the regular Estimate for 1868-9 was £20,225,000. Another important item was the revenue from opium, which had yielded about £6,000,000 sterling per annum for the last year or two. The Chinese were, as he had heard, beginning to grow opium for themselves, and they might also derive supplies of that article from Persia and other countries not subject to our rule. These circumstances might seriously affect the demand for Indian opium. A diminution either of the quantity of opium which the Chinese took from India, or of the price for which it was sold, would cause a large reduction of the Indian revenue. It was obvious that this large item of revenue was obtained from a very precarious source, and any great or sudden falling off under this head

Prospect of
increased
revenue.

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would place the finances of India in a very awkward position. He now came to the question of the expenditure on reproductive works. His noble Friend had quoted from a Minute by Lord Dalhousie in regard to public works. Now, contemporaneously with the issuing of that Minute, Lord Dalhousie raised a loan of £2,000,000, professedly for public works, but, somehow or other, the money was entirely spent on the ordinary expenditure of India. He did not differ from his noble Friend as to the value of reproductive works, but he thought that much care and caution—which was not often exercised in India—was required in order to insure that the works are so well chosen and so well executed as to afford a reasonable prospect of their proving really reproductive. By a truly reproductive work he did not mean a work that would merely benefit the district in which it was situated, but one that would at least pay the interest upon the money spent on its execution. He confessed to being very sceptical as to the actual money return from what were called reproductive works in India. Many persons doubted the increase of revenue which was said to have arisen in the favourite case of the irrigation of the Delta of the Godavery; and Sir William Denison, the late Governor of Madras, whilst bearing testimony to the improved condition of the people, could not satisfy himself as to the increased revenue of the district. The other favourable case was that of the Jumna Canals. With regard to these canals which we had not constructed, but only cleared out and improved, he believed they now paid a fair interest not on the sum which they cost to construct, but on the sum expended by us in repairing them. It was notorious that the Ganges Canal did not pay, the Baree Dooab Canals did not pay, and the same remark applied to several other cases. The irrigation works executed by a private company in Madras and in Orissa did not pay, and the Government had been compelled to buy them up. He mentioned these facts, in order to show how extremely cautious they ought to be in selecting works which would be reproductive in the sense of being likely to pay within a reasonable time the interest on the money laid out upon them. His noble Friend said he believed that the expenditure on irrigation had prevented famine in certain districts, and therefore prevented a falling off in the land revenue. That was a most beneficial result, but if the only effect of the expenditure of public money in that way was to prevent a falling off in the revenue, whence was to come the money to pay the interest on the outlay on those works?

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1869.

Expenditure
on reproductive
Works.

Witnessed Halifax.

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1869.

Railways and
guarantees.

Investment of
English
capital in
India without
guarantee.

It was obvious that it must be obtained by additional taxation. He believed that whilst works of this character might be undertaken with great advantage, it was necessary to exercise the greatest care in examining the estimates both of the cost of construction and also of the probable returns to be derived from them. With regard to railways in India, when they were originally introduced into that country, it was found that Government guarantee was necessary to enable the companies to raise the requisite capital for their construction. It was at that time deemed a great object—and he thought it was a great object—to promote private enterprise in that country. They had heard much of the mischief of double government in India; but never was there a more complicated system of management than that connected with those guaranteed railways. He was glad, therefore, that the Government had determined to try the experiment of constructing railways by Government officers. He had great confidence in the judgment of his noble Friend (Lord Lawrence) who had recommended this course. With respect to the lines, he quite agreed as to the two lines mentioned by his noble Friend. The line up the Indus would be very advantageous for bringing down the produce of the Punjab and for sending troops to Upper India from Kurachee. The line to the Punjab was indispensable, not only for opening up the country, but for its defence; and in his opinion, as parts of these lines passed through the territories of Native princes, it was quite right that the whole staff which was there employed should be under the complete control of the Government. Before sitting down he would for one moment refer to a point to which he was sorry to advert. He had attempted to induce unguaranteed capital to seek investment in India, and he confessed it went very much against his feelings when he saw that English capital would go into any other country in the world without a guarantee except India, and that there it would not go unless guaranteed. His noble Friend had said very truly that, with respect to India, capitalists had got to be so dependent on the Government that they would not do anything by themselves. He gave them every encouragement, and he was in very great hopes that it would be found worth while for English gentlemen to send capital there without a guarantee, but the result of the experiments of the Light Railway Company had grievously disappointed him. He believed the noble Marquess (the Marquess of Salisbury) had given a guarantee to that company, but the necessity for doing so had probably been occasioned very much by the

pressure on the money market at home. He did not blame anybody in the least for having done so, but all he could say was that it was a great disappointment to him that the attempt which he had made had failed. On reading the speech of Sir Richard Temple he felt greatly gratified to see that the measure for which he had been responsible—namely, the introduction of a paper currency—had succeeded. When that measure was first introduced, the amount of the paper currency was £3,500,000; it had now increased to between £10,000,000 and £11,000,000. He believed that now a paper currency was used in many parts of India, and if measures were taken for the issue, to some extent, of smaller notes than those at present in circulation, it would be a great convenience and a great saving. There was nothing which had effected so great an improvement in India, or which would cause so great a revolution there, as the introduction of railways. He believed that it would go far to break down caste and prejudice, and to carry civilization to the utmost bounds of our Empire. To extend civilization to India was the appointed mission of—what was one of the most marvellous things in the history of the world—our rule in India. That there had been blots and were shortcomings in our administration he could not deny, but he believed that there was no one who knew anything about our administration in India but must be sensible of the blessing it was to that country; and it was his conviction that it would gradually lead to the civilization of one of the most populous and most extensive portions of the globe, and that our Indian Empire would be one of the grandest ornaments of the British Crown.

THE MARQUESS OF SALISBURY: My Lords, I wish to join in the congratulations, which have been expressed by the noble Viscount who has just sat down, to the noble Duke for the very able and luminous statement with which he has favoured the House. I am sure it is a great gratification to us that the noble Duke has not thought himself debarred by the fact of his sitting in this House as Secretary of State for India from explaining the great affairs of our Indian Empire, and I think what the noble Duke has done will redound to the advantage, not only of this House, but of the country. I do not know that I have any criticisms to add to those of the noble Viscount (Viscount Halifax). I agree with the noble Viscount in the view which he has taken of the dangerous nature of Indian finance. It appears to me that Indian financiers are not so cautious or prudish on the subject of deficits as we are

Marquess of Salisbury.

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Paper
Currency.

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Salisbury.

State of Indian
finances.

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in England. Indeed, a French rather than an English feeling on the subject appears to prevail in India. They are content to go on from year to year with a deficit or a very hazardous surplus, and they do not think that the security of their finances is at all compromised by such occurrences. I believe, in the present instance, the difficulty has arisen from the decision of Sir Stafford Northcote with regard to the building of barracks to which the noble Duke has referred. I quite admit it is a wise thing to build barracks, and a virtuous thing to meet the expense of building them out of revenue instead of by loan; but a great deal of the beauty of virtue is taken away when the consequence of doing so is a deficit. I confess it seems to me that it is the duty of those who have the charge of the finances of India to take some energetic steps to bring the present state of things to an end. No doubt we are promised a surplus for the year just come in; but it is only a surplus of £50,000, and in England we should think that a very small one to go on with on ordinary occasions. No doubt we have been satisfied to go on with a much smaller surplus, but it is the rule to secure a much larger. In this country moreover we have no source of revenue at all comparable in its hazardous character to the revenue derived from opium. You may raise new taxes in India if you can; but it is one of the most difficult things in the world. A great part of your revenue is raised from the land, and you cannot increase the charge on it. In England we may go to the Customs; but the moment the Indian financier raises his Customs he has all the Manchester school down on him. I do not blame them; they are right to look after the trade of England. I mention it to show that these financiers of India are in this particular position—that they have not the command of the resources that are usually available to a Government, because they have to consult the private interests of a commercial community in a far distant land. There is little to hope for in the way of increased revenue from excise, because the Natives of India do not consume much of what is the subject of excise duties, I fear, under these circumstances, there is but one thing to be done, and that is to press on the noble Duke to go a little slower with the great military expenditure. That is the great sinner. I do not mean the expenditure on the regular army, but on these great barracks. If you insist on spending a large sum every year in building these barracks, and have not taxes to enable you to meet the expense, it is a matter of necessity that a deficit must ensue. There are

Military
expenditure
and barrack
building.

Marquis of Salisbury.

one or two observations in the speech of the noble Viscount (Viscount Halifax) to which I should like to advert. The noble Viscount seemed to doubt the value of assisting reproductive works, because Government does not get full interest for the money sunk in them. But that is scarcely the correct method of estimating this part of our Indian policy. It should be borne in mind that the State when expending money in reproductive works is not in the position of a man seeking investment for his capital, but rather in the condition of a man who makes a road to his property. When a man makes a road to his estate the tolls may no doubt bear part of the expense, but he looks to be repaid over and over again in the long run by the general prosperity the new facilities for traffic bring to his estate. In like manner railways have been made in England, to the loss of those who made them, but the property through which they have run has greatly increased in value. So the railways in India have not paid, nor can we expect them to pay of themselves at present, but the Government has been no loser by them because they have greatly raised the tax-paying powers of the district through which they pass; and in the case of all reproductive works undertaken in India we may expect that they will raise the tax-paying powers of the natives, and repay the Government in the end. Unless this policy is continued I confess I am unable to see a way out of the dilemmas surrounding us. Another observation I have to make is on the remarks of the noble Viscount with respect to railways being made without State aid. Now, I am perfectly satisfied that if the State wants a railway it must pay for it in one shape or other. The idea that it could ever be otherwise arose out of that gigantic delusion which prevailed in this country some years since—that if you made a railway anywhere, under the sea or across the Sahara, it would be sure to pay somehow or other. The consequence of that delusion was that railways were constructed in this country that were absolutely ruinous to those who originally constructed them; and, as is well known, many small unremunerative lines in country districts have been attached to remunerative trunk lines so that the inhabitants of the large towns are paying, in the shape of increased fares, for the facilities granted to the rural districts. In India it is still more true that except as between two large towns a railway will never pay, and inasmuch as private investors have no interest in improving the population, as compared with the interest of the Government, it is not to be expected private investors will make railways in thinly

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Proper policy
in regard to
assisting
reproductive
works.

Construction
of Railways
by the State.

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populated districts at a loss, without a guarantee of present profits from the Government. But it does not follow that it would not be for the interest of the Government to make these lines, for they might be profitable not in the direct return they yielded, but in the effect they had in raising the condition of the people. I quite agree with the noble Duke in the opinion that it is absurd to pay 5 per cent. for money when you can raise it at 4; but I do not agree with the opinion, rather implied than expressed, that it has been always absurd to pay 5 per cent.

THE DUKE OF ARGYLL: I did not say that.

THE MARQUESS OF SALISBURY: The noble Duke disclaims that opinion, and I believe he is right in his disclaimer. There was a time when Government could not have got, I will not say the necessary capital, but the necessary experience, for carrying out railway schemes successfully without the assistance afforded by the original companies. Still it does not follow that what was necessary for the starting of any system in India is necessary for carrying it on. I am very glad to find the noble Duke has been able to overcome difficulties which have hitherto prevented our making railways through Native States. These lines ought to be made as quickly as money can be raised for constructing them. I will conclude, as I began, by thanking the noble Duke for his very interesting statement, and by expressing an opinion that, in spite of some of the fears he expressed and the drawbacks he anticipated, still, on the whole, the finances of India are such as to justify the most sanguine expectations of all those who have looked forward with confidence to the future of India.

Lines through
Native States.

Lord
Lawrence.

LORD LAWRENCE: I do not think I can add anything to what has been said on the finances of India; but I do not like to let the debate close without saying a few words upon the subject. No man who has ever lived in India—certainly no Governor General who has ruled there—has paid a more anxious attention to the finances of the country than I have. Before I went out as Governor General I talked with the noble Viscount (Viscount Halifax) upon all the salient points connected with Indian finance of which he has spoken, and I believe that upon all important points we were mainly, if not entirely, agreed. [Viscount HALIFAX: Hear!] When I arrived in India my first desire was to reduce expenditure. But on examining into affairs I found that in all expenditure connected with the civil administration of the country it was quite hopeless to think of making any reduction. Not only had prices largely increas-

Obstacles to
Civil
retrenchment.

Marquis of Salisbury—Lord Lawrence.

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ed, but the allowances of all the subordinate officers of the civil establishments, more especially of all Native officials, was ridiculously and even miserably low. One of the first things we had to do under these circumstances was to increase the emoluments of these officers, and this added considerably to the expenditure of the country. Turning then to the military department, I found we had an army of something like 72,000 English soldiers. During my administration that army was reduced by 7,000 and the Native army was also reduced, though not in the same proportion. But notwithstanding this large reduction the military expenditure in India was somewhat larger when I left India than when I arrived. The noble Duke (the Duke of Argyll) has fully explained the causes of that increase, so that it is unnecessary for me to follow him in this respect. I do not think we could safely reduce the English army below its present strength of about 64,000 men; because we must remember that this 64,000 includes all men in hospital, all the weakly and convalescent, and all the troops passing to and fro between the seaports and the Inland stations. Nothing could be more ruinous to our interests in India, more disastrous to our prestige, or more damaging in our finances, than the making of an undue reduction in the English army. I do not mean to say that some slight reduction might not be made, but even on that point there are great doubts; and these doubts increase the more when one inquires into the difficulties which would arise in making these reductions. Some people believe we have too large a Native army, and that a very large saving might be made by reducing the Native strength. I am not a military man, nor do I aspire to be a great authority on military subjects; but no man can live long in India, and pass the greater portion of his time in those parts of India most liable to insurrection, without being convinced that the Native army is not unduly large. It is quite absurd, too, to suppose that the English army of India requires to be as large as it is to keep the Native army in order, and that a reduction of the English army might be safely made if the Native army were first reduced. I am convinced that that is a cardinal error. Anyone acquainted with India, on casting his eye over the map, will see that large portions of the country are populated by races more or less warlike, and numerous beyond appreciation. The population of British India alone does not fall short of 200,000,000 of people, exclusive of marauding tribes, which add materially to the ordinary elements of danger. I do not think, therefore, any considera-

Reduction of
military ex-
penditure.

Native army.

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Prospects of
increased re-
venue.

Expenditure
in England.

ble military reduction is possible; and, on the other hand, I am afraid we cannot look for any large increase of revenue for many years to come—certainly not such an increase as will enable the Government to spend large sums in reproductive works in addition to providing for the ordinary expenditure. The land revenue of India only increases in considerable cycles of years—in several parts of India it is fixed for periods of thirty years—and it is obvious that during those periods no increase can be expected, for all increase which may be looked for is reckoned in the permanent settlement, and in that way £2,000,000 have been anticipated. No increase in the excise revenue can be reasonably expected; and the opium revenue is in its nature uncertain and insecure; and notwithstanding that of late years it has systematically increased, the present year exhibits a falling off. In my opinion, the salt tax, which falls chiefly upon the poor, is too high, and if there were any surplus, it ought to be applied in the reduction of this tax, as far as this can be carried out without loss of revenue. I do not anticipate that the revenues of India will largely increase; but while I do not think we shall be able to reduce the expenditure very much, still we ought to do all that is possible in that direction. One subject in which the people of India take a vital interest is the expenditure of the Indian revenues in England, and there is a feeling in India that the people of that country are not fairly dealt with. Even though it were untrue, the existence of that feeling would be in itself a great evil, and if there be any foundation for that opinion the authorities in England ought to be willing to put things straight. In the case of the Abyssinian War, for instance, all the ordinary expenses of both the Indian and the English troops serving beyond the seas in Abyssinia were charged against the Government of India on the pretext that to have done otherwise would have been to save so much money to the revenues of India. I think that was a fallacious view of the question, and I hold that we should have dealt with India on that occasion exactly in the same way that England deals with India as regards English troops. The moment English soldiers leave England for Indian purposes the expenses are borne by the Indian revenues; but the moment the troops pass beyond the frontiers of India all the expense, whether ordinary or extraordinary, is made to fall on the English revenues. That is a fair and just rule, and it should be uniformly applied;—there ought not to be two rules, one applicable to troops leaving England for India, and another applicable to troops leaving

Lord Lawrence.

India for Imperial purposes. With regard to public works, I consider that expenditure for works of a reproductive character ought to be raised by loan, and should not be charged to ordinary expenditure. Hitherto there has been a great conflict of opinion in India on this point, and many influential people have argued that not only should we charge reproductive works, but also extraordinary works, such as barracks, upon the revenue of India. I believe the late Secretary of State for India put the thing on the right and true basis—namely, that where it is reasonably to be expected that there will be a moderate return for the expenditure it is right and proper the money should be raised by loan; and, on the other hand, that works, however, important, which did not produce a direct return, should, as far as possible, be charged to the ordinary revenue of India. With great deference to the noble Marquess (the Marquess of Salisbury) it would never do to reduce the speed with which the barracks are being erected. On the grounds of humanity and policy, and even of finance, it is much better that they should be constructed at the quickest rate consistent with economy. The English army in India has increased with enormous rapidity since the mutiny; barracks of an inferior description have been run up; and in the course of years these have become much deteriorated. The re-construction of them was one of the matters pressed upon me, and one of the first I took in hand; and I was zealously supported by the Commanders-in-Chief. But I greatly fear that, with all the pressure that can be put on, the re-construction of the barracks will take ten or twelve years. This is a matter of the utmost consequence. The barrack accommodation affects the sickness and mortality of the troops, and their efficiency in the event of emergency. Some four or five years ago a statement was circulated in the English papers to the effect that the mortality among English troops in India was 70 per 1,000. I believe that estimate to be excessive, but still the mortality is very large, and a very considerable proportion of that mortality is due to insufficient barrack accommodation. The result of the construction of new barracks and of the making of various changes has been that we have reduced the mortality very largely, and I am very sanguine that, with the completion of the barracks and the adoption of better sanitary arrangements, the mortality of the British troops in India will not very much exceed that of our troops in the colonies. I do not take a gloomy view of the finances of India, but I do think every

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Provision by
loan for repro-
ductive works.

Construction
of barracks.

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fair means of adding to her income ought to be tried, avoiding such as will be oppressive and unpopular to the people of the country. What is remarkable is that a number of people cry out for expenditure without thinking where the money is to come from; but if the tax touches them in the slightest degree then there is a strong clamour for examination and revision. Unfortunately, the period for which the income tax was imposed was allowed to expire. A year had scarcely elapsed before it was found necessary to impose an income tax of 1 per cent.; but that will not give us the revenue sacrificed, and at the same time it is insufficient to keep things straight and in order, in case of any great emergency or unlooked-for misfortune. There is great importance in times of peace not only in trying to make both ends meet, but to have such a margin as will admit of a reduction in taxation. I am fully impressed with the enormous advantages which India will gain by carrying out a large system of irrigation. Irrigation is to the greater part of India what drainage is to agriculture in this country; and I am convinced that, if proper places are selected, and the works are judiciously carried out, we shall not only repay ourselves the whole of the money incurred in making canal irrigation, but we shall largely add to the revenue of the country. No doubt some of the most important of the public works in India have not paid in a financial point of view; but it must be remembered that the science of the construction of canals was not well understood by the engineers in India. But I am perfectly certain that, in course of years, you can get not only a fair revenue from these canals, but that you will be able to set aside sufficient to repay the original capital. The statement made by the noble Viscount (Viscount Halifax) with reference to the canals of the River Jumna was scarcely correct. It is quite true that these canals did exist under the Native rule, but to a very poor extent. But scientifically I believe it was an error in constructing the canals to take the lines which had been used for the old canals. Nevertheless, these canals during the last thirty years have not only repaid the whole of the capital expended, but have also given an annual return of 5 per cent. upon the capital during the whole of that period. I think, therefore, that I am warranted in saying that that is a good financial result. As to the question of railways, I think credit should be given to those who commenced the present system. It is only right we should recollect that but for the old companies we should not have had these works in India—certainly not so early as we did

Canals of irrigation.

Railways.

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In those days there was a great difficulty in embarking in large works of that kind, and had it not been for the energy and spirit with which the original companies took up the subject the railways would never have been in existence. We have now some 4,000 miles and upwards of railways in India, and in the course of next year the original scheme, which embraced the whole Continent of British India, will be completed. Probably the railways constructed in India will not cost less than £18,000 per mile. But I am convinced, not only from my own observation, but from consultation with every class of people in India, English or Native, that the present railway expenditure in India is enormous, excessive, and unreasonable, and that if we took the works into our own hands we could carry them out at a very considerable reduction. Now, when we consider that at the very least we want 10,000, 20,000 or 30,000 miles of railways more than we now have in India, it is easy to conceive what an enormous sum would be saved if, instead of paying £18,000 per mile, the railways cost only £12,000 per mile. If that result could be effected, instead of the guarantee system which now entails so serious a burden on India, we should not only repay ourselves the interest on the money we have had to borrow, but we should have a margin whereby to repay the capital invested. For these reasons, my Lords, I trust that the authorities in India will take works of this nature more immediately under their supervision.

LORD LYVEDEN: I think, my Lords, that the public is very much indebted to any Minister who awakens its attention to subjects so important as the finance of India. I quite agree with the noble Viscount (Viscount Halifax), moreover, that the manner in which the noble Duke has treated this subject is very satisfactory, whatever the prospects may be. I wish, however, he had gone a little more into detail. He entered very explicitly into what has occurred in the past, but, declining to be prophetic, he gave us very little information as to what the intentions of the Government were as to the future. Now, my Lords, it is evident that there are only two ways in which these deficiencies can be remedied in the future—either by diminution in the expenditure or by an increased revenue. The first mode of diminishing the expenditure that has been referred to is the reduction of the military expenditure; but no one, I trust, will propose at present to relieve India from any of that expenditure by the diminution of the European forces. It is plain that, after the experience of the Indian

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Lyveden.Reduction of
military
expenditure.*Lord Lyveden*

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Income tax.

Cotton
production.

Gold
currency.

Railways

mutiny, it would be almost madness to withdraw, at this moment, any of the European forces from that country. I believe, too, that a reduction in the barrack expenditure would be a great evil. Such a reduction would almost inevitably be attended by an increase of disease among the troops; and, therefore, on the point of economy, as well as of humanity, it is advisable that the expenditure in barrack accommodation for the troops should be kept up. If the expenditure be not absolutely necessary at all times, it would, at all events, be wrong at the present time to make any reduction in that direction. Now, my Lords, in old times, we were told that the revenue of India was not elastic; but we now find, I am glad to say, that it does to some extent possess that quality. My hon. Friend Sir Richard Temple has, I am glad to see, had the courage to propose the re-imposition of the income tax. I believe that there never was a greater mistake than that committed by Sir Charles Trevelyan in withdrawing that tax after it had once been imposed. But I am willing to confess that I should be sorry to see that tax increased, and that the tax is one which, in my opinion, should, as a rule, be kept for the difficulties of war. Among the topics upon which my noble Friend the noble Duke in his statement did not enlarge is the question of cotton. That subject is one of great importance. It would, of course, be hard upon India to force the cultivation of cotton upon its inhabitants, but I do think that the Indian Government are bound to provide roads and machinery for the transport of the cotton to the seaports. Ought the question of cotton to stand in this position, that when the American market is closed, as it was during the American war, a stimulus is to be given to the cultivation of cotton in India, but when that source of obtaining cotton is re-opened no further demand will arise from Manchester? The subject is one to which the attention of the Government ought to be directed. Then comes the question of the gold currency, which is also of great importance. I think that the adoption of a gold currency is very advisable. The noble Lord (Lord Lawrence) knows the importance of this, and with his force of mind I wonder that he did not carry it into effect while he was in India. Sir Richard Temple has gone very elaborately into several matters which he thinks of moment in the present financial state of India. I venture to think that my noble Friend (the Duke of Argyll) may with much advantage direct his attention to the Uncovenanted Service. My noble Friend stated what he would do in respect of railways; but I sup-

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pose he did not allude to lines in respect of which there is already a guarantee; I suppose he referred to railways which may be promoted in future—because I never could understand why the Government should have guaranteed 5 per cent. on railways, inasmuch as the natural effect is to make parties invest in railways so guaranteed rather than in Government securities, which would pay them only 4 per cent. The complaint I make of my noble Friend's statement is that it does not go far enough. He has not gone into the state of India generally. He has not gone into such political details as might have enabled your Lordships to form an opinion as to whether there is a reasonable certainty of continued peace, or whether there is any reason to apprehend war. My noble Friend the Secretary of State for Foreign Affairs need not be afraid that I am about to indulge in any observations on the Central Asia question. That is not what I mean; but I think my noble Friend the noble Duke might have given us some information as to our relations with the Native States, and as to the communications recently had with Native Rulers, more particularly with Shere Ali. My noble Friend has perhaps thought he ought to confine himself to such a statement as that suggested some time ago by my noble Friend (the Duke of Somerset), to which I presume we are indebted for the speech made this evening by my noble Friend the Secretary for India. My noble Friend may, perhaps, intend that a more general statement shall be made to the House of Commons by the Under Secretary. Nothing can be more hopeful than the language used by Sir Richard Temple in his splendid peroration. I trust that his anticipations may be realized; but the speech delivered by my noble Friend this evening does not enable me to see exactly what are the grounds for these anticipations. With regard to the question of public works, I must say that I do not think there ought to be any diminution in them. I cannot agree with my noble Friend the noble Viscount (Viscount Halifax) that there has been exaggeration in reference to the remunerative works. I think that such works ought to be paid for out of a special fund, and that ordinary works ought to be paid for out of the ordinary revenue. I have no doubt, however, that all these matters will have the careful consideration of my noble Friend at the head of the India office.

EARL FORTESCUE hoped that the noble Duke would give every attention to the improvement of the sanitary condition of the barracks in India. By doing so he would promote efficiency, economy, and the interests of humanity.

Earl Fortescue.

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Omission of
political
details.

Earl
Fortescue.
Improvement
of barrack
accommoda-
tion.

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It would have been impossible to allow the barracks to remain in the disgraceful and murderous state they had been in some time ago; but he hoped the noble Duke would go further, and with all reasonable speed take measures for further improving the barrack accommodation for the soldiers.

Duke of
Argyll.

THE DUKE OF ARGYLL, in reply, said, that in a communication which he had received from Lord Mayo, his Lordship attached much importance to the fact that the equilibrium of Indian finance was about to be restored. The surplus would be only a small one, but there would be a surplus. Their Lordships must be aware that there were peculiar elements of uncertainty in all Indian budgets. First, there was the danger of droughts; next, the danger of a deficit in the revenue from opium; and thirdly, the possibility of frontier wars. Some of those wars had cost, not only hundreds of thousands, but millions of money. So far, however, as regarded the Estimate of the present year; there appeared to be, not a deficit, but a surplus. With regard to the growth of cotton, one of the projected lines of railway would open up an important cotton growing district. He had been strongly urged by a deputation from Manchester to assist an undertaking which was expected to be of much value to our commercial interests, and he had sent out an engineer to report on it, who was now on his way home. He was sure that the Government in India would give their best attention to the cotton question.

Then the Correspondence with the Government of India respecting Railways (India) ordered to be printed (No. 219); Report on Railways (India) for the year 1868-9 ordered to lie on the table.

MR. GRANT DUFF'S FINANCIAL STATEMENT:

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE.

Considered in Committee.

(In the Committee).

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1869.

Mr. Grant
Duff.

MR. GRANT DUFF: The House has just resolved itself into Committee, for the purpose of discharging, what I may be permitted to call, not the least important of the many duties which are discharged by the most powerful and most hard-worked Assembly which exists, or ever has existed, in the world. It has resolved itself into Committee for the purpose of hearing the annual statement which it requires with regard to the affairs of its great vassal Empire

Mr. Grant Duff.

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in Asia—an Empire covering as large a portion of the earth's surface as France, Spain, Portugal, Holland, Belgium, North Germany, South Germany, Austria, Switzerland, Italy, Denmark, Scandinavia, Turkey, and Greece, all put together, and inhabited by men at least as various as those who inhabit all these countries, but of whom some 147,000,000 are our fellow-subjects, just as much as the inhabitants of Yorkshire or of Kent, and another 50,000,000, although not precisely our fellow-subjects, are amenable to our influence in a far greater degree than any of our neighbours in this quarter of the globe. Nothing gives a more striking idea of the ease—or ought I to say the heedlessness?—with which this great nation still, in spite of the poet, sustains “the too vast orb of its fate,” than the fact that it so seldom takes the trouble to investigate, through this House, which is the reflection or concentration of itself, the progress of its affairs in the East, giving its confidence thoroughly to those who represent it here and in India, and only asking an account of their proceedings at distant intervals. If the effect of this were that our affairs were neglected, and that our Empire were slipping from us, such conduct might be properly represented as a base dereliction of duty; but if our affairs are going from better to better, then perhaps it is only a sign that the instinct which taught us how to acquire, still teaches us how to keep our wonderful possession. The phrase Indian Budget, usually applied to the business which comes before us to-night, is a misleading one. We have to deal with something less and something more than a budget. Our position is a very different one from that which we occupied on the 8th of April last. Then we were considering matters directly bearing upon our own pockets and purses. Now we are going to consider matters whose direct bearing is on the pockets and purses of men separated from us by many thousands of miles, and by still wider gulfs than any that are made by mere distance. Even if it were possible for the representative of the Indian Government in this House to invoke the assistance of the fairy Agreeable Surprise, who generally presides over English Budgets, the Committee would hear with comparatively languid satisfaction that such and such taxes, which neither they nor their constituents pay, can be dispensed with. But that fairy cannot possibly be invoked; for those hon. Members who take most interest in the affairs of India, know pretty well the main features of the statement which I shall have to present to them. I cannot accordingly indulge, as my right hon. Friend the Chancellor of the Exchequer

Indian
Budget.

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did on a recent occasion, in the pleasure so natural to a benevolent mind, of shaking my hearers over the pit of financial ruin, or of letting them drop into it, and catching them half-way down. That pleasure, I say, is denied to the mouth-piece of the Indian Government; but as some compensation he is always encouraged by the Committee, and is, indeed, obliged by the necessity of the case, to enter into somewhat wider considerations than the English Chancellor of the Exchequer is permitted to do. For the India Office is not a great Department, like the Treasury. It is the whole controlling government of an Empire, with its own Treasury and its own War Office, dealing with interests, not so large, indeed, as those with which the English Departments deal, but larger than those which are managed by the corresponding Departments at Vienna or Berlin.

The necessity for compressing an enormous mass of matter into a small space must make the statement which I have to lay before the Committee to-day drier than I could wish; but I shall do my best to eliminate from it all facts which are incapable of being retained in the mind of the hearer. My business, as I understand it, is to give such an exposition of the finances of India as may make pretty clear to all who listen to me what is the actual position of that country at this moment; how it has been getting on since the 31st March, 1867, and how it seems likely to get on up to the 31st March, 1870. The Committee will see that I mean to divide my statement in the usual way, into three parts. I mean to explain the actual completed accounts for the year ending on the 31st March, 1868; to tell hon. Members, as well as I can, how the accounts of the year, ending on the 31st of March, 1869, of which we have not yet seen the whole, are likely to turn out; and to make the best predictions which our information enables me to make about the year which will end on the 31st March, 1870. In technical language, I will deal first with Actuals; secondly, with the Regular Estimate; thirdly, with the Budget Estimate. First then, for the Actuals; that is, for the year which began on the 1st of April, 1867, and ended on the 31st of March, 1868. In that year the gross amount of our receipts was £48,534,412. That is to say, we had not so large an income as the United States, as France, as England, or as Russia; but we had a larger income than any nation except these four. Now, from what sources did this enormous income come to us? Much the largest item of our Indian Revenue is the sum which we derive from our assessments on the land. This amounted in the year ending

Actuals of
1867-68.

and
Revenue.

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March 31, 1868, in round numbers, to £20,000,000 (£19,986,640). This source of income is sometimes described as a rent, but that description is not altogether an accurate one; for, as is well said in the despatch by which the Court of Directors replied to a remarkable Minute of Lord Harris in 1856—

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“The officers engaged in the duty of fixing the assessment should always bear in mind that, as you have expressed it, the right of the Government is not a rent which consists of all the surplus produce, after paying the costs of cultivation and the profits of the agricultural stocks, but a land revenue only, which ought, if possible, to be so lightly assessed as to leave a surplus or rent to the occupier, whether he, in fact, let the land to others or retain it in his own hands.”

The spirit which animates these lines is that which has guided the Indian Government of late years. The tendency has been to diminish assessments—not to increase them—in other words, to let the people, as we say in Scotland, “sit easy.” In 1862, it appeared that the then rulers, forced to take action by a Resolution of Lord Canning and his Council, in the autumn of the previous year, had made up their minds that the old Indian land revenue had not the virtue in it which used to be believed, and that the *summum bonum* of the financier was to be found in a wealthy people, able to buy large quantities of taxable articles, and to endure all the various financial tortures which modern ingenuity has devised for the *contribuable* of Europe. And so a despatch went forth from the India Office on the 9th of July 1862, decreeing the establishment of a judicious permanent settlement. A few days afterwards, Mr. Vansittart moved for certain dissents which had been recorded by Members of Council. The result was the laying before Parliament of two most excellent Papers—one by Mr. Mangles, advocating the old land revenue arrangements, the other by Sir John Lawrence, advocating a permanent settlement. No one can read these Papers without being greatly impressed by both of them, but the side which he will take will depend rather upon his general views with regard to taxation, than upon his special views with regard to India. Far be it from me to say to which opinion I incline when such great doctors disagree; but the outcome of the controversy, looking at the matter purely historically, has been a strange one; for the *victrix causa* has, it would seem, pleased the gods as little as it pleased Cato, and the old system of moderate assessments, liable to be revised at the end of long periods, still goes on. The permanent settlement which was contemplated has never been carried out

Permanent
settlement.

Mr. Grant Duff

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1869.

Tributes and
contributions
from Native
States.

Forest
Revenue.

We are now, with regard to our land revenue, very much in the position of a gentleman who has property in various parts of the British Isles, where different customs prevail with respect to the granting and length of leases. In the North-West Provinces, for instance, no increase is to be looked for till the end of the century, for we are just commencing a new period of settlement or lease for thirty years. In Madras, on the other hand, where the settlement is made on totally different principles, we may look for a slow and steady increase. In Bombay, we may look for an increase which will be steady and not slow; and so I might go on through most of the provinces of India, showing that we and our descendants may expect a large rise of revenue from the land throughout the greater part of British India. Tributes and contributions from Native States form the second item of our revenue, and bring in not much less than £700,000 (£689,286). To explain how that aggregate has accrued to us would be to recount a very large part of Indian history during the last 200 years. The amount is not great; less than would be brought in to the English Exchequer by a half-penny income tax at home. Of old, however, tribute has been the distinguishing mark of rule, and he must be strangely constituted who does not reflect, with a certain satisfaction, that amongst those whose offerings swell this sum are men who may vie in the splendour of their lineage with the oldest European Sovereigns, and more than one who could, with no offence to truth, make prouder answers than even that which Prince Massimo made to the First Napoleon, when he was asked if he was descended from Fabius Maximus—"I cannot prove it; but it is a story that has been repeated for 1,000 years in my family." Our forests yielded about £330,000 (£331,088), a much smaller amount than they would have yielded if we had begun to attend carefully to them when we first grew strong in India. That, however, was not to have been expected. Forests always seem inexhaustible until they begin to be exhausted. When history comes to number up the good deeds which Britain has done for India, she will not, I am sure, forget to record amongst them that—not an hour too soon, indeed, but yet not too late—she called in European science to check the destruction of the forest. No one who has not looked into this subject has the faintest idea how terrible have been the effects, over wide regions of the globe, of carelessness in keeping up a proper proportion of trees. Let any one to whom this whole subject is new turn to the remarkable work of the American Minister at Florence.

M. G. P.

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Mr. Marsh, upon *Physical Geography as modified by Human Action*, and he will shudder at the dangers which we have only just escaped. If our predecessors had known what we know, much of the enormous expense that we are now being put to with regard to irrigation would have been quite unnecessary. But the mistakes of former days are past praying for, and we can now only rejoice that free course has been given to Dr. Brandis and his subordinates; that the saving of the forest has been recognized as a great State necessity; that a regular Forest Department has been inaugurated, which will take to India the science of France and Germany; and that the good example of forest conservation set in British territory is beginning to spread into some of the Native States. The forest revenue is derived chiefly from the sale of timber, but also from a system of seignorage or license to cut, which will, however, disappear when the amended arrangements for forest organization are complete. In Burmah, something is brought in by a duty levied on the wood floated down the great rivers from non-British territory. Something, too, is gained in many places by miscellaneous products, such as honey, bees' wax, and lac. I have no doubt that when science has been more systematically applied in various places to the investigation of the resources of India, a great many small gains of this kind will be realized, all tending to make heavy the coffers of the State, and to ease the burden of the tax-payer. With a view to this, among other good results, the preparation of a *Flora Sylvestica* for the Punjab and the North-Western Provinces has just been sanctioned. A large project for taking stock of the natural products of India is likewise in contemplation, and the preparation of a *Guide to the Indian Forester* is proposed. In time we shall, no doubt, have a special college for forest science in India, like that for teaching engineering, which already exists at Roorkee. There are few sources of revenue the increase of which it is more agreeable to contemplate than this; and, although the rise will be gradual, because we have a great deal still to do, and much to expend before we can reap the full results of good and economic forest management, it will ultimately be very large. The next head is Excise on Spirits and Drugs, or, as it is sometimes called, the Abkari revenue. From this source we derived nearly £2,250,000 (£2,238,931). The articles which contributed to swell this large amount were many and various. There were spirits distilled by native methods from several palm trees—as the coconut, the date, and the palmyra. There were spirits made

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Revenue.

Salt Revenue.

from the young leaf-stalk of the cashew, as well as from the fruit of the mangoe. There were spirits distilled by English methods from rice and sugar, and there were the many preparations of opium and of hemp, which, to a great extent, take the place in India of the alcoholic stimulants familiar to more northern climes, happily without producing quite such bad effects, although, no doubt, mischievous enough. The next head is the Certificate Tax, which gives us more than £650,000 (£653,848). This impost was introduced in 1867, by Mr. Massey, under the name of a license tax, but was somewhat altered in 1868, and changed its title. It amounted to a kind of graduated income tax, upon persons engaged in trades and professions; but as it has now, in the year 1869-70, merged in a different tax, of which I shall have to speak presently, I need not dwell further upon it. The Customs gave us upwards of £2,500,000 (£2,578,632). They are derived partly from export and partly from import duties. The schedule of the first of these is very short, and contains only indigo, grain, lac, oils, seeds, shawls, cotton goods, hides or skins, and spices. The list of import duties is longer, still comprising sixty-five principal heads of taxed articles. Before 1867 they were far more numerous. The rates are low, $7\frac{1}{2}$ per cent. *ad valorem* being the usual duty. Some classes of goods are exceptionally favoured—thus cotton twist pays only $3\frac{1}{2}$ per cent.; cotton, flax, silk, and woollen piece-goods only 5 per cent. It will be seen that our Indian tariff contrasts favourably with most others, though I confess that speaking only for myself, and by no means committing anyone else, I trust the hour may one day arrive when we shall be enabled still further to reduce, not to say to extinguish, it altogether. The next head of revenue is that of Salt, from which we derived more than £5,700,000 (£5,726,093). The days are long gone by when this tax could fairly be represented as an extremely oppressive one. Nevertheless, there are large districts of the country, more especially the Punjab, the North-west Provinces, Central Provinces, and Oude, in which a very great deal is to be said for a reduction of duty, and in some parts of which the existing state of things is, at the least, highly inconvenient. This salt question has occupied, during the last year, much time, both in India and at the India Office, and I trust that before very long some improvements may be inaugurated. We are certainly very far from having yet arrived at the *dernier mot* of politico-economical wisdom in dealing with this matter. From salt, the third largest feeder of our revenue, I pass

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to Opium, the second largest, from which we received in 1867-8 nearly £9,000,000 (£8,923,568). Our opium revenue is derived from two sources—first from the opium which is grown under our own superintendence, and prepared for exportation at Patna, in Bengal, and at Gazeepore in the North-west Provinces, after which it is sold by public auction for Government account; and secondly, from a transit duty levied on the opium grown in the States of Central India, and shipped at Bombay. No one who occupies himself with Indian finance can be altogether happy about this revenue. I do not speak of its moral aspect; that is a large and interesting subject, on which I cannot enter now. When I speak of our opium revenue as a weak point, I am thinking only of its financial aspect. It is exposed, it seems to me, to three dangers—first, to the possibility of some movement in China which may effectually close that market; secondly, to an effective competition in the Chinese markets from other countries; and, thirdly, to such an improvement in the manufacture of opium in China itself, as to make it independent of the Indian supply. The first of these dangers is not an imaginary one; for we know that hostility to the poppy was one of the many strange characteristics of that terrible rebellion misnamed the Great Peace, which lately desolated so many cities in the Flowery Land, and added by its results one more irony to history. Nevertheless I cannot believe that any movement of this kind will ever be so general in China—a country which is, be it remembered, equal in size to eighteen Great Britains—as to lead to anything like an entire cessation of our traffic. Nay, rather, I expect that increased communication with Western China will favour it. As to the second danger, the increase of competition from other countries, especially Persia, some persons think it the gravest of the three; but it has not yet been proved that the supply is likely to increase very much. As to the third danger, the best authorities tell us that although the poppy is very largely grown in some parts of China, for instance in the great province of Szechuen, the Chinese drug cannot compete with the Indian, which stands to it in the relation of the Havanna cigar to ordinary European produce. At the same time, no one can venture to say that this superiority will always continue. Stamps gave us nearly £2,200,000 (£2,186,269). These do not differ materially in general character from those with which we are familiar at home. Up to the days of Mr. Wilson, the use of stamps in India had been confined to proceedings in the courts, but by him

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Dangers to
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Post office.

Telegraph,
Law and
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Pilotage,
Education,
Interest.

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they were extended to bills of exchange, receipts, agreements, and other papers. Some persons expect a great deal of increase under this head of revenue, meeting the argument of the possible danger of a denial of justice resulting from the operation of the stamp law, by pointing to the intense litigiousness so common in India, which they would fain check, lest our tribunals be altogether broken down—and no doubt the stamp revenue has grown enormously, having trebled itself since 1859-60; but it is a financial expedient, the operation of which seems to me eminently to require watching, and on which it would be easy to build too high hopes. The Mint yielded £125,000 (£120,252). The Post Office £660,000 (£659,670)—not a large sum; but then it should be remembered that within the limits of India our post is one of the cheapest in the world. From Cape Comorin to Peshawur in the far North-west, from Peshawur to Sudyah in Assam, whence a few days' march takes a traveller into China, the charge is uniform, and the service is generally performed with fair regularity, though the Government of India very justly conceives that it can be still further improved, and is taking measures to import the last European methods. It is, perhaps, worth considering whether we should not increase our revenue, and do more real good to the population of the Indian Continent, taken as a whole, if we somewhat increased the charge for letters passing over long distances, and very considerably reduced the charge on letters passing over very short distances. A large amount of native correspondence is said to dispense with our postal facilities. The Telegraph gave us about £215,000. Fees of court and similar payments brought us in about £720,000 (£719,342), under the head of Law and Justice; and about £232,000 (£231,972) came in under the head of Police, from fines and payments for services performed. Shore dues, pilotage charges, and the like gave us £455,000 (£455,090). School and College dues, with other small matters, made up a sum of about £74,000 (£73,845), under the head of Education. Interest on Government Securities held in the Currency department, on shares in the Bank of Bengal and Madras, and on advances to the various service funds, brought us about £212,000 (£211,975), and under the three heads of Miscellaneous, Army Miscellaneous, Public Works Miscellaneous, we received the large sum of £2,428,000 (£2,428,103) from sources too numerous to mention, but chiefly from the sale of stores. I have been dealing with round numbers, but the Committee will, I dare say, take it from me, that the amount of all our items of receipt united

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came to £48,534,412 in the year with which I am occupied, the year of Actuals, the year ending March 31, 1868.

I now come to the other side of the account—to our expenditure. The first item which I would mention is the Interest on our Registered Debt in India, amounting to £62,827,200, for which we paid in the year ending 31st March, 1868, £2,761,000 (£2,761,833). Our home debt was, on 31st March, 1868, £30,697,000, on which we paid £1,452,490, so that we are paying £4 13s. 8d. per cent. on the debt in England and India taken as a whole. In the year 1800 we were paying 8½ per cent. upon our debt. That is not a very unsatisfactory state of things—little more than 4½ per cent. on a debt equivalent to about twice our gross annual income. I wish our home debt was no worse, and the other great empires of the world, the United States, France, and Russia, may well wish the same, although our positions are not quite similar. I do not know if the attention of hon. Members interested in India has been called to a short Return which was laid before the House some weeks ago, showing approximately the amount of our registered debt in India held by Europeans and natives respectively. From that it would appear that a good deal more than three times as much of our securities is held by Europeans as by natives, and that a larger amount is held in London, in enfaced paper alone, than is held by natives in all our funds put together. One sometimes hears a good deal of uneasiness expressed at the small amount of the Government securities which are held by natives, and conclusions are drawn unfavorable to the confidence of the native population in the security of the tenure by which we hold India. No doubt it would be desirable to have a far larger number of native holders, and perhaps as time goes on we shall, by savings banks and other devices, succeed in tapping the hoards of the non-mercantile classes. The education of those classes has not, however, yet reached the investing point; and as for the mercantile classes, why on earth should they invest at under 5 per cent., when they can get perfectly good security at 12 or 18 per cent.? Such being the golden opportunities of the Indian investor, we cannot be surprised that those natives who hold our securities largely should be chiefly persons whose families have risen to importance through their connection with the British, and who are, to a certain extent, Europeanized. The second item is Interest on Service Funds and other Accounts, for which we paid more than £800,000 (£824,113). The Military and Bengal and Bombay Medical Service Funds have

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of 1867-68.

Interest on
debt in India
and England.

Proportion of
debt held by
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been taken over by us since the amalgamation, we becoming responsible to the subscribers and annuitants for the amount they would have received if the old arrangements had continued. When the last beneficiary under the funds dies, the whole funds, and a good deal more which we have given as a matter of grace and favour, will have disappeared; the charge will vanish from our account, and the capital which we only administered, so to speak, as trustees, will vanish also. The Civil Service Annuity Fund and the Widow's Funds, also in connection with the Civil Service, still go on, and, so long as they continue, the charge on their account will appear in our expenditure.

Expenses of
collection.

Then come the expenses in getting in our revenue, classed under thirteen heads, with which I will not trouble the Committee, because there are only two of these items to which I think it is worth while particularly to allude. These are the Post Office and the Telegraph. The facilities given by the former are, as I have already shown, very great, but the expense is also considerable, and it is steadily increasing. In the year with which we are dealing it cost £190,000 (£491,690). The Telegraph cost £396,000 (£396,517), being more than it brought in; but, considering the peculiar conditions under which the service is carried out, this is not surprising. We send messages of ten words from one end of India to the other for 2s. Law and Justice cost £2,500,000 (£2,544,349), a sum whose relative if not absolute amount may be perhaps diminished, if it is found, as I hope it may be, that we can substitute, to a considerable extent, in the judicial department, cheap native for high-priced European agency. I do not think I need specify the sums which we paid for Marine Charges, Ecclesiastical Charges, Medical Services, Stationery, and Printing; but the Committee may be interested to know that Superannuation, Retired, and Compassionate Allowances in India cost more than £900,000 (£911,256). Administration and Public Departments are set down in our accounts as costing £1,100,000 (£1,124,396); but, of course, a large part of the items which I have described as charges for getting in our revenue, are made up of administration charges. It is a pity that no one has ever succeeded in conveying to the imagination of Englishmen what their countrymen really do in the way of administration in India. When one has realized it, one's first feeling is one of satisfaction that men taken out of the ordinary current of English life, neither superior nor inferior in point of natural ability to the ordinary run of fairly successful professional men at home, should be capable of doing,

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Justice.

Superannua-
tion and
Compassionate
Allowances.
Administra-
tion charges.

under the stimulus of early responsibility, such wonderful things; and his second feeling is, that we hardly make sufficient use of the large number of trained administrators who return year by year to our shores. England affords no field for their labours, no field for the exercise of their peculiar aptitudes. If they succeed here, it is by virtue of possessing other aptitudes; but the remarkable administration of Sir John Peter Grant in Jamaica shows that England need never be at a loss when a colony situated like that island has to be rescued, and surely if such things were possible, more than one country might borrow retired Indian Governors to its own great advantage. The next charge which I shall mention, is that for Allowances and Assignments under Treaties and Engagements, about £1,900,000 (£1,873,072), a head of expenditure which was once neatly described in this House as the purchase-money of our position in India. That is a phrase which would require, of course, large qualification to make it square accurately with the facts, but it represents a side of the truth about our position in India which is too often forgotten by persons of the blood-and-iron school. The Indian Diplomatic Service cost £240,000 (£241,801), not a large sum when we remember the vast amount of work that is done for it. It is impossible to keep too continually before us the fact that India was not won, is not held, and never will be held, by force alone. It was won, it is held, and it always will be held, while our Empire lasts, partly by force, but largely, much more largely, by policy. Next to making the people happy within our own territories, there is nothing so important as the maintenance of satisfactory relations with the powers, small and great, scattered up and down through our vast dominions, and that not only with great princes like Scindiah, or, greater still, the Nizam, but with very many others of far inferior importance, who are yet, most of them, a good deal more influential than the observer of Indian politics would, at first sight, suppose. I am happy to say that at present our relations with all the native States is very satisfactory. From this trifling charge for policy, it is melancholy to turn to the frightful drain on our resources which is caused by the sad necessity of being always ready to use the "last argument of kings." The total Army charges in India for the year under consideration amounted to over £12,600,000 (£12,603,467). In England, including costs of stores, they nearly reached the sum of £3,500,000 (£3,499,829). Thus the total Army charges in England and India were £16,100,000 (£16,103,296). Enormous as this sum is, the

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Allowances
and assign-
ments under
engagements.

Diplomatic
service.

Army charges

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“There is no country in the world,” says Major Chesney, “in which the military force bears so small a proportion to the population. City for city, the military garrisons of India are smaller than even those of England.”

The strong point of our system is, that we have an organization by which we could rapidly, in case of war, increase our Army to any extent we desire. Its weakest point is its enormous cost, and to this the attention of the Secretary of State in Council has been lately called. The result has been a despatch to India, which will, I trust, strengthen the hands of economists in that country. Over and above our Army of Police charges. we have a Police Force, which numbered, at the end of 1865, nearly 160,000 men, and cost, in 1867-8, nearly £2,500,000 (£2,434,125). Fears have been more than once expressed in this House as to whether it was safe to maintain so large a body of armed men alongside of our native troops. The truth would seem to be, that through very large districts of the country the police is in a satisfactory condition, and in no way either dangerous or inefficient, but that in other parts it is susceptible of improvement. The next item to which I will allude is Education, Science, and Art, our civilizing agencies, which, with its £780,000 (£783,510), shows very poorly beside our colossal military outgoings. Education, science, and art. The purely educational portion of this sum of £780,000 went, for the most part, to the maintenance of Government Schools and Colleges, but some of it also for grants-in-aid, scholarships, payment of inspectors, Government book-depôts, &c. We have six classes of schools in India—(1) Village or Vernacular Schools; (2) District Schools, where English is taught in the higher classes; (3) Colleges, where the education is conducted in English; (4) two Presidency Colleges, each with a faculty of arts and law; (5) the Engineering and Medical Colleges; (6) the Normal Schools. In all, we may have about 20,000 schools, or like establishments, with a continually improving network of official inspection. It is a matter for congratulation to those who have had of late years the disposal of Indian patronage, that when the University of Edinburgh was called upon to select a successor to a man so eminent as the late Sir David Brewster, it sent to the other end of the world for the

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Director of Public Instruction at Bombay. So much for our teaching machinery. Our machinery for testing the success of our higher education consists of three Universities—one at Bombay, one at Madras, and one at Calcutta—all modelled on the University of London, and doing their work extremely well. £780,000 would not be a large sum if the whole of it were spent on education; but out of this inconsiderable amount come innumerable expenses, such as those of our great surveys, the trigonometrical, the topographical, the revenue, and others; so also do the expenses of observatories, museums, scientific and literary institutions, botanical gardens, and other things too numerous to mention. In the Central Provinces, which are about as big as the British Isles, surveys and museums seem to have cost, in the year of which I am speaking, the magnificent sum of £35. This is, however, the day of small things in all these matters, and I heartily hope that this item of Indian expenditure will steadily increase, because money expended on education and civilization will, to take the lowest view, soon pay us cent. per cent. Under the head Miscellaneous come expenses which defy classification; such as rewards for the destruction of wild beasts, charitable donations, cotton experiments, with much else. Under this head, too, are classed famine relief charges, which, in Bengal, amounted to no less than £227,826, that is, to rather more than a third of the total amount which stands under the head of Miscellaneous in India—over £670,000 (£672,992).

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Miscellaneous
charges.

I come now to the last item of our ordinary expenditure in India, the largest of all except our Army expenditure, that, namely, for Public Works Ordinary, for which we paid in India, in the year with which I am dealing, no less than £5,800,000 (£5,800,269). There are two reproaches often brought against Indian administration which effectually neutralize each other. The one is, that enough is not done to improve the magnificent estate which we possess in the East; and the other is, that India lives quite up to her income, and is always borrowing a little. The position, however, of the Indian Government is precisely the position of a country gentleman who, with a moderate immediate income, has a large and very improvable property, on which it is distinctly right for him to make improvements of two kinds, improvements which, I suppose, the country gentleman would class in his accounts as improvements not bearing interest, and improvements bearing interest. The first of these are what we call in India "Public Works Ordinary," and the second are what we call "Public Works

Public Works,
ordinary.

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Extraordinary." Under the first of these heads the country gentleman would class cottages, roads and other improvements which he made for the general benefit of his estate, but not as directly and immediately remunerative. And we class under it in India precisely the same kind of things—as roads, improved barracks for our troops, and, in short, all ameliorations which will improve our general position, but will not give direct, obvious, palpable returns for our money. Till recently it has not been the custom of financiers in India to draw a sufficiently broad line between these two very different kinds of expenditure; but a peremptory order was sent out by my right hon. Friend opposite, directing that henceforward only irrigation works, State railways, and what are known as the Special Fund works of Bombay, shall be considered as Extraordinary.

Military barracks.

The Committee is aware that new barracks are now being constructed all over India on a magnificent scale. Some persons wish us to treat these as the fortifications of this country were treated by the Government of Lord Palmerston, urging that the saving of European life which they will bring about will diminish our military expenditure, and that they will be possessions for ever, as useful for posterity as for ourselves. We are not so sanguine. We feel that, although it is right to provide the best accommodation for our troops that the science of the day can give, we have by no means arrived at final results, good for all time, with respect to the method of housing our troops; and that, although the huge buildings which are now rising, in deference to public opinion, under the combined advice of benevolence and science, are an improvement upon much that preceded them, they may yet be very far from fulfilling the conditions which the same authority may prescribe to the Indian Governors of the future. Again, even if these barracks could be considered the last expression of sanitary science in stone and lime, posterity, if it has not barracks to build, will, assuredly, have plenty of other things to build. We need only see how our expenditure, both on improvements bearing interest and improvements not bearing interest, has increased in our own time, and to listen to the loud voices, which even now accuse us of sluggishness, to be very sure of that. Common roads, again, we think, should be paid for out of income. The reason of this is, that while we can see some end, though a far-off end, to the making of railways in India, the making of roads will be endless; and to throw the charge for them upon capital would be wildly improvident. A great deal has been already spent upon making roads in the last quarter-of-

Roads.

Mr. Great Bdg

a-century, since a sudden impulse was given to this form of improvement, first by Mr. Thomason in the North-west Provinces, and then under the orders of Lord Dalhousie in the Punjab. Still, so enormous is the country with which we are dealing—as large, the Committee will keep in mind, as Europe without Russia—that we have hardly done more than make a commencement, although we are already constructing at the rate of about 8,000 miles of good road in every ten years—each mile of good road costing, according to Major Chesney, £1,000 to make, and £75 a year to keep up. What are 8,000 miles of road, however, in a country like India? After all it only means, supposing it were distributed equally, eighty miles of good road a year in each of the ten provinces; eighty miles in Oude, which is as big as Holland and Belgium; eighty miles in the Punjab, which is as big as the kingdom of Italy; nay, eighty miles in Bengal, which is very much bigger than France. If we were once to begin borrowing for roads we should borrow to the crack of doom. Looking through the items for Public Works Ordinary, I confess it seems to me that the amount spent is greater than it ought to be, and I hope that although it might be bad economy suddenly to stop plans in progress, greater caution may be used in future before new schemes are entered upon. Another part of the Public Works Ordinary expenditure requires a word of explanation, loss by exchange on railway transactions—£101,877. This loss arises in the following way:—When the arrangements with the Indian railway companies were made, it was provided that for every rupee they paid in in India from their traffic receipts, they should be credited with 1s. 10d. in London; and for every 1s. 10d. they paid in in London to our account at the Bank of England, that is, for every 1s. 10d. of capital they raised, they should be credited with a rupee in India. A rupee is, however, at the usual rate of exchange, worth 2s., and not 1s. 10d., and all accounts between the Indian Office and the Indian Governments are settled at that figure. It follows, therefore, that the companies lose 2d. on every rupee they pay in in India, and gain 2d. on every 1s. 10d. they pay in in England; and that as the one-and-tences they pay in in England are more numerous than the rupees they pay in in India, they gain and we lose a great deal in the course of the year. Ere long, however, I am happy to say, that the tables will be turned; they will pay in more rupees in India than one-and-tences here, and we, not they, will begin to be the winners in the game of exchange.

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Loss by
exchange.

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Home
expenditure.

Charges on
Home Debt
and East
India Stock.

Guaranteed
Railway
interest,
Stores.

Secretary of
State's Office.

Public Works
extraordinary.

I have now exhausted our ordinary expenditure in India. It remains to say a very few words on that portion of our expenditure which, as a matter of convenience, is disbursed at home, but over nearly all of which the Home Government has, in the nature of things, only the same general control that it has over the expenditure in India itself. First came the Charges on account of our Home Debt and of some other debt paid at home, for which we paid in 1867-8, £1,516,841, to which must be added £629,970, the Dividends on the Capital Stock of the East India Company. Over these charges we have, of course, no control. Then came the charge for the guaranteed Interest on Railway Capital, less net traffic receipts. That cost more than £1,500,000. Next followed Stores, which cost £970,000, and some other items of the same nature which I need not mention. The Committee will understand that the authorities in India indent on us for everything they want from home. We collect most of the manufactured goods which they require in that large building which stands on the south side of the river between the railway bridge at Charing Cross and Westminster Bridge, examine the articles carefully, pack them, and send them off; other things go direct. From time to time we consider the indents too large, and remonstrate; but, on the whole, the check over expenditure of this kind must be exercised by the good sense of those who order, not by the agents who execute the orders. Our business is rather to see that the Indian Government gets its money's worth for its money, and I must say I think the indents of India might often with advantage be reduced. Then came an item over which we have more control—the Secretary of State's Office and its dependencies, the great India Stores of which I have just been speaking; and, in short, the whole machinery of Indian Government in this country. That cost about £193,000 (£193,141). We subscribe £35,000 a year to aid the Imperial Government to keep up a Mission at the Court of Persia, and Consular and Diplomatic Establishments in China. Our Army expenses at home I have already stated. As with revenue so with expenditure, I have been using throughout round numbers, but the Committee will, I dare say, take it from me, that the exact amount of the whole expenditure that I have been tracing comes to £49,542,107, chargeable against our income for the year ending 31st of March, 1868.

So much then for our ordinary expenditure. We are not done, however, with our outgoings for 1867-8, for we spent £219,255 for irrigation works, £352,613 for Special

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Fund works, as they are called, and £594 in preliminary expenses in connection with railway operations to be undertaken by the State; £602,462 in all. About irrigation works and about State railways I shall have to speak presently. I must first, however, say a word about the Special Fund works, for this phrase, which occurs so often of late years in the Indian accounts, certainly requires explanation. Some time ago the Government of Bombay determined to pull down the ramparts of that city, which were considered useless for modern purposes, to sell the land on which they were built, and to apply the proceeds to the construction of new and more available defences, as well as of a new post office, new court houses, recreation grounds, roads, and a great many other good things. If Bombay had continued prosperous, I think it is probable that all this could have been carried out without making any demand for assistance from the Imperial funds of India. But the crash came—the land cleared of the ramparts, which was expected to fetch immense prices, became temporarily unsaleable, except at a ruinous sacrifice, and Bombay had to approach the Government of India as a suppliant, and to ask for assistance to carry on its works, until the tide of prosperity began to flow again. The Government of India agreed to assist it, and the result is this frequently recurring expenditure for Special Fund works at Bombay, which, if the Government of India holds perfectly good security for the re-payment of its advances, both principal and interest, is, quite rightly, not charged against annual income. The accounts, then, of the year ending 31st of March, 1868, when balanced, show a deficit, proving that £1,007,695 have been expended over and above what has been received, irrespective of an amount of about £600,000 which has been sunk in directly reproductive works, and which may be considered simply as capital invested. In round numbers, then, India was, in the year 1867-8, just about £1,000,000 to the bad.

I come now to what is called the Regular Estimate, by which not very appropriate term is designated the estimate of our receipts and expenditure for the year intervening between the close of the year of which we possess the actual accounts, and the commencement of the year with regard to which all is calculation or conjecture. In this case, of course, the year of the Regular Estimate is the year which began on the 1st of April, 1868, and ended on the 31st of March, 1869. In March of this year, 1869, the Indian Chancellor of the Exchequer (Sir Richard Temple) expected to receive about £750,000 more during the year of

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1869.

Special Fund
works.

Deficit of
1867-68.

Regular
Estimate of
1868-69.

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1869.

Causes of
increased
expenditure.

Pending
famine of
1868.

the Regular Estimate than Mr. Massey anticipated in March, 1868, from the year of the Regular Estimate; and expected to pay, in round numbers, for the ordinary expenditure of the year, £3,750,000 more than Mr. Massey anticipated having to pay in that year. £3,750,000 of extra expenditure is somewhat startling, but I hasten to explain that £1,750,000 of it arise simply from a change of account—Mr. Massey having charged £1,750,000 for barracks and like works to extraordinary expenditure, or, as we should say in our own private accounts, to capital, and Sir Richard Temple, under the orders to which I have already alluded from the right hon. Gentleman opposite, being most properly, as I think, obliged to charge the same to ordinary expenditure. It remains then to account for the increase of £2,000,000 anticipated by Sir Richard Temple. That arose—first, from an unexpected additional outlay on central jails; secondly, from the fact that the amount of traffic receipts paid over by the guaranteed railway companies to us, in diminution of the interest we pay to their shareholders, has been less than we anticipated; thirdly, from a largely increased expenditure in England, including stores sent out to India from this country, on the requisition of the authorities there—an increase which we observed during the progress of the year, and thought so formidable that we were obliged to call the attention of the Government of India to it by a special despatch; fourthly and lastly, from famine relief works. The year 1868 was, as we all remember, a very exceptional year in Europe so far as the weather was concerned. It was also a very exceptional year in India, and towards its close the greatest possible alarm was excited about the condition of Behar, of the North-west Provinces, of the whole of the native States in Rajpootana, and of all the British districts bordering upon them. It was not only a famine of grain, but a famine of water. The cattle, so indispensable to the native cultivator, died by thousands, and great populations pouring out of the most afflicted territories, such as Marwar, overflowed into our provinces. The great calamity of Orissa had, however, produced its effect. Immense efforts were made alike by the local and by the central authorities; and before Christmas it was pretty clear that, although there might be terrible distress, there would, in purely British possessions, be no famine. Just, however, at the most critical moment, telegrams reached London to say that copious and far-extending falls of rain had suddenly come to the rescue, so that the spring crops have been saved in extensive regions, where,

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before this fortunate event, there was no hope. Still, however, the failure of last year's crop has pressed with terrible severity upon many thousands of people, and not only does it show its effects in diminishing the expected receipts, and increasing the expected expenditure of the year with which I am dealing—the year of the Regular Estimate—but it throws something of a shadow over the year of which I am presently going to speak—the year of calculation and conjecture. The general result of the somewhat increased receipts and the much increased expenditure, as it seemed to Sir Richard Temple, in the month of March last, was that the ordinary expenditure of the year of the Regular Estimate will be about £1,000,000 more than the receipts. In short, he conceived that there would be a deficit of about £1,000,000. Such were substantially the prospects of the year of the Regular Estimate—for the year, that is, ending 31st March, 1869, when Sir Richard Temple made his statement in Calcutta in the month of March last. Our latest news, however, from India, does not, I regret to say, permit me to stop here. The Committee will remember that in the month of March, Sir Richard Temple had only before him the accounts of about eight months of the year 1868-9, and the four months of which he had not the accounts are the critical months of the Indian financial year. The two great Indian crops are gathered in November and March, and the briskest Indian trade goes on during the cold seasons. We have still only imperfect information, but it seems probable that the accounts of the year 1868-9 will not turn out even so well as Sir Richard Temple expected.

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1869.

Expected
deficit of
1868-69.

I come now to the year 1869-70, the year of the Budget Estimate; the year for which we have no accounts, and which is entirely dependent on calculation and conjecture. Speaking in the month of March, Sir Richard Temple expected to receive about £49,300,000. He calculated on a great falling off in the opium revenue—a falling off of nearly £637,000, as compared with the year 1867-8; but he expected to retrieve this by a better return on various heads of expenditure—for instance, on salt, and by ehanging the certificate tax into an income tax. This is, I think, a very good impost, free from the faults of the old income tax imposed by Mr. Wilson, the defects of which have been, perhaps, a good deal exaggerated. It will very slightly alter the taxation of those who now pay the certificate tax, while it will catch the rich landholder, the holder of house property, and the fundholder who receives his dividends in

Budget
Estimate of
1869-70.

Receipts.

Mr. Grant Duff.

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India. Managed by a rough assessment, it will not require any returns or any inquisitorial process; and not falling below £50 of annual income, it will only be paid by 150,000 persons—that is, literally, by about one in 1,000 of our Indian fellow subjects.

Expenditure.

Turning to the other side of the account, Sir Richard Temple expected to expend rather less than he did expend in the year 1867-8, and a good deal less than he expected to expend in the year 1868-9—£49,250,000 in all, thus obtaining a small surplus of £50,000. This was, it is impossible to deny, running it very fine; and I am not over sanguine about our surplus in 1869-70, though, if peace and weather favour us, all may be well. I am speaking, the Committee will observe, of our ordinary expenditure. Over and above our ordinary expenditure, however, we shall have in this year, 1869-70, to expend about £3,500,000 (£3,565,800) in remunerative public works—public works for the execution of which we think ourselves entitled to borrow. Of this large sum about £2,750,000 will be for irrigation works. £360,800 will be for the State railways, including £250,000 for a railway from Lahore to Peshawur (£257,000). The rest will be for the Special Fund works at Bombay. The very large sum which we propose to devote to irrigation includes rather more than £1,000,000 (£1,055,000), which we have lately paid under the provisions of an Act of Parliament of this Session, for the transfer to us of the great works commenced by the East India Irrigation Company in the delta of the Mahanuddy in Orissa, and of certain rights, which that company had, to make irrigation works in the province of Behar. A further sum of about £600,000 will be spent in various parts of India, much of it in connection with the Ganges and Jumna river system, some of it near Poona, and in many other places. Irrigation is, I need not say, of the last importance in the development of our great Indian estate, and we shall spend, I believe, a great many millions upon it before the century is done. At the same time we should, I think, be cautious not to allow ourselves to be led away by those who believe irrigation to be a panacea. Irrigation would not by itself have prevented the Orissa catastrophe. Roads and railways coming in aid of irrigation would have prevented it. Any one who looks at the maps prepared by Mr. Frederick Danvers, which I lately laid upon the table, and which will presently be in the hands of Members, will be glad to observe that although much remains to be done, much has been already effected. The Ganges Canal alone would entitle the Government which

Irrigation
Works.

Mr. Great Dep.

created it to a high place amongst the benefactors of mankind. It is, however, out of the question for us to carry on either great irrigation works or State railways out of annual income; and if they are to be useful, as we believe, to future generations, and if they are to be directly remunerative to us, there is no reason why they should be so carried on. Some of our friends are advising us to spend £10,000,000 a year, out of borrowed money, for the construction of remunerative public works. No array of terms can express how glad we should be to do so if we had a certainty that we could spend that sum in works which would be remunerative to us. We think, however, that in the new railway scheme which has been so much discussed since it was laid before the country by my noble Friend the Secretary of State for India, ten days ago, and which will, I doubt not, be much discussed here to-day, we are going just as far and as fast as we dare, with a due regard to prudence and to the safety of our credit. If we find we can in future years go further and faster, depend upon it we shall be only too happy to do so; but I fear our friends who are so very urgent in pressing us to spend £10,000,000 a year on remunerative public works would be uncommonly sorry to guarantee the Indian funds standing as high this day ten years, if we follow their advice, as they did in *The Times* this morning.

Now, then, the Committee knows all that I can tell it about the probabilities of our receipts and outgoings for 1869-70. There is, however, another question which must be asked and answered, before our pecuniary position is fairly before hon. Members, and that is, what was the state of our Indian cash balances at the close of the year of the regular estimate? In other words, What balance may India have had at her banker's on 31st March, 1869? India had at her banker's, on 31st March, 1869, £10,359,497. That is, I think a sufficient cash balance, but she will, during 1869-70, have to borrow £3,565,000 for extraordinary public works, and she will have to borrow the better part of £1,500,000 to meet certain liabilities becoming payable during the year, if she is to have as good a balance at her banker's on 31st March, 1870, as she had on 31st March, 1869. £2,000,000 of this she has already borrowed on an open 4 per cent. loan at 90½ in India. £400,000 has been lent on reasonable terms by the Rajah of Puttealla; and the remainder, that is, £2,600,000, will be raised chiefly in this country. A Bill enabling us to borrow £3,000,000 in this country stands on the Orders to-day. We may very possibly be able to get through this financial year without trenching upon this sum, but that is

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1869.

State of cash
balances at
close of
1868-69.

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very doubtful, for our borrowing powers under the last Act are nearly at an end.

Present
position and
prospects.

Well, then, I have told the financial story of the year about which we know everything, the year about which we know a good deal, and the year about which we can, in the nature of things, only make more or less plausible guesses, I have told it with an earnest desire to blink no disagreeable facts, and have, with that object, been studious to use, at the risk of incurring excommunication from all the optimist school of Indian financiers, the ugly, unpleasant word deficit. Now, however, when it is all said and done, is our position so very bad? Let us see what prospects there are of things getting better. I will not enlarge on our undeveloped resources. It may be very right for others to do so, but for me it is more pardonable to err on the side of expecting too little than too much. In 1874 we shall get rid of a charge of about £430,000 a year, being so much of the old India Stock as will be covered by the Guarantee Fund now accumulating to pay off as much as it can of our liabilities under this head. Turn, then, to Guaranteed Interest on Railway Capital. That figures at considerably over £1,500,000, alike in the year of the Actuals, in the year of the Regular Estimate, and in the year of the Budget Estimate. Now, here is an expenditure which, although it may continue at its present amount for some time, will not continue at its present amount indefinitely. One line after another will gradually become paying, and the burdens of the State under this head will be largely reduced. Turn, then, to loss by exchange on railway transactions, more than £100,000. I have already shown that the items of loss by exchange on railway transactions will ere long cross over from the expenditure to the receipt side. There was a time when a great deal was expected from the sale of waste lands in India. It was to go far, in the opinion of some, to pay off our debt. These golden dreams have not been realized; yet a decade in the life of a nation is but a small thing, and in the next two generations I fully believe that the sale of waste lands, partly to natives, and in certain districts also to European colonists, will not improbably have to some extent lightened our burdens. That, however, is for the future. For further help at present we must look to economy, and our chief hopes must centre in a large reduction of Army expenditure, and a determination to restrict Public Works Ordinary within reasonable limits. It is all very well to say that most of these works are likely to be very useful; but unless they are to be directly remunerative

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tive, some of them must wait until we can afford them better than we can now. In so great an expenditure there is abundant room for retrenchment. Something may be done, I think, in other directions, but I will not weary the Committee by speaking of smaller economies. I have no doubt, however, that if the Anglo-Indian mind once disabuses itself of the pernicious heresy that its finances are in a thoroughly satisfactory state, and once for all resolutely refuses to listen to the sirens who sing to it that barracks and the like should be built out of loans, we shall soon put an end to Indian deficits. It should never be forgotten that our revenue not only rises, but positively springs upwards. In the year 1856-7, the year before the mutiny, it stood at £33,000,000. In the year 1867-8, it stood, as we have seen, at £48,000,000, and this not by acquisition of fresh territory, and in spite of the fact that India, after making all allowance for the comparative poverty of her population, is one of the most lightly taxed countries in the world. The progress seen in all directions is great and incessant. If India is living fully up to her income, she has, at least, the consolation of enjoying her life. We hear much about the *laches* of the Indian Government in promoting commerce; but the imports and exports, which were under £15,000,000 in 1834-5, were over £101,000,000 in 1867-8: not bad progress for one generation. We have over 4,000 miles of railways open, and we have 1,820 more under construction, or about to be constructed, as part of our old scheme, and we have a huge new scheme settled and about to be undertaken. Material progress is the mother of moral progress, and it needs but little insight to see everywhere indications that the ideal of at least the upper and middle classes in India is sensibly rising. The civilization of Europe is beginning not merely to varnish over the surface of Indian society, but to stir the Indian mind to its depths. The two great branches of the Indo-European race, which parted before the dawning of history, on the plateau of Central Asia, have met, rich with the contrasted experiences of I know not how many thousand years. The ancient and fruitful antagonism between East and West, which fills so large a part of human history, is renewed under changed conditions, to what strange issues who shall say?

Motion made, and Question proposed,

“That it appears by the accounts laid before this House that the total revenue of India for the year ending the 31st day of March, 1868, was £48,534,412; the total of the direct claims upon the revenue, including charges of collection and cost of Salt and Opium, was £8,957,464; the charges in India, including interest on debt, and public works

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ordinary, were £32,362,402; the value of stores supplied from England was £970,926; the charges in England were £5,710,880; the guaranteed interest on the capital of railway and other companies, in India and in England, deducting net traffic receipts, was £1,510,135, making a total charge for the same year of £49,542,107; and there was an excess of expenditure over income in that year amounting to £1,007,695; that the charge for public works extraordinary was £602,462, and that including that charge the excess of expenditure over income was £1,610,157."

Mr. Crawford.

MR. CRAWFORD said, it was not his intention to follow his hon. Friend through all the figures he had submitted. His hon. Friend, in the course of his very able and lucid speech, had referred to matters of great moment to one who, like himself, had passed many years of his life in India, and who still felt great interest in that country. He should like to say a few words upon the demand now made by the Secretary of State for India to use his borrowing powers, and to the great change in the policy of the Indian Government in regard to the manner in which railways were in future to be constructed and worked in India. With regard to the Financial Statement, the best conclusion he could come to was that the Indian Government required to raise, during the present year, a sum of about £5,000,000; of which £3,500,000 was required for carrying on various extraordinary works for India, £1,000,000 for paying the debt, and £500,000 for replenishing the cash balances in India. By the Bill which would come on for discussion at the Evening Sitting his hon. Friend would ask the House to authorize the Secretary of State to raise between the present time, and April 30, 1872, the very large sum of £8,000,000 sterling in this country for the service of India. What he (Mr. Crawford) desired to do was to call attention to the way in which this power of borrowing money was likely to be exercised, judging from the manner in which it had been exercised by previous Secretaries of State. In the year 1863, the then Secretary of State for India (Sir Charles Wood) came before Parliament for authority to raise a similar sum of £8,000,000 for the purpose of re-placing debts that had been incurred in this country; and what was the course of policy which he pursued? Why, he went into the market, when he wanted money, without any communication with the public, disposed by private arrangement of the securities for the sums he was authorized to raise, and the public knew nothing whatever of the demands made upon it. The whole transaction was conducted secretly, so that only a limited traffic or dealing took place in the particular stock dealt with in the market. That was not a proper way of raising money. In the language of the Stock Exchange, the Secretary for India

32 & 33 Vict.,
C. 106 (Public
general acts).

Strictures on
mode of
borrowing
adopted by
Secretary of
State.

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“turned on the tap when he wanted to raise money.” If, however, he wanted money, it would be better that he should come into the market and say how much he wanted, in which case, by inducing competition, he would raise money on better terms. His hon. Friend had referred to the public debt of India, which he stated was £62,000,000. He also alluded to a Paper, which had been laid upon the table two or three weeks ago, giving the details of that debt, from which it appeared that the securities were of various forms and denominations, extending as far back as 1824-5. Some of the loans were of very small amount, and if measures could be taken for consolidating these into one single debt he believed that considerable advantage would be gained. The ultimate re-payment of principal might be secure, and also the payment of interest meanwhile; but with small stocks not easily marketable, a loss was always entailed on those holders who found it necessary to realize. If, however, these different stocks were all consolidated into one stock in a form which would meet the requirements of the present day, the public would not alone be pleased, but the value of the security would doubtless be increased. He desired also to make a remark with regard to the export duties of India. It was perfectly true, as stated by his hon. Friend, that they were few in number, but they were levied, contrary to all sound principles, on some of the principal commodities exported from India. Every 82lb. of grain exported—and this country drew from thence a great deal of grain in the shape of rice and for consumption in distillation—incur a charge of 3 annas, or $4\frac{1}{2}d.$, before it left India, the effect of which was not merely to limit out access to the Indian market, but to diminish the sales of the producer of grain. That portion of the indigo crop produced in Madras had to encounter a sharp competition here with the indigo grown in Central America; yet while the Madras indigo had to pay 3 rupees for every 82lb., that which came from Guatemala and other Central States was free, and being produced on the Continent of America was admitted into the New York market on more favourable terms than the produce of India. Moreover, these very commodities, taxed so heavily on their export from India, had already paid a heavy tax to the Government in the assessment of the soil upon which they were grown. There were other commodities to which reference might be made; but he had said enough, he thought, to show that the continued levy of these charges was attended with positive disadvantage to Indian interests. Another subject to which he would

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Consolidation
of small loans
into a single
debt.

Effect of ex-
port duties on
grain and
indigo.

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New Railway
policy.

refer, and which was of the greatest importance, was the new railway policy to be carried out in India, which had been described by the noble Duke (the Duke of Argyll) in "another place," and was also described in the despatch which had been laid upon the table. No opportunity, however, had been given to the House of Commons of perusing this despatch till Saturday last, though there was reason to believe that it had been for some time in readiness; the Report of Mr. Danvers on the Indian railways had been ready, to his own knowledge, for some time before it was published. The House had a right to expect that these documents would be placed before them in sufficient time to enable them to be perused and considered, and these should not have been, he must almost say, withheld, until so late a period of the Session. He believed the view taken in that despatch was based upon a Minute by Lord Lawrence, dictated, he was sure, by a single object of what was for the benefit of India. A new state of things had arisen, and the Government were perfectly justified in seizing the present opportunity of considering whether they could not extend the railway system of India by a principle of action different from that which had hitherto been followed. The only exception which he took to the action of the Government was that they appeared to ground this new policy upon a condemnation of the existing system. Instead of being condemned, the existing system was rather, in many respects, an example to be followed. The foundation of the Government policy in constructing railways for themselves was this. Hitherto, no money had been found for the construction of railways in India, except on the security of the Government, and as the rate guaranteed for raising money in the market had been uniformly 5 per cent., whereas the Government themselves could borrow money at 4 per cent., they were losers of 1 per cent. upon the transaction. He was prepared to dispute these assertions, and to prove that they were based upon error. The Government also alleged that the railway companies had hitherto constructed their lines—as it was called in India—departmentally; that was to say, by means of contractors, acting under the direction and supervision of the engineers and staff of the companies. Contractors had been employed in this country and their servants sent out; and it was suggested that these measures could as well be taken by the Government as by the companies. It was further alleged that the process of construction by the companies heretofore had been needlessly extravagant and costly, and that the working was

By Mr. G. C. ...

extravagant, ill-managed, and profitless. He admitted the necessity of a Government guarantee to raise money for works in India, but the remainder of the argument he denied. When it was represented, for instance, that it had cost 5 per cent. to raise the money for construction, and that the Government guarantee accordingly was the sole test of the value of the railway property, he pointed to the fact that there were different railway companies whose shares commanded, not an uniform, but different values in the market. The stock of the line with which he was connected—the East Indian—was selling from 111, whereas the stocks of the other Indian companies as a rule did not fetch more than 106 or 108. If the Government guarantee of 5 per cent. were the sole test of value they would all be exactly equal in price. There was another element which had been left out of sight, and that was the element of the speculation that the profits arising from the railways would exceed 5 per cent., as they had already done in two or three instances. In the course of the last year and the present year, his company had occasion to raise £2,000,000. The Government said, "It is unreasonable in you to ask us to guarantee 5 per cent. because you will issue the stock at a large premium, which you will then put into your own pockets." The company felt the objection to be a reasonable one; but they urged the Government not to make a difference in the rate of interest hitherto guaranteed, and undertook to pay over the gain of £110,000, obtained by the issue of the stock at the current price, into the hands of the Secretary of State, to form part of the capital of the company to which the Government guarantee would not attach because it was not the property of any individual shareholders. There was one passage in the Minute of Lord Lawrence which he thought had been written without due care or consideration, and was certainly unjust to the railway companies. His Lordship stated that their capital was an investment from which a return was guaranteed under all circumstances, and that in some cases even a wasteful outlay might be directly advantageous to the officials, as leading to the creation of stock. The meaning of this—and it was so stated in the despatch of the Government—was that the shareholders and managers of these railway companies were indifferent to the sums which they expended on the construction of their railways, because the more they expended, and the more stock they got out, the more they would make in the way of profit in placing these shares in the market. He ventured to assert that out of the £80,000,000 raised in

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Test of value
of railway
property.

Undue profit
by creation
of stock.

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Borrowing
power of Gov-
ernment and
companies.

Extravagance
in construction
of lines.

this country for the construction of Indian railways there had been no larger outlay or allowance than fairly covered the expense of placing these shares in the market. The whole of that money had been paid over, and not a single farthing beyond the legitimate profit on the issue had been kept for their own advantage. He fully admitted that there were times when the Government might go into the market and borrow money at 4 per cent., but there were other times when they could not do so. During 1859, when the Indian Government was unable to obtain money on reasonable terms, or on hardly any terms, in the market, the railway companies were enabled to raise large sums at a moderate rate of interest, partly, no doubt, because they could offer the security of the Government guarantee, but also because they could offer, in addition, the tangible security of valuable property. Under these circumstances it could not be said that the Government were in a better position to raise money than the private railway companies. The Indian railway companies had been charged with reckless extravagance in the construction of their lines. He would lay before the Committee a few facts which, he thought, would show that that charge was entirely unfounded. It appeared from Mr. Danvers's Report—which was issued on Saturday last, and which divided the cost of the construction of these Indian lines into its several elements, such as the mileages, the permanent way, stations, rolling stock, &c.—that the East Indian Railway Company had constructed their 1,500 miles, 600 being double and the rest single lines, at a cost of less than £20,000 per mile; and that the Madras Railway Company, also a single line, had constructed their line at a cost of less than £11,000 per mile. The great difference between the cost per mile of these two railways was accounted for by the fact that the latter, while having an excellent management, had none of the engineering difficulties to encounter which had rendered the construction of the former line so costly. Another cause of the great cost of the construction of the East Indian Railway was the Indian Mutiny. The question had been elaborately gone into, and the result, which had been reported to the Government, was that if the mutiny had not occurred that great work would have been constructed at a less cost by about £3,000,000 sterling. The expense of the conveyance of materials had been enormously increased by the mutiny, and a large portion of the finished line had been destroyed—no less than 17,000 tons of rail being found wanting in transmission up the river. £500,000 had afterwards to be expended upon the erection of a steam-

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boat flotilla, for the purpose of sending the materials up the river. In fact, the total extra cost resulting from the mutiny might be safely put at £2,000 per mile. It must not be forgotten, in calculating the cost of the Indian railways, that they had to pay enormous sums for conveying from this country the materials necessary for building their bridges. The East Indian Railway had constructed no less than three miles of iron bridges, one being nearly four-fifths of a mile in length, and the whole of the materials for erecting those works, and for locomotive purposes, had been sent out from this country, at a total cost for conveyance nearly £3,000,000. They had also to provide European superintendence; and for every man sent out to India they had to pay two or three times as much as they could secure their services for in this country. The expenses incurred for drivers of locomotives was a most costly item. All these elements must enter into the question of the cost of the railway. When they were pointed at as persons who had been guilty of extravagance, all these things should be taken into consideration. What he had said as to one railway applied to all of them. It was not improbable that the Indian railways might have made mistakes in the construction of lines for the first time over the vast Continent of India; but the Government would be warned by those mistakes, and would, therefore, be to a certain degree benefited by them. If they were guilty of extravagance, which he denied, the Government ought to share the blame with them, because the companies could not, and in fact did not, spend money without Government control. If the Government said—"You are extravagant and thriftless," he said they were parties to these things. But he denied the fact. He maintained that the Indian railways might be held up as instances of the expenditure of enormous sums of money, with as little cause for reproach as had ever occurred under similar circumstances. In the whole course of this expenditure there had been nothing illicit in the contracts or profits of the company. He did not mean to say that everything might have been entirely proper in the case of every subordinate; but he affirmed that, as a whole, this vast expenditure might be held up as an example of fidelity on the part of those concerned. With reference to the subject of the cost of working the Indian railways, he would call the attention of the Committee to the Return laid before the last half-yearly meeting of the shareholders of the East Indian Railway Company, comparing the working expenses and receipts of that railway with those of thirteen of the principal railways in this coun-

Cost of
working
railways.

Mr. Crawford.

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Tests of
profitable
working.

try. The real tests of the profitable working of a railway company were its mileage receipts, its mileage cost, and its mileage net receipts. Judged by these tests, during the half-year ending the 31st of December last, the East Indian Railway Company appeared, out of every £100 earned, to have expended £41 for working expenses, leaving £59 profit; while the London and North-Western Railway Company had expended £46 per cent. for working expenses; the average expenditure under that head of the whole of the English railways being £49½ per cent. It was impossible, under these circumstances, to contend that the management of the Indian railways was expensive as compared with that of other countries, and the Government of India when asserting that that management was guilty of profligate extravagance, was doing it a great injustice. The directors had endeavoured to exercise the utmost economy in their business, but the Government authorities did not take the slightest notice of this. The Government of India not only did not do the railway company justice, but they did the company a positive act of injustice, when they charged them with want of economy, and with the design of securing fresh profit on the issue of additional capital. The Government ignored the fact that the company had lately sent out to India an eminent and experienced engineer, at great expense, to ascertain the exact cost of all the necessary works remaining to be executed, so that they might prove at once what would be the full outlay in this costly expenditure. So far from the company trying to increase the cost, they actually refused to undertake the construction of a bridge over the Hooghly, at Calcutta, which the Government wished to put upon them, and which would have rendered it necessary that their capital should have been increased by £1,500,000. They would not have acted thus if they had desired to traffic in the profits of new capital. They had also declined to undertake the construction of a line from Cawnpore to Lucknow, and willingly surrendered to another company that from Delhi to Lahore. They were anxious to be free from adding to the capital. He might add many other instances in proof of his argument. Their object had been to limit themselves to the works on the enormous line of 1,500 miles which they had undertaken to construct, and the resources of which they desired to utilize as quickly as possible, and to do the best they could for their shareholders. He quite agreed that in the case of Native States the Government must make the railways themselves, and that where railways were required for political purposes it might

be left to the Government to make them. This would afford an opportunity for comparison between the two systems; but he deprecated their entering upon great operations of this character merely for presumed economical reasons. He did not think that any Government, as a Government, could do work of this kind so effectually as those who had devoted years to the consideration of the work, and who possessed experience which no Government Department could secure. What would be the effect of the Government going into the market for the purchase, from time to time, of 10,000 or 15,000 tons of rails by advertisement? Why, not only the price of iron but the cost of freight would be immediately raised. Whereas the Government, for their own protection, were compelled to buy by public tender, private companies could purchase what they required for the construction of their lines by ordinary contract, usually at a much lower price than the Government would have to pay. They were under the control of the Government, and had the official director appointed by the Secretary of State sitting by their side. He regarded the conduct of the Government in this matter as showing a remnant of the old exclusive policy; they did not like an *imperium in imperio*. The Government had resented the unwillingness of the directors to succumb to the Government officials. In one instance the Government desired the removal of a gentleman whose position was not agreeable to them, but the directors did not think that this would be just. There was a feeling of discontent on the part of the Government in having a body to deal with whom they could not command. It was very questionable whether these operations should be removed from popular observation. Opportunity should be given to the people of this country of knowing what was going on in connection with these railways. Once these lines passed under Government control nothing more would be heard about them, and the public interest in them would be quenched. There still remained the question of the extent of the intended operations of the Government with respect to these lines to be considered. It was now proposed that the Government should make 10,000 more miles of railway, at a cost of £120,000,000 of money. This was the demand to be made upon the money market. They had been told that there was owing by India in this country and in India between £90,000,000 and £100,000,000; and he thought that they did not sufficiently weigh the effect of coming, year after year, to the House for authority to raise money for the service of India. It was one thing for £80,000,000 to be taken out of the market for the construc-

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Effect of
direct
Government
action.

Extent of
intended
Government
operations.

Mr. Crawford.

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Further
objections to
direct
operations of
Government.

Complaint of
manner of
conducting
the telegraph
service.

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Northcote.

tion of railways by railway companies in twenty years, and another thing for the Government to borrow £1,000,000 year by year for thirty years from the public on that account. He maintained that the Government could not expect to be able to continue to place these large sums upon the market at the rate that they boasted they now raised it—4 per cent. He also wished to point out that had railway construction been in the hands of the Government at the time of the mutiny in India the works would not have been proceeded with, as the whole attention of the Government was directed to quell the mutiny, whereas the railway companies continued the construction of the railways, notwithstanding the mutiny, and were enabled to assist the Government by the facilities afforded by such portions of the lines as were constructed. One clause of the Bill that was before them ear-marked £1,000,000 of the money proposed to be raised, and set it apart for the construction of railways only; but this money would not be so spent if war or other adverse circumstances should absorb the attention of the Government. An instance of this was that when Lord Ellenborough went to India in 1813, he found there was war with Gwalior, and in consequence he suspended the works of the Ganges Canal. He took the opportunity of calling the attention of the Under Secretary for India to the manner in which the telegraph service with India was carried on. Last year a convention on this subject was held at Vienna, and every State on the Continent of Europe, together with England, was represented at that convention. One of the terms there agreed on for the conduct of the telegraphic business was that every message should be sent in the order in which it was received; but a priority in the dispatch of messages was still given to Mr. Reuter. A remonstrance was made to the Secretary of State, and then it was found that Mr. Reuter had made terms at Constantinople with the Turkish Government, giving him, in spite of the convention, an advantage over everybody else. The system still continued, notwithstanding it was said that steps would be taken to put a stop to it, and he hoped that the promise which had been given would now be carried out.

SIR STAFFORD NORTHCOTE said, that, as there was other important business on the Paper, he would not waste time by complimenting his hon. Friend the Under Secretary for India on the excellent speech he had delivered, but would at once notice an expression which was not characterized by the same exactness as the rest of the hon. Gentleman's observations. The hon. Gentleman spoke of two complaints against the Government of India which, he thought, effectually

Sir Stafford Northcote.

neutralized each other. One of these complaints was, that the Government did not do enough to develop the great resources of the Indian Empire; and the other was, that the Government were living up to or rather exceeding their income. The hon. Gentleman thought that those two charges might answer each other; but that was not strictly the case, for it might happen that the Government, though exceeding their income, were not by economy saving means to improve the resources of the country. That was a danger which the Government of India should guard against. There was a magnificent field in India for the development of the resources of that Empire, but care should be taken to provide by prudent economy the power to effect that object. He wished to direct attention not only to the importance of economy in details, but to the adoption of a sound principle of finance by laying down a distinction between the different classes of expenditure which were being incurred. What he meant was what was shown in the speech of Sir Richard Temple, in which he laid down the great importance of the Government maintaining a distinction between unproductive expenditure and that which was not so. His (Sir Stafford Northcote's) opinion was that upon the strict maintenance of this distinction depended the whole foundation of our credit and prosperity. Our Indian credit might be seriously affected if we went on borrowing without making proper provision for re-payment, and therefore it was of great importance that the distinction that he had pointed out should be maintained. He, last year, with the approval of the Council of India, endeavoured to draw a distinction between productive works and other classes of works. The principle they proposed to go on was that they would allow no expenditure to be provided for out of borrowed money, except that class of expenditure that would be reproductive, and they meant not only that expenditure that was capable of reproducing, but that which was made that it might reproduce. To do this there must be separate accounts kept, in order to see that the money so laid out did come back to the Treasury. He had no doubt that this subject was still engaging the attention of the Indian Government; and he would press upon Her Majesty's Government the importance of seeing that the principle to which he had referred was carried out. If this principle were adopted the Government might then borrow freely, because they would be sure that the money would come back again. There was another principle which they must not lose sight of; they must take care that in their ordinary balances of income and expenditure they kept a good regu-

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Importance of
economy and
of making a
distinction
between
productive
and other
works.

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Importance of
a regular
surplus in-
come.

Export duties.

Construction
of Railways
by companies.

Papers laid
on table.

lar surplus of income over expenditure. It was very well to have a £50,000 surplus for a year or two, but it would not do in the long run; for there should be a regular surplus of £500,000 or £1,000,000 of income over expenditure, because contingencies might arise which could not be foreseen. The only safe policy therefore was to keep a really good margin of income over expenditure. That involved both economy and the careful maintenance of their resources. He believed the principle of the income tax was a great, a bold, and a wise step. It required some sacrifice on the part of the Government of India. There was great temptation to put off works, owing to the necessity of raising funds by what was considered an unpopular tax. He hoped they might look to a fair surplus. With regard to items of taxation, he would not say any more than that he most cordially agreed with what his hon. Friend the Member for the City of London (Mr. Crawford) had said of export duties. He hoped the time would come when they would get rid of duties which were wrong in principle, and very injurious to India as well as to the trade of this country. With regard to the railways he entirely sympathized with his hon. Friend in the expressions he had used, and the spirited defence he had made for the existing companies. He sympathized with him as to the want of cordiality and generosity of their treatment in these despatches. Considering the work done they ought not to have been treated with harshness; there should have been every acknowledgment of the services which the guaranteed companies had rendered. Even assuming that such companies were to be altogether dispensed with, still there should have been some acknowledgment of the fact that we never should have had this great network of railways so well constructed, and so ably worked in so short a time had it not been for the assistance of the companies. Though they might find fault with some details of management and upon the principle upon which the system was founded, still they should speak a little more gratefully of those who had initiated the plans of so great a man as Lord Dalhousie, and who had carried them out so successfully. His hon. Friend had complained that these Papers recently laid on the table had been kept back rather long from them. He (Sir Stafford Northcote) did not think it was right to make that complaint, for the Duke of Argyll's important despatch was only dated the 15th of July, and could not have been produced much sooner than it had been. But it was to be lamented that there had been so short a time to consider the Papers, and that they were not in so complete

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a form as they might be. It would have been better if the Papers had extended a little further back, and if the origin of these communications had been given; for this matter had been under consideration for a year or two, and some Papers had not been produced which would have thrown light upon it. As to the distinction between commercial and political lines, that was a distinction that was drawn in a despatch that went out when he was Secretary of State for India, and that despatch was intended to call attention to the importance of making some definite plan for carrying out in future the railway system in India. He thought that there were several reasons why that despatch and others should have been printed, and they would have given an answer to several of the objections of the hon. Member. Now this was a matter that had been forced upon the Government. It had become necessary that something should be done to systematize the railways in India. Projects came in in dribbles from the Hooghly, Madras, Assam, or Bengal, for the construction of railways, here or there, and the Council for India always felt it extremely important not to commit themselves to general plans, or to inconvenient expenditure. He therefore addressed a despatch to the Governor General of India, asking them to take into consideration the general wants of India, and give a systematized plan of the works recommended—at what rate it would be possible, with reference to financial and other considerations, to carry out those works; in what order they should be proceeded with; and by what agency they should be conducted. At the same time, the Government of Sir John Lawrence had directed their attention to the same subject. He wrote to the Government at home at the same time that the despatch of the Secretary of State was being prepared. These despatches were both independent of each other, but both came to the same conclusion—that it was desirable to come to some systematic arrangement as to what should be done, and at what rate. He hoped these Papers would be printed, and that they would be able to turn their attention then more deliberately to them than was possible at present. There was a great deal yet to be considered as to the propriety of the State undertaking the whole railway management of India. It was pretty plain from expressions in these despatches that the mind of the Government of India was hankering after getting the whole system into their own hands. That policy, however, had not been adopted by the Duke of Argyll, and he hoped it would not be; but this was a point which would have to be fully considered next Session.

Systematiza-
tion of
Railway
projects.Propriety of
the State
undertaking
the
construction
of Railways.*Sir Stafford Northcote.*

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In the meantime he was entirely satisfied with what the Government proposed to do. The principle was, that where railways were to be made for political considerations or for the general benefit of the country, but which were not likely to pay—these railways should be made by the State. There was another principle, that where railways were to be made through Native States they also should be made by the Government. Upon both these principles he thought that there was a general agreement; and he entirely agreed as to the importance of the action of the Government with regard to the political railways. He would, however, venture to point out that there were one or two special considerations that the Government should bear in mind. In the first place, they should consider whether they really would be able to take the matter up as a whole, when its very advocates admitted the scheme to be imperfect. He hoped that he might say, without offence, that there was certainly an impetuosity about some of Lord Lawrence's writing, when he took a strong view, that rather carried one away. He appeared to take always a strong view of a subject, so that one side of it was seen very clearly indeed. He also spoke his mind very strongly and ably, therefore one side was always presented in the clearest possible light. Where action was required this was a very valuable quality; but when they had to take counsel they were apt to be staggered by seeing the case made out, as it were, too good. The noble Lord talked of the expediency and importance of limiting the outlay of capital upon lines of railway, and no doubt it was important; but was he quite sure that the Government would always limit their own outlay better than the companies, when they were acting under the control of the Government? The Government, no doubt, had not properly controlled the action of the companies; but if they could not control another person, would they be able to control themselves and their own officers, as to the outlay of capital? There was a strong temptation on the part of the Government to save themselves from any outlay on their ordinary expenditure. He observed a tendency on the part of the Government of the day to put down everything they could to capital, and on the part of the Indian Government there was just as much temptation to put down all expenditure on public works as remunerative. But was it true that the Government would always keep these works going as well as the companies that undertook them? There were, if he mistook not, instances in which the Government were not quite so ready to carry on works of this kind when other

and more pressing claims were made upon them. The history of the Great Trunk Railway of India did not show that the Government always proceeded very rapidly with the works they undertook. There was another point of importance, and that was whether the Government would be able to get a proper staff and work these undertakings properly. They had the admission of Lord Lawrence that the Public Works Department was not in a proper state to undertake these works. The Indian Government had taken a great deal upon themselves. They had only just taken in hand all the irrigation works, and it was not yet known whether they could carry them on satisfactorily. They were now going to undertake the railways, and they called upon the Government at home for more assistance and for engineer officers, and the Indian Government complained that they did not receive all the assistance they ought to have. He would earnestly urge upon the Government of India that, if they were going to take these great works upon themselves, they should take care to strengthen the hands of the departments which had the execution of the works, not merely by sending out officers, but by a proper organization of these departments, and by regulating relations between the Public Works Departments of India and those of the several presidencies; because, if jealousies existed between them, a good deal of mischief might happen. He would also urge the Government not to suspend the execution of the harbour and irrigation works which they might have in hand for these new pet railway projects. He would likewise impress upon the Government the importance of not running into debt, and of providing a proper system of account for writing off the debt. He believed that the matter was in good hands, both at home and in India. He was not afraid of the expenditure, estimated by the hon. Member for the City of London at £120,000,000, if it were incurred wisely, and expended in a way to develop the resources of India. He had sanguine hopes of the future of India, if the Government did its duty in promoting the moral and social progress of that country. The Government of India was a paternal Government of the very best class, and its relations with its neighbours and subjects were of the most satisfactory and friendly character. They must, however, look to the possibility of dark days; but the best way of providing for them was by developing and husbanding the resources of India, and making the people feel that we were real friends to them. Whatever the Government did, let them not overwork their departments or overstrain their finances.

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Ability of Govern-
ment to
secure a pro-
per working
staff.

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Sir C. Wing-
field.

Barrack sites
and sanitary
requirements.

Army reduc-
tion.

SIR CHARLES WINGFIELD said, he observed that for the year 1868-9 there was a deficit of about £1,000,000, and a total deficit during the last three or four years of about £4,500,000; but he thought that this would soon disappear if the principle laid down by the late Secretary of State for India were carried out—namely, that all expenditure, except that which was extraordinary and strictly reproductive, should be met by income. By such a course only could the Government meet its liabilities and this country so preserve its credit as would enable it to borrow such large sums as would be required for railways and irrigation. With respect to barrack expenditure, he feared that many of the sites which had been declared to have every sanitary qualification would be found to be unhealthy, and consequently be abandoned. He did not believe that in India health was promoted by mere solidity of construction. The great want in that country was cubical space and free ventilation for currents of air, and mud walls and a thatched roof were cooler than stone or brick buildings. Where the barracks now in course of construction were likely to last some time, and where they were also military stations, the works might be suspended, and the Exchequer saved from any further outlay of money for some time. There were fifty-one places in India where barracks were either built or building. Some were only seventy miles distant from each other; and it was worthy of consideration whether, some concentration were not possible. He should like to see a Return of the outlay in building barracks since the mutiny. He believed that they had been a most frightful drain on the resources of India. He believed that the expenditure from this source was not less than £15,000,000 up to the present time. With regard to railways, he thought it probable that the strategic considerations upon which they had been laid out would undergo a change, and that new military stations would have to be undertaken. As to the Army expenditure, he did not think that the European force could be reduced below its present standard, which he believed to be 62,000 men. He doubted whether the Native troops would ever have revolted if they had believed there were sufficient European troops in the country to coerce them. He should have rejoiced with greater satisfaction the increase in the Indian revenue if he did not know that half of that increase had been derived from opium and salt. It was stated that the Chinese Government had renewed their edicts against opium; but this he regarded as only the means of obtaining larger bribes for the officials. Across the Continent of India there

stretched a huge Customs line, guarded by an army of several thousand officials. To the north of this line salt paid a duty of 6s. per 80lb., while to the south of the line salt was only taxed at 3s. Statistics showed that in the northern districts the consumption of salt was only at the rate of 8lb. a head, whereas to the south the consumption amounted to 13lb. a head. If the rates could be equalized, or nearly so, a considerable increase in consumption might be expected. At the same time, he could not agree with the right hon. Baronet opposite (Sir Stafford Northcote) that the consumption of salt afforded the best test of the condition of the poorer classes, for, unlike tobacco or alcohol, a man was not likely to consume more salt than nature prompted him. He was glad to perceive that by the extension given to the quantity of roughly manufactured salt which a man might have in his possession the convictions for infractions of the salt laws had fallen nearly 1,000 in number. As to the railways, he had for a long time been of opinion that a system of public companies would work most advantageously, fearing that in times of financial difficulty the construction of railways in the hands of the State would come to a standstill; and also remembering that at the time of the mutiny a 5½ per cent. open loan did not fill. Having read the despatch, however, and the exhaustive Minute on which it was based; he had come to the conclusion that the principles laid down by the Government were those which ought in future to be acted upon. The Government of India had shown a very strong case for raising such funds as were necessary upon their own credit, and they ought, he believed, to be supported in doing so. There was an apparent increase in the circulation of the paper currency. That increase, he thought, was more apparent than real, a large proportion of it being only issued in the sense of having left the central establishment for the district offices, where it lay unissued. The true remedy has been suggested in the Report of the Paper Currency Committee. As a mark of the increase of comfort and prosperity amongst the population of India, it was gratifying to observe that 600,000 lbs. of sugar were now imported, whereas, in 1850 and 1851, there were 1,800,000 lbs. exported, so that in the article of sugar, India from an exporting had become an importing country. He considered that there were two reforms needed in India. The first was the separation of the executive and fiscal from purely judicial functions, and the restriction of all offices in the service to one or other of those branches of administration. Such a multiplicity of duties were now

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Paper
currency.

Separation of
executive from
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Transfers from
one branch of
service to
another.

Consultative
native
councils.

Mr. R. N.
Fowler.

Objection to
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on moral
grounds.

thrown upon a collector that 'it was impossible he could get through them all except by devolving the larger share of the duties upon his assistants. Another evil of the existing system was that men, unless they would sacrifice pay and promotion, were constantly being transferred from one branch of the service which they thoroughly understood, and for which they were well fitted, to a totally different branch, for which, perhaps, they had no taste whatever. A separation already existed in the upper branches of the administration, which ought to be continued downwards through the various stages. He would not interfere with the general apprenticeship served by a man on entering the service, which was always useful to him, but after four or five years he ought to be called upon to choose between the executive and the judicial branches, and, having done so, should be strictly confined to that which he had selected. With a view of ascertaining the opinions and feelings of the natives, and bringing these into harmony with the acts of our officials, weighed down as they were by their various duties, Sir Robert Montgomery had recommended the establishment of consultative native councils. Such a course would be quite in accordance with the views of the late Lord Canning, that we should abandon "the anomalous attempt to govern a country by thrusting aside every man whose birth, position, or social influence gave him a right to share in administering its affairs." Had such councils been in existence, with the facilities which they afforded for studying Native sentiment, the recent spectacle would not have been witnessed of a large number of landowners in India presenting a Petition against what they conceived to be an infringement of native laws and usages, and a violation of the spirit of Her Majesty's proclamation. Such a course could not but be injurious to our reputation in the East.

MR. R. N. FOWLER: Sir, the hon. Gentleman the Under Secretary for India (Mr. Grant Duff) has admitted that it is unsatisfactory, on financial grounds, that £9,000,000 of the Indian revenue should depend on the article of opium. Sir, I object to this source of revenue, not only on financial but on moral grounds. I have always regarded the conduct of this country in forcing this poisonous and deleterious drug upon the Chinese, as the greatest blot upon the name of the British nation. Did time permit I could quote the authority of eminent men of all classes—statesmen, diplomatists, officers in the Army and Navy, physicians, and missionaries—in support of my opinion; but, at this period of the debate, considering the number of hon. Members connected with

R. R. N. F.

India who are anxious to take part in it, I feel that I ought not to trespass on the Committee, and will content myself with two short extracts. The first is from a speech in this House by the late Sir John Cam Hobhouse, afterwards Lord Broughton, and long President of the Board of Control, who stated that "he did not deny the use of opium being a great vice, for a great vice it was." The other is a sentence from a despatch of the East India Company, the originators of the traffic, who declare that "were it possible to put an end to the use of the drug altogether, except for medical purposes, we would gladly do it in compassion to mankind." I may be told, Sir, that the question stands on the same ground as the revenue derived from wine and spirits; but there is this essential distinction, that whereas the use of wine and spirits is constantly ordered by medical men, I never heard of any patient being directed to smoke opium. I trust that Her Majesty's Government and the Indian authorities will endeavour so to regulate the finances of India that this large portion of its revenue shall not continue to be dependent on the trade in this pernicious drug.

SIR WILFRID LAWSON: Sir, the Committee, no doubt, observed that in the able and comprehensive statement of the hon. Gentleman (Mr. Grant Duff), there was one point on which he touched hastily and lightly. I allude to the revenue derived from opium. The hon. Gentleman said he should not allude to the moral aspects of the question. He was right; for there is no defence on moral grounds to the raising of revenue by these means. He told us that about £9,000,000 of the Indian revenue (nearly one-fifth) was derived from opium. What does that mean? It means that a large portion of the most fertile soil in India is diverted from the production of food for the people, and devoted to the production of a deleterious drug. This drug is employed to pauperize and demoralize hundreds of thousands, if not millions, of the inhabitants of China. Thus, it indirectly is a great hindrance to that legitimate trade with China which it is generally considered so desirable to promote; for not only are the pauperized inhabitants unable to become our customers, but the better educated and superior classes in that country, seeing our hateful policy of forcing this drug upon their country for our own gain, become more and more hostile to us, and determine to throw every obstacle in their power in the way of our commercial pursuits. Those Gentlemen in the House—and there are many—who are interested in missionary operations, know well that nothing sets the Chinese so much against accepting the truths of Chris-

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tianity as witnessing this immoral and cruel policy of our Government and merchants. What, then, is the defence of this trade? There is no defence, except that the money must be had. Is, then, money to be set against morality? Several times during the Session I have heard the right hon. Gentleman the Member for Oxfordshire (Mr. Henley) inveigh with righteous indignation against the power of mammon, when he has seen, as he thought, a tendency in our public proceedings to sacrifice moral to material interests. I hope, therefore, that he and hon. Gentlemen who sit with him will aid my hon. Friend opposite (Mr. R. N. Fowler) in the move which he has made in this matter. But I fancy that it may be said, raising this large revenue from opium in India is no worse than raising, as we do, a large revenue from drink in England. I do not say that it is worse; both are bad enough, but two blacks do not make a white. And we must remember that there is a feeling rapidly rising here against the English system to which I have alluded, which is certain in the end to sweep it away. Many years ago the present Prime Minister of this country (Mr. Gladstone), speaking on certain resolutions in reference to China and this opium traffic, moved by the late Sir James Graham, said—

“Justice is with them (the Chinese); and whilst they—the pagans and semi-civilized barbarians—have it, we—the enlightened and civilized Christians—are pursuing objects at variance both with justice and with religion.”

Now, those were the words of the head of the present Ministry. But I am not so sanguine as to believe that our Government will at present act in this spirit, and abolish this evil system. I know the temptation which there is for Government to raise money in an easy, handy manner. I fear that the Government will, for a time, go on in the old system; but I do hope that the remarks of my hon. Friend (Mr. R. N. Fowler) may help to arouse the public conscience, bring it to bear upon our rulers, and ultimately compel them to desist from raising the revenues of this great Empire by promoting the misery and degradation of millions of the inhabitants of another Empire.

Colonel Sykes.

COLONEL SYKES said, he could not help congratulating the hon. Member (Mr. Grant Duff) in having been the first to create in that House an interest in Indian Budgets. Time was—and he recollected more than one occasion—when not a dozen Members remained in the House to listen to the annual Indian Financial Statement, and this was the first occasion, since he had a seat, of more than forty Mem-

bers being present when the Indian Financial Statement was made; and he trusted that the present comparatively large attendance was a proof that the new Parliament was taking an interest in matters connected with that gigantic Empire which had been committed to our care, and for which we were responsible, both morally and physically. He was glad to hear from the statement of the hon. Member that the result of reducing the amount of the assessments on land had been to largely increase the land revenue. He had always maintained that we did not levy a rent in India, but imposed a tax on the produce of the soil—in fact, a land tax. With regard to the question raised by his hon. Friend the Member for the City of London (Mr. Crawford), he must say that the idea of the Government assuming the execution of railway works in India was by no means a new one. It was broached in the days of the East India Company, when railways in India were first spoken of, and at that time it received the support of several men who might well be considered authorities on Indian affairs—George Tucker, Butterworth Bayley, Sir Henry Willoch, and others. As to the Army in India, it was worthy of remarks that before the mutiny the cost of our Indian Army was £12,000,000. Now it was £16,000,000. The number of European troops in India before the mutiny was about 42,000; now it was 64,000. The native Army had been diminished by 130,000 men, and the European Army had been increased by 22,000. There was no justifiable reason for this. When the Mutiny broke out it was confined to the Bengal Army. The armies of Calcutta and Madras were not parties to it. The 42,000 European troops had sufficed to break the neck of the mutiny before a single reinforcement had landed in India, and the number that had sufficed before would suffice in the case of another mutiny, of which there was not the remotest probability; indeed, in the mutiny of 1857, had the native soldiery been adroitly handled, there should not have been any mutiny at all. He not only objected to the present number of European troops, but that 20,000 or 30,000 of them were not local troops, as under the East India Company, by which the great expense of relieving annually 6,000 men would be greatly diminished. That European troops could be maintained for lengthened periods in a state of efficiency we had a proof the other day in the arrival of one of the East India Company's regiments at Aldershot, which had been 112 years uninterrupted in India. He felt convinced that the revenue of India was amply sufficient to meet any calls that might be made on it. There was a mischievous belief in the native

Colonel Sykes.

3RD ANNUAL
1869.

Execution of
Railway
works by
Government.

Reduction of
European
troops.

3RD AUGUST
1869.

Exports of
bullion.

mind in India that England drained bullion from India, and that India was consequently being impoverished—the fact being that the balance of trade had been in favour of India since 1800, and that balance had been paid in bullion. From successive Returns given to him by the House of Commons, it appeared that, after deducting exports of bullion from India from imports, there remained an annual balance of bullion in India on the 30th April 1867, of £311,131,300, the aggregate accumulation since 1800, and of that, £262,567,643 had been coined into rupees in the Mints of Calcutta, Madras, and Bombay. It was his wish to have noticed some other subjects in the Budget, but the hour did not permit him to do so.

Mr.
J. B. Smith.

MR. J. B. SMITH moved the adjournment of the debate. It was now half-past six o'clock, and they could not hope to conclude the debate before the time when the sitting would be suspended.

Resolution.

Motion agreed to.

House resumed.

Committee report Progress; to sit again *this day*.

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE. [*Progress 3rd August.*]

Considered in Committee.

(In the Committee.)

5TH AUGUST
1869.

Question again proposed,

“That it appears by the accounts laid before this House that the total Revenue of India for the year ending the 31st day of March 1868 was £48,534,412; the total of the direct claims upon the Revenue, including charges of collection and cost of Salt and Opium, was £8,957,464; the charges in India, including Interest on Debt, and Public Works ordinary were £32,362,402; the value of Stores supplied from England was £970,926; the charges in England were £5,710,880; the Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting net traffic Receipts, was £1,540,435, making a total charge for the same year of £49,542,107; and there was an excess of Expenditure over Income in that year amounting to £1,007,695; that the charge for Public Works extraordinary was £602,462, and that including that charge the excess of Expenditure over Income was £1,610,157.”

Mr. J. B.
Smith.
Increase of
expenditure.

MR. J. B. SMITH remarked upon the continued increase of expenditure in India, and complained that, although at the time money was wanted to make railways in India, it was promised that their construction would be followed by a reduction in the Army, the cost of the Force was still £16,000,000, notwithstanding troops could now be

Mr. J. B. Smith.

transported from one end of the Empire to the other in as many days as it formerly took months. A very hard-hearted Chancellor of the Exchequer was wanted in India, and he hoped Sir Richard Temple would bring about a more satisfactory state of affairs than his predecessors had. He approved the principle laid down by the right hon. Member for Devonshire (Sir Stafford Northcote), that accounts relating to reproductive works should be kept distinct, and was glad to hear that future accounts would be framed on the principle of keeping ordinary and extraordinary expenditure separate. As it was now proposed to borrow upon these public works, he suggested that the loans should be called Public Works Loans, and that an effort should be made to raise the money or some portion of it in India. The people of India would see that the money was spent in works of great benefit to themselves, and he believed the investment would become popular among them. He had for years past advocated the construction of these works by borrowed money, and ventured to assert that India might be covered with every necessary public work without cost. The Erie Canal, one of the greatest works in the world, had been made without costing the State 1s.; it had been constructed for small vessels in the first place with borrowed money; the tolls had paid off the loan and enlarged the canal, and now it was proposed to make a ship canal of it; and all through the transaction, the policy of the State had been to attract traffic by a reduction of toll. Manchester, in like manner, had been supplied with water and gas without costing the people a $\frac{1}{4}$ d. in taxation; and the whole of the Liverpool Docks had been constructed on the same principle. The advantages to the inhabitants in each case were, of course, immense; and India might be similarly benefited, without cost to the taxpayers, if public works were constructed with money borrowed on State credit and the security of tolls; for while the outlay on public works would be re-paid by the revenue derived from them, wealth would be a thousand times increased by increased production. In the course of an interesting discussion a short time ago, by the Society of Engineers, upon irrigation in India and Spain, Mr. Allan Wilson, from the Madras Presidency, described the extraordinary magnitude of the works in that part of India before our conquest. It had been estimated there were in fourteen of the principal irrigated districts of the Madras Presidency, upwards of 43,000 tanks and channels in repair, besides about 10,000 out of repair, having probably 30,000 miles of embankments, and 300,000 separate masonry works. Colonel Baird Smith stated

Mr. J. B. Smith.

5TH AUGUST
1869.

Separate
accounts of
reproductive
works.

Public Works
Loans.

Works in
Madras
Presidency
before British
conquest.

330 5TH Ave
1869.

Ganges Canal.

Profitable
return from
irrigation
works.

that the Ponacry tank in Trichinopoly had an embankment of thirty miles long and an area of sixty to eighty square miles; and Mr. Wilson expressed surprise that the Government had neglected these great works, and allowed large rivers to flow into the sea unused for agricultural purposes. Besides the profit to the State in the way of increased commercial prosperity, canals were accounted valuable for sanitary purposes. Mr. Login, an engineer of the Ganges Canal, said the strong argument in favour of canals is, that they are calculated to prevent those awful visitations which sweep off hundreds of thousands by starvation. It was estimated that the Ganges Canal prevented the death of as many thousands as perished in Orissa, and in the next year, 1866-7, the canal repaid to the country more than its total cost, while it was the means of feeding little short of 2,500,000 of people. It appeared that the water in the canals in the Madras district was comparatively clear, and though the current was slight no great deposit was formed; but the water in the Ganges was full of mud, and a rapid current was there needed to prevent the accumulation of sediment. Now, it was proposed to make some of the Ganges Canal works on the same level as those of Madras; but it was the opinion of the engineers to whom he had just referred, among whom was that eminent authority, Mr. Hawksley, that such a course of proceeding would be altogether an error. He therefore trusted that the Indian Government would not spend £2,000,000 or £3,000,000 on such an important undertaking without making further inquiry. In proof of the benefits derived from irrigation he instanced the large profits yielded by several works of that kind, and he thought that such results ought to encourage the Indian Government to persevere in making works of irrigation. Sir A. Cotton said the opinion had been expressed that no great profit can be gained on works of irrigation for many years to come. His experience of profits were—

	Cost.	Profits.	Per cent.
Godavery	£337,000	£160,000	45
Kistreeh	191,000	29,000	15
Upper Calleroon Anicut	24,000	64,000	270
Lower Calleroon	34,000	52,000	150

The total aggregate profits on the Madras works, over and above 4 per cent. interest, was £2,820,000 on a total cost of £560,000, or five times the cost of the works after paying interest and cost of repairs. The Indian Government wanted revenue, and it was very clear that the most effectual method of obtaining it was by irrigating their lands, and thereby

Mr. J. B. Scott.

increasing their rental. Mr. Allan Wilson, contrasting the difference between dry and irrigated land, stated that of fourteen Ryotwara districts of Madras, 2,000,000 acres irrigated yielded a revenue of £1,500,000; 25,000,000 acres of dry land only £2,000,000; while, if it had been irrigated, it would have produced upwards of £18,000,000. As regarded the gain to the cultivator, independently of the certainty of reaping a crop, irrigated lands yielded a crop of 20 rupees an acre; dry land, 6 rupees an acre. So that the ryot was better able to pay 3 rupees per acre for irrigated land than 1 rupee for dry land. If the Government wanted to increase the revenue and at the same time benefit the cultivator, they had only to promote irrigation. He was glad to learn that the Government of India were taking measures to promote the growth of forests in their territory, for the manure which ought to be used to enrich the land was to a great extent dried and used as fuel. In alluding to the growth of cotton, he observed that twenty-five years ago certain persons in the manufacturing districts of this country entertained great apprehensions in consequence of those districts being mainly dependent for the cotton they needed upon one source of supply. At that time 75 per cent. of the raw cotton used in this country came from America, and at the time of the occurrence of the civil war the proportion supplied by America had increased to 85 per cent. In 1848 the present President of the Board of Trade moved for a Select Committee to inquire into the growth of cotton, and the Committee, after investigating the matter, were satisfied that a large quantity of excellent cotton could be obtained from India. In the following year his right hon. Friend moved that a Commission should be sent out to India further to inquire into the subject; but the East India Company refused to afford any assistance in prosecuting the inquiry. However, the manufacturers of Lancashire felt the importance of obtaining information on that head so greatly, that the Manchester Chamber of Commerce sent out a commissioner of their own, who, though he unfortunately died, left behind him sufficient evidence to prove that the desired object of procuring supplies of cotton from India might be attained. It was represented to the Government from time to time that, without Government assistance, it was impossible for India to produce what was wanted—namely, a good quality of cotton; but the reply made to that representation was that it was contrary to the principles of political economy for the Government to interfere in such a matter, and that when there was a demand there would be a supply. That

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1869.

Growth of
cotton.

5TH AUGUST
1869.

statement was true as regards most countries, but it did not apply to India. In America the cotton was produced by men of capital, but in India it was the production of a miserable set of ryots; and one might as well look for improvements in agriculture from Irish cottiers, as expect improvements in the cultivation of cotton from the class of cultivators he had referred to. The Government said it was contrary to political economy to do anything in this matter. But there was as great a demand for tea as cotton, yet that demand brought no tea from India until the Government, acting upon the economical principle, wisely tried the experiment of planting tea gardens, and exhibiting to the natives the practicability of extensively growing it; and now they succeeded in growing tea of better quality than was grown in China. There was now a large growth of tea in India, and very probably it would be exceedingly extended. Then, there was the article of quinine. It fetched fabulous prices, but no one ever thought of growing it till, on the recommendation of the noble Lord the Member for King's Lynn (Lord Stanley), plants were introduced in large quantities, and now India not only supplied itself, but in all probability quinine would become an article of considerable export. If the Government could do all this, why not try experiments in the growth of cotton? But Government had always treated Lancashire people as merely seeking their own interests. Now, they did seek their own interests undoubtedly, but they could not do so without seeking also the interests of India. During the American War the total exports from India amounted to £67,000,000, and of that £34,000,000 consisted of cotton. The total exports now were £50,000,000, and he supposed they would have to pay some £30,000,000 this year for cotton. Was not India, then, interested in the growth of cotton, seeing that one-half of her exports consisted of that article. They had been exploring the Government for years, and at length they had got a Cotton Commissioner. They were very fortunate in his appointment, for the gentleman appointed had his heart in the work. He went to the province of Candeish and saw they were using a very inferior kind of seed. He imported seed from Berar, where the best cotton in India was grown. The very first year after sowing this seed the sowers obtained so much more for it as paid the price of their rent twice over. He said, then, that the Cotton Commissioner had been a great benefit to India. But he must warn the Indian Government that they would have competition to encounter. America would still grow cotton, and of a better quality than

Cotton
Commissioner.

India, unless India bestirred herself. America was about to import large numbers of Chinese labourers, and India could not keep the valuable cotton trade she possessed, unless she bestirred herself. The great disadvantage of India was that, while America grew 500 lb. per acre, India grew only 50 lb. per acre. India had also this disadvantage, that, for want of roads, the cotton had formerly to be carried on the backs of bullocks from Berar to Bombay for shipment, a distance of 500 miles. India had now railways, and the finest rivers in the world. The expense of the conveyance of cotton from Berar to Bombay on bullocks was 2*d.* per lb., by railway 1*d.* per lb., and by the Godavery, which flowed through the centre of the best cotton-fields, half-a-farthing per lb. The Government of India must, therefore, bestir themselves. Not many years ago we were reproached with the charge that, if we were driven from India, the only memorial we should leave behind would be pyramids of empty beer-bottles. That reproach no longer existed. We should now leave behind us ever-enduring monuments of our greatness and beneficence in the magnificent public works already existing, which, with those the Government projected, would confer greater benefits on the people of India, than were recorded of the conquerors of any age or nation. The late Mr. Cobden could never be persuaded to take part in Indian affairs; his answer always was we had no business there. Well, but we were there; we had taken upon ourselves a great responsibility, and it was our duty to face it; we had destroyed the established Governments of the country; and if we left India now, anarchy and confusion must be the result. The English Government was the best that India ever possessed, and life and property were never so secure as under our sway; nevertheless a foreign yoke was always hateful. Let us endeavour, by just and beneficent rule, to make our Government a blessing to our Indian fellow-subjects.

MR. BAZLEY said, he had listened with great interest to the very able speech of the Under Secretary for India on Tuesday last, but he must deplore that so much procrastination occurred in all that concerned India. He hoped that in future Sessions the Indian Budget would be brought forward earlier. No doubt the accounts quoted by the hon. Gentleman were accurate, but they should be more distinct. He agreed in the suggestion that there ought to be an investment account for reproductive public works, and indulged the hope that a permanent source of revenue would arise from judicious Government invest-

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1869.

Disadvantages
of India in
competition
with America.

Mr. Bazley.

Delay of
Indian
Budget.

Investment
account for
reproductive
works.

Mr. Bazley.

5TH AUGUST
1869.

Public Works
—Railways.

Buying up
Railway lines.

Cotton supply.

ments in railways, canals, and irrigation. The cost of these works should be the foundation of the proposed investment account. He believed it would be found that the increase in our Indian expenditure, since the period of the mutiny, was little less than £20,000,000 per annum, and this amounted to a heavy burden on the people of India. He approved very much of the statements which had been made in "another place" with regard to public works, and was much pleased to find that an eminent authority had said that 30,000 miles of railway were necessary for India. That country had 4,000 miles of railway, constructed at a cost of £80,000,000 sterling; Great Britain had 14,000 miles of railway, which cost £600,000,000; while America had already 40,000 miles of railway, which cost £550,000,000; and there was a prospect that before long the railway investments in the United States would amount in value to £1,000,000,000. It was clear that India was still lamentably behind Great Britain in railway enterprize. He was glad to see that railways in that country would be constructed in future at the sole cost of the Indian Government, because he believed there would be great national economy in making railways a portion of public works. We spent £100,000,000 during the Crimean War, and why should not our capitalists, in the cause of peace and industry, raise £100,000,000 for Indian railways? The Government might as well engage in these works as depute a railway company to execute them. He would go further, and advise the Government to buy up the lines already opened in India, and establish one uniform public railway system for that country. He believed that if that course had been pursued in England, the railways would have been more cheaply constructed, there would not have been so many duplicate lines, and there would have been greater convenience, combined with a lower rate of charge. He did not see why the public works should not become a source of permanent and enduring revenue. The establishment of an Agricultural Board would probably give a stimulus to the productions of India, which could send us three or four times her present amount of exports. Her coffee was of an improved quality, owing to the application of manure to which the soil of India had hitherto been a stranger. Her growth of cotton could be largely increased. Unhappily great distress existed at present among the cotton interests in the manufacturing districts, hence the necessity of still greatly increased supplies of raw cotton. He had every reason to believe that the losses on fixed investments

Mr. Baring.

in the cotton trade amounted to £30,000,000 sterling, and the losses on floating capital to an equal amount; so that by the disasters connected with the cotton trade, that branch of industry had sustained a total loss equivalent to £60,000,000. A continuance of the present state of depression, coupled with the emigration of the operatives, would go far to remove the trade itself to some more prosperous country. He deplored the existence of the protective system in America; but, with all its evils, the manufacturers in America were able to keep their mills going, while we could only work ours for a very limited period. He gave the present Government full credit for endeavouring to bring about a healthier state of things as far as this could be accomplished by legislation. With that object in view he trusted they would persevere in their efforts to develop not only the cotton trade in India, but remunerative traffic in the various products of the soil.

MR. C. DENISON said, he regretted that the discussions upon Indian subjects were always deferred to so late a period of the Session that Members were utterly wearied and worn out, and unable to give to the matter in hand that attention which its importance demanded. If it were true that this year upwards of forty Members had come down to hear the statement of the hon. Gentleman the Under Secretary for India, he hoped that might be taken as an augury of good for the future; the subject only required to be popularized to become full of interest to Members. Some improvements had been made, but still he thought the accounts of Home expenditure, as placed upon the table this year, were not satisfactory or easily intelligible; it would be much better if they were classified, as was done with the Indian expenditure, under different heads. A separate Financial Statement and Budget for the public works would, also, he thought, be highly desirable. The ordinary expenditure, as laid down by Sir Richard Temple, the permanent guaranteed interest on railway capital, and the extraordinary reproductive expenditure together made up £10,000,000, and it would surely be interesting to the House to know how these £10,000,000 were spent, and to what extent the works themselves were reproductive. With regard to the Customs, he hoped that the Government might before long see its way to a reduction of the export duty of almost every Indian product. The manner in which the salt duty was levied was far from satisfactory. It produced a net revenue of £5,500,000; but the proportion of that which fell to the Punjab and North-Western Provinces was not more than

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1869.

Mr. C.
Denison.

Classification
of accounts
of Home
expenditure.

Separate
Budget for
Public Works.

Reduction of
export duties.

Salt duty.

Mr. C. Denison.

5th August
1869.

Opium
revenue

£1,400,000. As regarded the revenue from opium, he hoped the hon. Baronet, the Member for Carlisle (Sir Wilfrid Lawson) and those who thought with him would bring forward their objections in some shape admitting of the question being thoroughly talked out; he should then be prepared to meet them. On that point he fully agreed with Sir Richard Temple, who declared that—

“If the Chinese will have opium, they may as well have it first-rate from us as second-rate at home, and they may as well have it taxed as untaxed.”

Postal service
and other
matters.

The Chinese would have opium: there was no doubt about that; and if that was the case, he did not see why a profitable article was not to be supplied to the Chinese market. At the present moment, however, it was idle to discuss the question; we simply could not do without the revenue from opium. If that stopped from any cause, all the expenditure upon public works must cease at the same moment. The postal service in India ought to be a source of revenue; but, at present, there was a deficit, and this could hardly be regarded as in process of diminution, for the Government had lately doubled the minimum weight of letters to be carried without increasing the tariff. The telegraph entailed a net expenditure of £200,000 and upwards, and he wished to ask the Government what portion of this outlay belonged to India proper, as this was not shown in the accounts? There was another item as to which explanation was desirable; £68,000 were put down for a small arms manufactory in this country. He wished to know where the machinery was erected for making the small arms ammunition for India, and also what was the total estimated cost of the gunboats for Bombay Harbour? The hon. Member for Stockport (Mr. J. B. Smith) had expressed his belief that matters might be so arranged that the public loans for the public works of India might become a favorite investment with the natives, but it was a remarkable fact that out of the £87,000,000 that had been subscribed for Indian railways, only £1,000,000 was held by the natives; and that out of the £100,000,000 of which the Indian public debt consisted, only £15,000,000 were held by them, scarcely any portion of that sum having been taken up since the Mutiny of 1856-57. There were two reasons explanatory of that fact. In the first place, the usual rate of interest in India was 12 per cent., or more than double that offered by the Government; and, in the second place, the confidence of the natives in Government securities had been shaken in consequence of the Govern-

Native
investment in
Public Loans.

Mr. C. D. ...

ment having confiscated that portion of their debt which was the property of the rebels. Upon the much-debated subject of Indian railway finance the hon. Member for London (Mr. Crawford) the other day had taken great pains to point out the great injustice that had been done the guaranteed railway companies by the recent despatch of the Indian Government, in which they were charged with mismanagement and extravagance. It appeared to him (Mr. C. Denison) that the East Indian Railway was well deserving of the confidence of the Government. It was, however, only fair to state that the despatch had not been drawn up for presentation to Parliament, or as an attack upon the railways, but had been merely intended to justify the Government in inaugurating the new system which was to be pursued with regard to them. In his opinion, however, that despatch did not show the existence of such a state of things as would justify the Indian Government in taking the whole control of the Indian railways into their own hands henceforth. He doubted, in the first place, the capability of the Government of India to undertake the management of these enormous works to anything like the extent which had been foreshadowed by the Secretary of State, and, beyond that, he had a great horror of the management of the existing lines, and of the 10,000 miles of new railways which it was proposed to make, being placed in the hands of one high central department. On the other hand, it might be most advantageous for the Government of India to take in hand certain railways, for the purpose of showing the companies what economy and good management might produce. But that was a very different thing from taking possession of lines of which 4,500 miles were open, and 2,000 were in progress, and which gave employment to 3,000 Europeans and to 25,000 natives. They had some experience of Government management in the case of the Ganges Canal, and that was not calculated to inspire confidence in their management of the railways. The Home Government, under the advice of the Governor General, had very wisely, within the last few weeks, authorized the Government of India to undertake the construction of about 800 miles of railway, and he should watch the progress of those lines with great interest. If the Government could bring down the cost of construction from £17,000 to £12,000 per mile, and could materially reduce the cost of the working expenses, they would do much towards justifying the charges they had brought against the guaranteed companies. The Committee, however, should recollect that

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Indian railway
finance.

Government
control and
management
of railways.

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when these railways were first inaugurated, the British people had but little confidence in public works in India as a remunerative investment for capital, and, therefore, by removing that distrust the guaranteed companies had amply served their purpose, however extravagant they might have been in their capital accounts, and however much they might have neglected economy in their working expenses. That there was a remarkable difference between the amount of the working expenses of the various lines was true; but that was largely accounted for by the fact that while some companies had coal in their own districts others had to import Welsh coal at the cost of 60s. or 70s. per ton. The Government would do well to persevere in the course they had indicated during the last month, which was to authorize the construction of a certain number of miles of railway under the superintendence of their own officers, and to encourage the old and new companies only on the understanding that the terms of their agreement should be altered so as to permit the Government, when there was extravagance in the capital account, to take the lines under their own control; while all surplus over the 5 per cent., which was guaranteed, was to be equally divided between the company and the Government. If that course were adopted he could not see what objection there could be to leaving the lines in the hands of the companies. He did not propose to enter deeply into the subject of the irrigation works, but he might observe that the Government of India proposed to expend in this very year not less than £2,500,000 upon them over and above the amount appropriated to the ordinary public works, a sum which, in fact, they could not spare in any one single year. Certainly, he would not encourage an unlimited expenditure on those works although they were reproductive. It had been found by experience that in India such works took a longer time to be reproductive than they did in this country. He believed that in India it took from ten to fifteen years for such works to recoup the capital expended on them. He thought those who urged an enormous expenditure were not really good friends to India, and he thought also that the Government of that country must always keep a firm control over its finances, otherwise the credit on which they were now so proud of borrowing at 4½ or 5 per cent. would soon disappear. He did not believe in the power of the Government to go on for a number of years borrowing money at 4½ per cent. He was sure that the noble Lord who now filled the post of Governor General, and the Indian Government at home, would make it their study to consider Indian subjects from

Proposed
expenditure on
irrigation
works.

Mr. C. D. ...

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an Indian point of view. They should do everything to encourage the flow of surplus capital into India, and he agreed with the hon. and gallant Member for Aberdeen (Colonel Sykes) that England had done more for India than India had done for England—that was to say, India had absorbed more, much more, of the precious metals from England than she had given back. The Under Secretary in his long and able review had taken occasion to say that, on the whole, he thought there was much reason for hope as to the progress of India. He concurred with the hon. Gentleman. He believed that the present improvement was only a beginning, and that, if an intelligent interest were taken in India, in twenty years to come the India of that time would no more be recognized as the India of to-day than the India of to-day could be recognized as the India of twenty years past. He would conclude by expressing his hope that in future the Government would be able to introduce the Indian Budget at an earlier period of the Session.

MR. PLATT said, that he felt great interest in the question, inasmuch as the prosperity of Lancashire depended, in a great degree, on the development of the resources of India. At one time it was said that Indian cotton would not be used in Lancashire. No doubt before the American War very little of that cotton was used; but since then the exports of cotton from India has risen from 125,000 lbs. to 50,000,000lbs. per annum. He did not mean to say that some of those exports did not find their way to the Continent, but three-fourths of the Indian cotton was used in Lancashire. The town which he represented (Oldham) used, he believed, one-sixth of the cotton imported into this country, and three-fifths of the cotton it used was Indian cotton. Oldham was the first town to use Indian cotton, and by the use of such cotton it had been able to surmount the crisis caused by the civil war in America better than any other town in Lancashire. He did not go so far as to call on the Government to grow cotton in India, but he asked them to give facilities connected with it. The Government proposed to make railways on a large scale, and he would suggest that a preference should be given to railways that went through the cotton districts. The manufacturers of Lancashire had been pertinaciously pressing on the Government the question of roads to the cotton districts for many years past. Some ten years ago he was chairman of a cotton company in India, which came to grief in consequence of the want of roads. Lord Halifax, who was at that time Secretary of State for India, gave a promise that

Mr. Platt.

Production of
cotton.*Mr. Platt.*

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Board of
Agriculture.

a railroad to Darwar and the cotton districts should be immediately commenced. Now, after a lapse of nine years, there was a prospect of the road being commenced, and he trusted that it would be made. India could produce more cotton without diminishing the quantity of land devoted to the production of the food of the people. The produce of cotton was only from 50 lb. to 70 lb. an acre. They did not ask for an increase in the acreage, but for an increase in the productiveness of the land which was now employed. He found that in the Southern States of America, by the employment of artificial manures and other means, the produce of the soil had been raised from 500 lb. to 700 lb. per acre, and if the same thing could be done in India there was a large margin for the further development of the cotton trade. He agreed with the hon. Member for Manchester (Mr. Bazley) that a Board of Agriculture, or else a Minister of Agriculture, ought to be appointed in India, with agents and inspectors in all the subordinate districts. If this were done, it would turn out immensely to the advantage not of the revenues of India only, but also of its ryot population. There was no country in which information upon agricultural matters was so much needed as in India. This was well proved at the time of the war with Russia, from which country we had been accustomed to obtain our supplies of jute. It was soon discovered that the article could be grown in India, and from that time jute became a permanent export of India. Neither did he think India had any reason to fear the competition of America in the production of cotton. Much was said just now about the Chinese settling in the Southern States, but he believed that a great social battle would have to be fought before that could be accomplished. Lancashire could consume any amount of cotton from India. Indian cotton, when well selected, was quite equal to the middling cotton of America. There was another remark of the hon. Member for Manchester with respect to the advantages of America in manufacture which he could not endorse. It must be remembered that since the Americans had adopted a high tariff they had lost every neutral market in the world—even the market of China. This was so much the case that Mr. Wells, who had been sent over to this country to enquire into our system of Free Trade, had recommended, on his return, a great relaxation of the American tariff. He hoped it would not be considered that Lancashire was unfortunate in pressing the Government as it did.

Sir D.
Wedderburn.

SIR DAVID WEDDERBURN said, he must complain of the great expenditure on barracks in India. The greater portion

Sir David Wedderburn.

of that expenditure was worse than useless. He doubted whether, even by skilful organizations, we could reduce our Army of 64,000 European soldiers in India—soldiers who were very costly to us, and of whose value the highest opinions had been expressed by Runjeet Singh and Shere-Ali. No class deserved more care and sympathy than those troops. Each man of them was really worth his weight in rupees; and, in spite of all the care that could be taken as to their clothing and lodging, their health and strength would gradually ebb away. But while the officers could go to the hills or get leave of absence to recruit their health, there was no such resource for the men, who gradually died off or were sent home invalided. He would urge that European soldiers might occupy healthy hill stations to a much larger extent than they had hitherto done. There were spots, such as Darjeeling, on the slopes of the Himalayas, the Neilgherries, and even the western Ghauts, where the men could be kept in health and spirits as buoyant as at any station we possessed; but in these districts there were only a few detachments, while at Lucknow, Secunderabad, and Morar, there were small armies stationed. It could scarcely be said in these days of railways and telegraphs that it was necessary to keep large bodies of European troops in close proximity to Gwalior and Hyderabad in order to overawe the natives of the semi-independent states, when far more healthy quarters could be found for them in the neighbouring hills. At Morar very large and extensive barracks had been built, sufficient for a brigade of European cavalry, besides infantry, though the spot was noted for its unhealthiness; and the 71st Highlanders, when quartered there, buried 10 per cent. of their numbers in a few months. It would be presumptuous in him to say whether, instead of stationing our troops in unhealthy barracks, it would be possible to form military cantonments, where in time of peace our soldiers might be employed in industrial and agricultural pursuits. He ventured merely to direct attention to this point, which involved not merely the welfare of many thousands of our fellow-countrymen, but even the safety of our Indian Empire.

MR. KINNAIRD said, that the people of India might suppose, judging from the tone of the present debate, that in the House of Commons India was looked upon either as a Manchester colony or as a Military settlement. He protested against the postponement of all discussion on Indian subjects to the very end of the Session, when in one day the House was asked not only to discuss the Budget, but

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1869.

Expenditure
on barracks.

Hill stations.

Military
cantonments.

Mr. Kinnaird.

Inteness of
period for
discussion on
Indian affairs.

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1869.

Inquiry into
Indian affairs.

to pass two important measures relating to the future government of India. He certainly should do all he could to defeat these two measures. The late Government had promised a full inquiry into Indian affairs, and he could see no reason why the noble Duke (the Duke of Argyll), and his hon. Friend the Under Secretary for India, should seek to pledge the House without redeeming that promise, as no Committee on the affairs of India had sat for the last ten years, though the whole state of affairs in that country had changed more than man could conceive. He considered, therefore, that the House was being treated in the most supercilious way by the present Government. Was India, he asked, to be governed for her own welfare, or for the sake of Manchester? No doubt cotton was a good thing, and hon. Gentlemen of one idea might think that India was made for the purpose of supplying it, and of receiving Manchester goods. But he did not so deem it. He felt some sympathy for the 184,000,000 of natives of India, and his hon. Friend the Under Secretary, before he was in office, had felt some sympathy for them too. He hoped that he should not be disappointed in his expectations from his hon. Friend. When he heard of his appointment he was rejoiced by it, because he thought that he did sympathize with the natives. There were two or three special points to which he would now call the attention of the House. One was the salt tax, which the Government of India ought to consider very seriously with a view to its modification. Salt was a necessary of life; the absence of it led to disease; and, in the interest of humanity, the tax should not be continued in its present form. If a poor ryot attempt to scrape a morsel of salt out of the mud of which his cottage was built, he subjected himself thereby to the severest penalties. Then there was the revenue derived from opium. It certainly was a most unhappy thing that the Government should so long have indirectly been encouraging a contraband trade with China. No doubt there was a lawful use of opium; but there was also a demoralizing use of it, and he could not withhold blame from the Indian Government in past years for having abetted the latter in order to fill the coffers of the Indian Treasury. He did hope that the Government would alter its course of procedure on this head, and, without throwing the trade open, separate itself from the responsibility of the trade itself. He appealed to his right hon. Friend (Mr. Bright) on this point. One of these days the opium trade might again lead us into war, and he hoped that his right hon. Friend, if he were still the man he once

Salt tax.

Opium
revenue.

was, would unite with him in saying there should be an end to revenue derived from this demoralizing source. The third point he wished to allude to was the system of public works—and here he must express his regret that so very little encouragement was given to private enterprise, thereby limiting the introduction of English capital into India. He could not but think that the wiser course would have been to encourage its introduction as widely as possible; for surely, there was scope enough in India both for the Government and for the English capitalist. He had given a notice on the subject for next Session. The matter ought to be thoroughly gone into by a Committee next year, and then justice might be done to India on this point.

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System of
public works.

MR. BRIGHT said, he would put it to the Committee whether, after the discussion of that evening, as well as on a previous occasion, it would not be desirable that his hon. Friend the Secretary for India should be allowed to proceed with the Bills relating to that country which were set down on the Notice Paper. Unless there were great objections to those measures, it would, it seemed to him, be a great pity at the end of the Session, when the changes, which were proposed with respect to administration in India could not be much affected by anything which might be said in that House, that the Bills should not be allowed to pass. The speech of his hon. Friend who had just sat down was one of a very lively character, and he could assure him that so far as many of the points on which he had touched were concerned, he sympathised with him now as well as in past times, when he took a much more active part in the discussion of Indian affairs. It was not possible, however, on the present occasion to alter the duty on salt or to do anything with regard to the opium question, while it would be a great convenience to the Government and the House that the Bills relating to India should be proceeded with at once. If that were not done, the probability was that they would have to be abandoned for the Session, and the majority of the House would, he thought, be sorry that such should be the case.

Mr. Bright.

MR. DICKINSON said, he intended to enter into the general question raised by the financial statement of the Under Secretary for India, but at that late hour would refrain from doing so.

Mr. Dickinson

MR. GRANT DUFF begged to add his entreaty to that of his right hon. Friend the President of the Board of Trade, that the Bills in question should be permitted to be advanced a stage that evening. With the view of faci-

Mr. Grant
Duff.

Mr. Smith—Mr. Dickinson—Mr. Grant Duff.

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tating that course he trusted he would be pardoned if he did not reply to the speeches which had been made during the evening, as well as on a previous occasion, in the usual way.

Resolution
passed.

Question put, and *agreed to*.

House *resumed*.

Resolution to be reported *To-morrow*, at Two of the clock.

THE DUKE OF ARGYLL'S FINL. STATEMENT, 1870-71.

INDIA—FINANCIAL STATEMENT.

THE DUKE OF ARGYLL rose, in pursuance of notice, to lay on the table of the House despatches relative to Finance in India, and to make a statement on the subject. He said, he was very sorry to be obliged to address the House that evening; but he was sure the noble Marquess opposite (the Marquess of Salisbury) and other noble Lords present agreed with him in thinking that there were at this time questions of great moment connected with the finances of India, to the solution of which the people of India were looking with very considerable anxiety. He therefore felt that, whatever the state of the House, it would be scarcely decent to again postpone the statement of which he had given notice, especially as it was not at all certain that he should have an opportunity of making it to a larger House; but one promise he would give their Lordships—that his speech should not be a long one. His opinion was that the expositions of Indian finance were often loaded with an unnecessary amount of detail, with masses of figures which such of their Lordships as were not well acquainted with financial accounts would not be able to understand and digest. In figures he should confine himself to general results; but he should also direct their Lordships' attention to some of those points of policy and principle which now required consideration in connection with the government of India. The general result of the finances of the last year was this—When the Budget was produced Sir Richard Temple estimated that there would be a surplus of about £52,000; but in the course of September—when Sir Richard Temple was absent on leave in England—it became evident to the Indian Government that there were material errors in the Estimate. A telegram was sent to the Government at home, stating that on a reconsideration of the figures, and

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Errors in
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mate of
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looking to the new liabilities which had come upon them, the Indian Government had every reason to believe that at the end of the financial year there would be a deficit of upwards of £1,500,000, and in the face of such circumstances they had determined to take immediate steps for the retrenchment of their expenditure, and to obtain an increase of the Revenue of the country. During the remaining months of the year much doubt was felt as to the practical effect of those measures; for up to a late period of the year it was doubtful whether there could be any retrenchment, and whether there would be such an increase of the Revenue as would extinguish the anticipated deficit. In March, when the regular Statement was framed on 10 months of actual expenditure and an Estimate for the next two months, the Government of India were hopeful enough to think that the deficit would be little more than £500,000. A few days ago he received a telegram from Lord Mayo, saying that before the Financial Statement was made to this House, he would be able to telegraph, if not the actual figures, at all events some approximation to the result of the last financial year, and last week he received another telegram from the noble Lord, which justified the belief that there would not be a deficit, but probably a surplus of between £100,000 and £200,000. Much undeserved blame had been cast on Sir Richard Temple for the errors which were contained in his Financial Statement; but it should be remembered that during the last 10 or 12 years there were very few instances in which the actual outcome of the accounts was not wholly different from the figures present in the Budget. This remark was equally applicable to the Budgets of Mr. Wilson, Mr. Laing, and every other Finance Minister. The truth was that there were some elements of uncertainty in the finances of India which removed them altogether from the position of our finances at home as regarded the possibility of estimating the Budget at the beginning of the year. In the first place, the Opium revenue was proverbially uncertain; secondly, there were great droughts in India which affected the expenditure on public works; thirdly, about £1,300,000 of the Revenue of India was spent in England for stores the price of which fluctuated; fourthly, there was a varying amount of loss on the enormous sums dealt with in exchange between England and India; and, lastly, there had been some obvious mistakes, owing to the omission of items of Revenue and Expenditure which ought to have been taken into account. Whatever fault might be charged upon Sir Richard Temple, he was bound to confess that in the

Sources of uncertainty in Indian Estimates.

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Estimate for last year the India Office at home was responsible for a mistake of between £200,000 and £300,000; but he hoped that in future the accounts would be prepared with greater accuracy, and he believed that steps were being taken by Lord Mayo to effect that result. Although the change which had been effected in the result of the financial year was mainly due to the measures that Lord Mayo and his Government had taken, it would not be true to suppose that the difficulties of Indian finance had been solved by the fact of there now being a surplus instead of a deficit. Looking to the great increase in the Revenue of that country during the past few years he always returned to the accounts with the thought—"How is it possible we can have any difficulty with this magnificent, this Imperial Revenue of £48,000,000 or £50,000,000?" On looking at the accounts for the year ending last April he found that £1,500,000 was due to extraordinary causes; but ordinarily the Revenue was not less than £48,500,000. How was it possible, then, that there could be any difficulty in disposing of that Revenue? In order to bring that question home to the House he would analyze the expenditure, which would be found classified under six or seven heads. In the first place, £1,892,000 was paid to the Native Princes under various treaties and obligations. Then there was the interest of the debt, amounting to £5,700,000. The Government guarantee for railways amounted to £1,500,000. These sums together made a total charge of £9,090,000, leaving for other purposes £39,400,000. And how was that disposed of? The cost of collection was £7,399,000; the cost of the Civil Service, £12,649,000; the cost for the Army, £16,500,000; leaving a surplus of £2,850,000, which was entirely swallowed up in ordinary public works. Was it possible to effect a reduction in any of those items of expenditure? There was no prospect of any diminution in the sum to be paid to the Native Princes; but as regarded the interest on the debt there would be, during the next 10 or 15 years, operations in that debt which would afford opportunities, if their credit remained good, of reducing the interest to be paid. Three weeks ago he should have spoken with a confident hope of being able to save a considerable sum within a short period, for much of the debt was borrowed at 5 per cent.; while lately the Government had been borrowing at 4 and $4\frac{1}{2}$ per cent., and when the time came for their paying off existing loans and contracting fresh ones, he hoped they might have been able to save a considerable sum. Unfortunately, the war which had broken out in Europe was already

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expenditure
of 1869-70.Possibility of
reductions in
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railways.

affecting the monetary securities of all nations, and among others those of the Indian Empire, and there was not now the prospect of raising money on favourable terms. He earnestly trusted that the war would be a short one, and that India would obtain that benefit to which it was fairly entitled from the high condition of its credit. As regarded the public debt, in 1874 the old capital of the East India Company would be paid off, on which there would be a gain of £450,000: but they could not count on any other great saving being made for some years at all events. As to the guaranteed railways the loss in the year just ended was £1,500,000, and the Estimate for the current year was £1,200,000; but, as during the past three or four months there had been a remarkable increase in the traffic—the increase being £250,000—there was a prospect of there being a reduction of the charge accruing on account of existing railways, though against that must be set the amount that would have to be paid on lines that were now being constructed. On the whole, the result of the working of the Indian railways was by no means unsatisfactory, for the total capital was upwards of £82,000,000, and the total loss, even in a comparatively bad year, was £1,500,000.

Cost of
collections.

The next item related to the cost of collection, which stood at £7,399,000, and there was no prospect of any considerable diminution in it. Indeed, he doubted whether there would be any diminution at all. It should be remembered, however, that under this head were comprised not only charges corresponding with those that arose in the collection of the Revenue in this country, but such as were peculiar to India—namely, advances made to the opium cultivators and expenses incurred by the Government in the manufacture of salt. These advances and expenses amounted together to £2,200,000, out of the total sum of £7,100,000; and the cost of collection during the present year showed an increase of £500,000, due partly to the extended cultivation of opium. In the Estimates of the current year Lord Mayo had made a sensible diminution in the charges for civil government from £12,649,000 to £12,352,000, showing a reduction of £297,000. Under the head of civil government came the cost of education. The attention of Lord Mayo and the Government had been directed to the fact that the intention of various Secretaries of State, and especially of his noble Friend (Viscount Halifax), had been to a considerable extent departed from, and that the charges for education had been growing very rapidly for the benefit of those classes who could afford to pay for their own

Civil charges
including
education.

education; whereas, the charges incurred for the benefit of the poorer classes and for vernacular education had not increased in the same proportion. Lord Mayo had instituted a review of the whole system, for the purpose of saving the Revenue in regard to the higher class schools and Colleges, without unduly interfering with existing interests and long standing arrangements. He could not state what the reduction would be; but the principle of it had been sanctioned by Her Majesty's Government, nothing being proposed at all at variance with the despatches of 1854 and 1859 from Lord Stanley and the noble Marquess (the Marquess of Salisbury). The total saving on the cost of the civil government was £297,000. Of course, the great item of expenditure was the Indian Army, which had absorbed £16,481,000. The Government of India proposed certain reductions in the European Force of India, which had received the sanction of the Imperial Government. They were reductions mainly in the Staff of the Army, and in the number of regiments; but were not reductions in the number of bayonets. Sir William Mansfield and other authorities were of opinion that the military force in India was not greater than was necessary for the safety of the country; but they thought an important saving might be effected in the Staff and organization of the Army, the regiments serving in India being brought more nearly up to a war footing. This change having been sanctioned by the Government, some regiments had been brought home, and now in India there were 50 regiments of Infantry, with 41,000 bayonets, instead of 52 regiments, and nine Cavalry regiments instead of 11. The saving thus made amounted to £500,000, and would be an important relief to the finances of India during the current year. It was right to add that Lord Mayo proposed some further saving through a reduction in the Native Army; but certain differences of opinion, into which it would be inexpedient to enter, had arisen between Lord Mayo and the Government at home as to the mode merely in which this saving should be made. He hoped, however, that some arrangement would be entered into for reducing the cost of the Native Army. The Indian finances were, more or less, suffering from the necessary magnitude of charges connected with our regimental system at home; discussions might arise upon the particular items, but the principle adopted had been that India should be charged with the full cost of the whole force employed there, including its fair proportion of the collective and non-collective services. There could be no

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doubt that, under the old system, the Company recruited its European force at a much smaller cost than was possible under the existing system; and if there were not important political considerations adverse to the old system, the Indian Government might recruit its force at a much less cost. He was one of those who advocated the amalgamation of the two armies, and still believed it would be a serious political danger to India to have a large European Army there, separated in spirit and in feeling from the Imperial Army of the Crown; but he was bound to admit that the increase of expenditure thrown upon the Government of India by the results of amalgamation and the exclusive employment of European troops, had been greater than he or anyone could have anticipated. It would be the duty of the Government to see that the expenditure was reduced to a minimum consistent with the efficiency of the force, and not interfering with the organization of the Imperial Army, which must depend on Imperial considerations. But the expenditure must not be rudely increased as against the people of India. It would be an awkward circumstance if, under the pressure of high taxation, the people of India had any reason to suppose that we were exacting tribute from them through the medium of expenses which were not strictly due to the defence of India, or exclusively for Indian purposes. He might remind the House that the Act of Parliament specially provided that the Indian Revenue should be expended for the purposes of India alone, and any expenditure on the British Army not strictly connected with Indian purposes would be at variance with the Act, adverse to the policy of Parliament, and at variance, also, with their duty to the people of India. As far as it was recommended by the Government of India, the reduction he had indicated had been carried into effect, and a further reduction of Native troops was now under consideration.

Public Works.

He now came to the question of public works, apart from which we had a large surplus of Indian Revenue. It was very important that the House and the country, as well as the people of India, should observe this fact. They were perpetually talking of the deficits in Indian Revenue, and it was perfectly true that, as a mere matter of account, there had been a chronic deficit. But, taking the Revenue at £18,500,000, and defraying out of it the enormous military expenditure of £16,500,000, with all the cost of collection and the charges of civil government, there was still left a surplus of £2,800,000. In short, the deficits which had arisen in Indian finance had been due entirely to the ex-

End of Day

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penditure on public works. In the year 1869-70, an expenditure of between £5,000,000 and £6,000,000 sterling was incurred on ordinary public works. This being so, it was very important that some attention should be paid to what were called ordinary public works. During the last two years the expenditure had been augmented considerably by the cost of barracks, though general improvements all over the country, apart from the barracks, had largely contributed to the expenditure. Last year, with regard to barracks, he stated that those which were projected would cost £10,000,000 sterling, and he concurred with the noble Marquess that while it was all very well to talk of defraying the cost of those works out of Revenue, if at the end of the year a loan was found necessary, it came to the same thing as if you borrowed from the beginning. But the system of borrowing for public works had an injurious effect upon the plans for these works, and Lord Mayo had expressed a strong opinion to the Government of India to the effect that, if from the first it had been contemplated that the barracks should be paid for out of Revenue, they would never have been devised on so extravagant a plan. Information had reached him which threw a melancholy light upon the construction of great public works, planned under the expectation that the cost would be defrayed by loans. Their Lordships would, no doubt, have seen in the newspapers many letters complaining of the construction of these barracks. They were said to have failed in their purpose—to be more uncomfortable, if not more unhealthy, than the old barracks had been. At the request of Lord Mayo, he had recently seen Dr. Cunningham, who was at the head of the sanitary department of the Army of India, and possessed of Lord Mayo's views upon the subject of the barracks. He said that in Bengal, where the climate was less dryly hot than in the Upper Provinces, there was no very great complaint with regard to them; but, in the Upper Provinces, they were really intolerable. As Lord Napier had had much to do with the building of these barracks, and was about to return to India, a meeting was arranged in the India Office between him and Dr. Cunningham, who was very severely cross-examined on the subject by Lord Napier to show that if the barracks had been completed by the addition of all those appliances rendered necessary by the climate, in accordance with the original design, there would be no room for complaint. The impression left upon his mind from this conversation was that, although it might be true that the addition of verandahs and a constant

Construction
of Barracks.

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application of water in the upper stories would make a great change for the better, the improvement would involve great expense, and yet not be perfectly satisfactory. Sir William Mansfield had called his attention to the habits of the soldiers, which bore upon this question. The barracks were constructed under the impression that the men would use the upper storey for sleeping purposes and the ground floor for recreation; but it seemed that the soldier when not on duty, or engaged in out-door recreation, was generally found by his bedside at work upon his accoutrements, perhaps, or else taking rest upon it; and, considering the upper storey was little better than a great sun-trap, which did not cool even by the morning, the soldier suffered from the heat. Altogether, he had come to the conclusion that it would be better not to finish the barracks, and that, at least as regarded the Upper Provinces, barracks of one storey only should be built, with thicker walls and fuller accommodation for the men, so that their place of recreation should be in close proximity to their sleeping apartments, and that they should not be obliged to go upstairs to an oven when they wished to rest, or amuse themselves with their own affairs. The cost of these barracks was a necessary consequence of a standing Army, and should form an annual charge upon the Revenue just as they would in this country; but it would be more economical if they were treated as extraordinary works.

Budget
Estimate
of 1870-71.

The total expenditure for the current year had been framed in the Budget to show a saving of £1,500,000, so that Lord Mayo had not only succeeded in obtaining a small surplus in 1869-70, but proposed a saving in addition for 1870-1. Last September, the Government was alarmed to find a considerable deficit, and recommended a considerable increase in the salt duties in Madras and Bombay, and to raise the income tax from 1 to 2 per cent. for the remainder of the year. He had sanctioned these measures without hesitation and it was owing to the adoption of this policy, accompanied by a reduction of expenditure, that an equilibrium had been maintained. He had consented to the increase in the salt tax with very great reluctance, because, as he had stated in the despatch to India, although the evidence was rather in favour of the salt tax not being oppressive in Lower Bengal, it could be almost positively stated that it bore heavily on the poor inhabitants in the Central and North-West Provinces of India; and as salt could be manufactured in a rough way in India, a very heavy tax would lead to evasion of the duty. Five annas a maund, however, was not much, and the Government

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got £300,000 a year by the increase; but if that addition to the Revenue were purchased by a very considerable diminution in the consumption, the tax could not be justified.

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He next dealt with the income tax. Seeing that opium could not be expected to yield more than £6,900,000—full £1,000,000 less than last year,—the Government of India felt they could not secure a surplus without increasing the income tax; and he consented to an increase to $3\frac{1}{2}$ per cent. Public meetings had been held on the subject, and memorials had been presented to the Government alleging the total unsuitableness of the income tax to India, a view which would naturally be taken by those who were subject to the tax. In the licence tax of 1867 and the certificate tax of 1868 there was an element of injustice. Those taxes were applicable to trades and professions; and thus, while the Government's own officers and all Native traders were subject to the tax, proprietors of land were exempt. Sir Stafford Northcote had pointed out the injustice in a despatch, and he had expressed the same view. This injustice had been remedied in the Income Tax Acts of 1869 and 1870. The income tax would be borne as long as it was kept low, and it was not high this year as compared with our own. We were spending upon that country immense sums for public works, which were fully as important for India as any of the reforms introduced by Lord Napier. For his own part, he could not see why the income tax should not be a permanent instrument of Indian finance, provided it could be kept within reasonable limits. The present rate was $7\frac{1}{2}d.$ in the pound. Now, in four years during which there had been profound peace in this country, our income tax had stood at $9d.$ or $10d.$ in the pound, that rate being borne, he would not say with great pleasure, but with comparative contentment, by the people of this country, because they were convinced that the Revenue thus raised was expended in a manner calculated to benefit them. If, then, the people of India could be persuaded that the amount yielded by the income tax was expended for their benefit, and not extravagantly wasted, they would see the necessity of bearing, even in the time of peace, those imposts which were necessary for the financial security of the country. At the same time, he had no hesitation in expressing his regret that the Government had found it necessary, during a time of profound peace in India, to raise the tax to the comparatively high figure of $7\frac{1}{2}d.$ in the pound. Indeed, he should be very glad if the Government could reduce that tax to a

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Deeds of Arrog.

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Provision for
Public Works
from local
cesses.

point at which it might more permanently remain as a steady instrument of Indian finance.

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 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

Resistance of
Lieutenant
Governor of
Bengal.

Debate continued.

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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. In this matter 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. 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. He might remark that

Decentralization
of finance
in India.*Duke of Argyll.*

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1870.

College for
Civil
Engineers
in England.

the great expenditure which caused all our deficits was on account of ordinary and extraordinary public works. Soon after he came into Office he had his attention directed to the remarkable fact, in reference to the immense sums we were annually spending on public works, that we really had no security for the adequate education of the officers through whose hands they passed. It was true there was one College in India for the education of civil engineers; but the great supply of civil engineers came from England, and there was no security with regard to their education and scientific attainments. He was not, of course, speaking of the great civil engineers from this country, who might be employed by the railway companies, but of the rank and file of civil engineers in India who were sent out by the Government, and in whose case, he must repeat, there was no adequate security that they had obtained an adequate scientific education. Under those circumstances, he could not help inquiring whether it would not be of great value that we should provide a College for the education of those civil engineers, and erect them into the character of a service imbued with something of the old spirit of the servants of the Indian Government—some of the *esprit de corps* which was so valuable in the old servants of the East India Company, something which would make them serve the Government from the feeling that they belonged specially to its service, while they should go out from this country with something like an adequate scientific education. That matter had been for some time under the consideration of the Government, and they had arrived at the conclusion that it was desirable to take measures for the education of civil engineers, looking to the long time which the construction of great public works must occupy in India. It was proposed that the entrance to the College which it was intended to establish should be by open competition, and that the young men admitted to it should be educated in the scientific requirements which were connected with their profession. A very distinguished officer who had returned from India—Colonel Chesney—had his heart in the work, and he looked forward to the experiment with great hopes of success. It would afford an opening to young men in this country which they would, he thought, be anxious to seize, because it would enable them to secure a very considerable position almost immediately on their arrival in India, when they would start with a salary of about £400 a year, and rise in their profession by selection and ability. They would be entirely at the disposal of the Governor General of India, and they would

Duke of Argyll.

have the prospect of retiring with a pension larger than in former times. 28th JULY
1870.

He was sorry to have troubled their Lordships so long ; but the Statement was one which was looked forward to by the people of India with great interest, in respect of whose affairs great questions of principle had lately been debated. He hoped he had made clear to the House what were the views of the Government on those questions of principle, and if any doubts existed on the subject in the mind of any noble Lord, they would be removed by the Papers which he was about to lay on the Table.

Before he sat down he wished to say a word or two with regard to his noble Friend Lord Mayo, the Governor General of India. A sufficient opportunity had now been afforded for judging of the manner in which his noble Friend worked his great office, and he could not allow the present occasion to pass without expressing his sincere admiration of the devotion with which he attended to its duties. Lord Mayo was earnestly and anxiously desirous to secure the benefits of British government to the people of India, and was unsparing in the use which he made of his time and ability in dealing with the minutest details of the finances and public works of that country. He had even taken the unusual step for a Governor General—a step which even perhaps was open to some objection, while it showed his willingness to shrink from no labour—of charging himself departmentally with the conduct of public works in India; and he took an eager and energetic part in the discussion in the Council with respect to them. Having made those few remarks, which he felt to be due to the services of his noble Friend, it only remained for him to thank their Lordships for the attention with which they had listened to his statement. Lord Mayo.

The noble Duke then *presented* (by command) a Statement on East India (Finance) : And also, Papers relating to the levy of a Road and Educational Cess in Bengal.

THE MARQUESS OF SALISBURY said, he had to thank the noble Duke for the able statement he had made, and which was both of an interesting and satisfactory character. The finances of India unhappily presented more than one point of contrast with those of this country. The efforts of an English financier were generally directed to the question of dividing the surplus which he expected to have while the Indian financier was chiefly concerned with the duty of providing for an impending deficit. He regretted, he might add, that an outcry had been raised on the subject of the Marquess of
Salisbury.

Marquess of Salisbury.

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1870.

Income Tax.

income tax. The obstacles in the path of the Indian financier were enormous. If he wished to impose a duty on exports or imports, he had to consult the interests and convenience of 200,000,000 of people. If he turned to the land he was met by the agreements with Zemindars, and charged with a breach of faith; while the consumption of the inhabitants of India was so restricted that any attempt to raise money on the article of salt was almost impossible. When the last remedy was tried and the income tax was resorted to, outcry was raised by all those who formed public opinion in that country, owing to the heavy nature of the tax upon them. For his own part, he must confess that, although he looked on the tax as inevitable and right, he could not help sympathizing with those who endeavoured to induce the Secretary of State for India to reverse his decision on the point. It was true that our outlay in India had tended largely to increase the prosperity and civilization of that country; but to the people with fixed incomes it had brought no benefit whatever. Many of the points which the noble Duke had alluded to had been under the consideration of the Government and Council of India for many years past, and he was glad to find they had been decided in a way that seemed to promise best for the future of India. He was glad to hear the statement of his noble Friend with respect to those unhappy barracks which had been hanging like a millstone for so many years round the neck of Indian financiers. India had in that respect suffered greatly from what might be called the weight of public opinion in England. Those works were the result of the Crimean War. They originated in a feeling which was most estimable and admirable; but which, like many other good feelings, was pushed to too great an extent. The barracks, however, had been stopped, and he earnestly hoped a more sober view as to military objects would prevail in connection with the public works in India. With respect to the question of loans for military works, his noble Friend, it seemed to him, did not lay so much stress as he ought to have done on one or two considerations. It was better boldly and honestly to have recourse to a loan than, by relying upon overstrained estimates of future income, to run the risk of adding to a long list of deficits. It had been said that by resorting to loans public credit would be injured; but nothing had so deleterious an effect upon public credit as repeated heavy deficits. He should greatly prefer that the funds for defraying the charge of erecting the new military buildings should be raised by a loan rather than that they should be provided

BARRACKS.

Loans for military works.

out of income at the risk of causing another of those deficits which had for so long been a scandal to Indian finance. There was no valid objection to a loan being raised for such objects, because the public debt of India was very small compared with the Revenue of that country. What weighed upon their credit was the general impression that their resources were very near an end. Considering how large a portion of their Revenue came from a precarious source, he could not help renewing the entreaty which he made of his noble Friend last year, that he would press upon the Government of India the necessity of assuming all their income at the lowest possible figure and their expenses at the largest, and rather to make up the difference by resorting to the public creditor than to add one more to the disgraceful series of balance sheets.

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LORD LYVEDEN said, he regretted that the noble Duke had not made his statement upon the finances of India at an earlier period of the Session, when a graver and more useful discussion might have been held upon the subject than was possible on the present occasion. His noble Friend spoke of the great difficulty of evoking public opinion in India in respect to economy. The civil servants there, as a rule, did not wish for a reduction of expenditure, and there was no public opinion to back up any attempt at such reduction. It had been stated, at a public meeting recently held in Bombay, that between 1856 and 1870 an increase in the Revenue of £19,500,000 had all been eaten up by the increase in the Expenditure, and that whereas in 1863 the military expenditure was £14,000,000, in 1870 it had increased to £16,000,000, although the number of troops had been reduced by 6,000. These were matters which ought to receive the grave attention of the Indian Government. He should not advise that the European Force should be reduced by a single man; but the Native Force might well be reduced, especially in the tranquil Presidency of Madras. He hoped his noble Friend would turn his attention to the necessity of effecting economy in India. A great outcry had been raised in India against the income tax; but he did not see how it was possible to do without it. The new barracks in India, he believed, were universally condemned. Everything ought to be done for the health and comfort of the soldiers; but it was unwarrantable extravagance to build superb houses for their residences. He agreed with the declaration in the despatch of the noble Duke of last September that the military expenditure might be reduced by £1,500,000, without reducing the force of a single regiment.

Lord Lyveden.

Increase of
military ex-
penditure.

Lord Lyveden.

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1870.

He wished to know whether any proposal for dealing with the subject of recruiting had emanated from the joint Committee of the War Office and of the India Office which had been appointed to inquire into the matter? India was under one very great difficulty—it was not allowed to make its own regulations with respect to cotton or customs. The moment they attempted to do so, the manufacturers of Manchester raised an outcry of an interference with the principles of free trade. During the American War there was a great demand for Indian cotton; but since that war had terminated the demand, in a great measure, had ceased, and it was not surprising that the cultivation of cotton was not carried on for an uncertain market. With a view to secure economy, he would suggest to his noble Friend to consider the propriety of sending out some competent person from this country, as Mr. Wilson and Mr. Laing had been sent out, as it was quite certain that those having the management of Indian financial affairs would never take the necessary steps for bringing about such a result themselves. Indeed, he thought the Government contemplated such a step, as he had read in the papers that the First Commissioner of Works had been selected for the purpose.

Lord
Lawrence.

LORD LAWRENCE said, he rejoiced to hear what his noble Friend had stated with respect to Sir Richard Temple. He must say that that gentleman had fallen upon evil times. Amongst the many excellent officers he had known during his career in India, he did not know one whose zeal, ability, earnest desire to do his duty, both to India and the Home Government, surpassed that gentleman's. With respect to the barracks, he could not say that they had altogether enamoured of them; but he thought that they had been somewhat harshly criticized, as they had certainly proved successful in the North-Western Provinces. But in other parts of India, more particularly in Lower Bengal and the Central Provinces, he thought that double-storied barracks were suitable to the country. Everybody there who could get a double-storied house did so, and that showed that such buildings were useful. No doubt there was a great deal in what Sir William Mansfield said about habits; but still he should have thought that the English soldiers, when they found the upper rooms too hot for them, could carry their *beds* down below. The plans of these barracks had been approved by all the authorities in India after full consideration, and subsequently they were sent to England and were approved by the authorities here. If these barracks had proved failures, of course, the Government ought not to build any

Barracks.

Lord Lawrence

more of them. In reference to the remarks which had been made touching the increase of Revenue and Expenditure, he thought that a careful scrutiny of the figures which were published from time to time would account for what at first sight seemed so strange. The greater part of the Revenue of India was raised from some six or seven items, and a considerable portion of the increase of Revenue arose from increased taxation, or from a precarious increase in the customs. Among the items of expenditure given in the Budget was one for the telegraphs. Some years ago it would not have appeared in the Budget. The expenditure on telegraphs was at present larger than the receipts from that source. Then, again, there was a very much larger expenditure than formerly upon the post office, and there was also the increase of interest in consequence of the increase of the debt. He could not but think it was a great mistake to have allowed the income tax to expire in 1865. Mr. Wilson, who, no doubt, did a great deal to reduce the expenditure and put the finances of India in order, to facilitate the arrangement of that tax, which was a matter of some delicacy, limited it to five years. The consequence had been that when the five years expired everyone cried out against the income tax, and the authorities in India had not the courage to re-impose it. If the income tax had been retained, even at 1 per cent., it would have given some considerable resources without inflicting any considerable burden. But it was objected to by the English in India, and to please them it was allowed to expire. He must say that, in his opinion, the English in India ought not to object to pay for the advantages which they enjoyed in pecuniary respects and also in respect of position. Very many of them occupied higher positions there than they could have hoped to fill in this country. As regarded the Natives, the income tax only affected a small portion of them. There were only about 200,000 persons who paid the tax; and, of course, they said how unjust and abominable it was that the tax should be placed upon a few only and should leave the mass free from it. In many instances it touched the pockets of those who had hitherto paid scarcely any taxation; and hence the grievance. He thought that it was a most serious matter that we should do anything in India which had a tendency to increase our debt. We were a small number of people there, managing and controlling many millions; and when war, convulsion, and disturbance arose, we could not expect to raise any material additional amount by taxation, but must borrow money in order to bring the disturbance to

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Increase of
revenue and
expenditure.

Income Tax.

Lord Lawrence.

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1870.

Borrowing for
reproductive
works.

Unfair charges
against Indian
revenues.

an end as quickly as possible. He held most strongly this—that the sound policy in India was that we should borrow for only thoroughly productive works, and that for all other works we should, as far as possible, make the year's income pay the year's expenditure. He thought that if this principle were acted upon, not in any narrow spirit, we should not only be able in the long run to do all that was really necessary for the welfare of the country, but should be able to pay our way with the income of the year. He did not deny that it was a wise policy to keep the income tax down as low as possible whilst the people of India protested against it. He thought that they very naturally protested against the administration of the Government at home and in India. It was felt that there were some items which were unfairly charged against the Revenue of India. Last year he protested against the charge made upon India in reference to the Abyssinian War; and now he would mention two or three other items. Some years ago there was established a telegraphic line of communication between England and India, and the whole expense of that line—upwards of £1,000,000—had been charged against the Revenue of India. That seemed to him to be very unjust. The advantage had been very great to England, and each country should have paid half the expense. In the nature of things, the line was one that would never pay. He thought also that the charge for supplying India with troops should not be higher than was absolutely necessary—that was, that the charge should be upon the lowest scale. Further, he did not see why India should pay anything on account of our establishment charges in China. All these items made up a large sum; but the question was not so much the amount of money as the feeling that the charges engendered in India. Whilst the Englishmen exiled in that country complained of the income tax, the whole people of India complained that novel taxes were levied upon them, and that in certain instances they were paying more than they should pay for charges in England; and these things caused great dissatisfaction.

Then the Statement respecting East India (Finance): And also, Papers relating to the levy of a Road and Educational cess in Bengal: severally *presented* (by command), and *ordered* to lie on the table:

House adjourned at a quarter before Ten o'clock, till To-morrow, Three o'clock.

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE.

Order for Committee read.

Motion made, and Question proposed, "That Mr. Speaker do now leave the Chair."

MR. FAWCETT, on moving the Amendment of which he had given notice, said, that it was not until this 5th day of August that Government, in their wisdom, vouchsafed to ask the House to give its consideration to the affairs of India, thus crowning the edifice of neglect with which, unhappily, those affairs had been for so long a time treated. He knew that he was taking an unusual course; but he thought it was justified under the circumstances. The Indian Budget had hitherto been a matter of form. He had long since come to the conclusion that if you wanted anything done by the Government, you must show a determination of action and a decision of policy. Therefore, he had determined that a distinct issue should be placed before the House on this occasion, so that if the Government should not give a reasonably good excuse for the affairs of India being treated in a manner in which they would not treat the most contemptible Bill that could be brought before the House—in a manner in which they would not treat a Turnpike Bill—the House might express an opinion on the matter. He must accuse the Government of what, to his mind, was a breach—of course, an unintentional breach—of an honourable understanding. Some days ago he asked the Under Secretary for India when the Indian Budget would be brought forward, and he understood the hon. Gentleman's reply to be that it would be brought forward at the Day Sitting to be held that day. Five hours would be little enough to consider the finances of a vast Empire which were, in some respects, in inextricable confusion; but what was his surprise that morning to find that, instead of having the whole Sitting, Indian Finance was put down as the eighth Order of the Day; and the House was now called on the 5th of August, at a quarter to 5 o'clock, to enter upon the consideration of a question second in importance to none which had engaged its attention in that Session. His Resolution affirmed two distinct principles. Firstly, it asked the House to affirm distinctly that it disapproved the Indian Financial Statement being made on the 5th of August; and, secondly, it asked the House to say that the finances of India were in such a condition that the time had come when the direct responsibility of Parliament should be asserted,

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1870.

Mr. Fawcett.

Parliamentary
neglect of
Indian affairs.

Mr. Fawcett.

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1870.

Late period of
the Session in
which Indian
Financial
Statement is
made.

and the finances of India scrutinized by a Select Committee of that House. As to the first point, he knew that some persons thought the House of Commons had nothing to do with the affairs of India; that they had handed over the administration of her affairs to the Indian Council; and that when they spoke on an Indian subject they spoke as a debating society, without responsibility and without power. Let them have a distinct understanding on that point. The people of India looked to that House for the redress of their grievances, and if anything went wrong in the administration of their affairs, depend upon it they would hold that House responsible for it. As a Member of Parliament, he felt that all the responsibility resting on him was as nothing compared with the responsibility of governing 150,000,000 of distant subjects; and if the Government said the House had no power, do not let them keep up the semblance of responsibility, do not let them go through the sham and farce of discussing that Financial Statement; let them tell the Under Secretary of State at once that, if they had no power and no control, it would be far better to acknowledge the fact and have his Financial Statement annually read before the Statistical Society in St. James's Square. The latest assertion of the theory that Parliament had no direct control over the affairs of India emanated from the First Minister of the Crown, who, speaking in May last, on a Motion brought forward by the hon. Member for Carlisle (Sir Wilfrid Lawson), used language which utterly astounded him (Mr. Fawcett). The right hon. Gentleman said—

“The people of India are not your constituents; their finances are governed by the Indian Council; and the Indian Council are not appointed by you, and do not hold their offices during your pleasure.”

[MR. GLADSTONE asked from what source the hon. Member was quoting?] He was quoting from *The Times* of the 11th of May, and he should be glad to find that the right hon. Gentleman had either not expressed himself with his usual correctness, or had been misreported. But if they were to exercise a direct control, or any control, over the affairs of India, the House ought not to consent that the only Indian subject officially brought before them should be brought forward within three or four days of their proroguing, and at a quarter to 5 in a Morning Sitting. As to the second point, the finances of India were in such a position that it was most important that a Select Committee should be appointed to investigate them with the greatest care; and what seemed to him to be most unsatisfactory about the finances of India was the extraordinary confusion of the

Select Com-
mittee to in-
vestigate In-
dian Finances.

Mr. Fawcett.

accounts. What did they find? An expected surplus suddenly became a heavy deficiency, and a heavy deficiency was suddenly transmuted into a considerable surplus. Two months since they were told that there would be this year in the finances of India a deficit of something like £1,500,000. Now, they were told, on the authority of the Duke of Argyll, that that deficit was likely to become a surplus of something like £250,000. But with remarkable *naïveté* that noble Duke said he could not place absolute confidence in the exactness of his calculation, because last year all their anticipations had been falsified by a slight mistake of £250,000 in the way in which they made out their accounts in the Home India Office. That was a conclusive proof that the accounts of Indian finance were involved in inextricable confusion. But there arose this important consideration—when the salt duties were raised and the income tax increased to 8*d.* in the pound, that augmentation of the taxation of India occurred upon the supposition that there was to be a deficiency of £1,500,000. Yet, now that it was believed there would be a surplus of £250,000, that additional taxation was not to be repealed, but still continued; and the Duke of Argyll said it was necessary to continue it because the financial exigencies of India would require it. That being the case, they had to decide between these two alternatives—If the anticipated deficiency of £1,500,000 had actually been realized, then, heavy as that additional taxation was, it would have been altogether inadequate. On the other hand, if it had been adequate, now that instead of that anticipated deficiency they were to have a surplus of £250,000, then they ought not any longer to burden the people of India with these onerous taxes. More than one quarter of the whole Revenue of India was spent in this country, and that fact alone should induce the House to exercise the utmost scrutiny over Indian finance. India was like a man who had a magnificent income, but who kept two large spending establishments, neither of which could be properly checked or controlled, and whose separate expenditures interfered with and overlapped each other; and, in addition to that drain upon his resources, he carried on upon his estates many improvements, some of them productive and others wasteful. The result was that he found himself, in spite of his magnificent income, landed almost every year in a considerable deficit. The spending departments in Calcutta and in London were not controlled, and, consequently, during the last 18 years, in five of those years only there had not been a deficit. As to the question of Home charges, he thought

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Uncertainty
of Accounts.

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Some
charges.

it would be a happy thing for India if the Secretary to the Admiralty (Mr. Baxter) could spare six months to look into the Store Department of the India Office. He was told, on good authority, that great and brilliant as has been that hon. Gentleman's discoveries at the Admiralty, they would almost pale before those which he might make at the India Office. There lately appeared in *The Times*, from a late high official of the Government of India, the most serious charge ever brought against a great Government Department—a charge so serious that he thought the Government must at once come forward to meet it directly, and must welcome any proposal for sifting it to the very bottom, either by a Select Committee or a Royal Commission. Mr. Laing, once an eminent Member of that House, went to India some years ago in a high official position. That gentleman had a distinguished career in India, and not many weeks since he wrote a letter to *The Times*, containing the extraordinary charge that the finances of India were constantly being sacrificed to the wishes of the Horse Guards and to the exigencies of English finance. That meant that there was no one sufficiently solicitous for the just administration of the finances of India, to see that the charges which ought to be borne by England were not imposed on India. It seemed, on considering some of the facts lately brought forward, that that charge, whether right or wrong, had, at all events, a good deal of plausibility. What did Lord Lawrence state the other night in the House of Lords? That noble Lord said that the whole charge of the telegraph between England and India passing through the Persian Gulf had been thrown on India, and as England, at least, got half the advantage it ought to bear half the charge. Then there was the question of the Chinese and Persian missions, and he need hardly refer to the shameful act of meanness when London society enjoyed a great entertainment at the expense of the Indian people. Only lately he saw a letter in *The Times*, in which the writer said that these continual acts of meanness—alluding to the charges for the Chinese and Persian missions and the Sultan's Bail—produced a worse impression in India than if England were to levy in India an equal sum annually in a regular way. There was another charge, which, to his great surprise, he had found in the accounts of India. In looking over those accounts he actually saw that the Indian people had to pay something over £10,000 for the presents which the Duke of Edinburgh distributed, and for the travelling expenses from England of his two aides-de-camp. What would be the

Telegraph
through Per-
sian Gulf.

Presents dis-
tributed by
Duke of
Edinburgh.

Mr. Fraser.

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feeling of the English people if they should find, after entertaining an Indian Prince in this country with the most munificent hospitality, that for the presents which the Prince distributed in return they had to pay, as well as for the travelling expenses of some of his attendants? The sum might be small; but the smallness of the sum was only an illustration of the melancholy meanness of the transaction. He knew very well the official reply which would be made with respect to this matter. It would be said that it was customary to give these presents, and that the presents received by the Duke of Edinburgh were not retained by him but were handed over to the store of presents in India and afterwards sold. Nevertheless, he knew from official sources that some of them were retained, and it would have been better for England to have paid the money ten times over than that such things should be published throughout the length and breadth of India. Independently of these matters, let the House consider what evils unfortunately accrued from the system of double spending, which prevented the responsibility being fastened on any one. He might mention, as an illustration of the serious evils resulting from the want of direct responsibility in respect to the finances of India, that an Indian official lately told him that the head of the Telegraphic Department in India sent in an account to the Government stating that such a quantity of stores were wanted. No pains were taken to ascertain the price of the stores, and the order was forwarded to the India Office in England, and the India Office executed it as agents. When it was discovered that too much money was spent in the Telegraphic Department the Home authorities said that they could not help it—that they received the order and bought the articles. On the other hand, the authorities in India said that they were not to blame—that they sent to the authorities in England for what were wanted, but that the articles were bought at an extravagant price. This kind of thing constantly took place. The Earl of Mayo, Sir William Mansfield, and Sir Henry Durand said that £500,000 was lost last year because the authorities would not carry out reforms in the Army which they formerly agreed were necessary. Again, whatever changes might be made, India always seemed to bear the pecuniary loss. No one could now deny that the amalgamation of the English and Indian Armies had cost India at least £1,000,000 a year. No Return would be more curious than one showing what each recruit now cost India and what the recruit cost under the old much-abused Company. He was told that, considering

Telegraph
indent.Army amalga-
mation.*Mr. Fawcett.*

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Transport
Service.

Wasteful
expenditure
on Barracks.

Financial
condition of
India.

the amount India spent in the Transport Service, it would be far cheaper to abolish it, and send out all the European soldiers as first-class passengers by the Peninsular and Oriental Company, and give them in addition an amount equal to the fare as pocket money. The greatest ground of complaint against the administration of Indian affairs was the extravagance which hung over all the Departments. Let the House consider the amount of money wasted on some of the public works in India. He would be the last person desirous of seeing useful public works stopped; but the Duke of Argyll had been obliged to confess that, during the last few years, £3,000,000 had been spent on Indian barracks; and that, with respect to the Bengal barracks, it was just possible, with considerable risk, to live in them; but that as far as the barracks in the North-West of India were concerned, they were actually intolerable. Therefore, all the vast amount of money expended on them had been wasted. He, consequently, desired the appointment of a Select Committee, in order at least to show the people of India that the cause of all this extravagance was blundering and mismanagement. It was sometimes the fashion to say that India was a wealthy and undertaxed country. He believed that India was one of those countries of the wealth of which people were likely to entertain delusive ideas. For centuries it had been the habit of the Indian people to keep a portion of their riches hoarded; but on certain public occasions the symbols of barbaric wealth were exhibited. Nevertheless, he believed there was no country in which there existed a broader line of demarcation between the condition of those who were able to squander money in useless luxury, and the general state of the lowest portion of the population. Let the House test the assertion that India was an undertaxed country by supposing an emergency to arise requiring £5,000,000 of additional Revenue to be raised in India. It could not be obtained from the land; because, with respect to a large portion of India, the Government were under a solemn covenant not to raise the rate upon land. The money could not be got from opium, or from that most iniquitous impost the salt tax. No one would contend that an income tax of 16*d.* or 20*d.* should be imposed on the people of India in a period of profound peace. When, therefore, India had been taxed to such a degree as to render it impossible to raise additional taxation, it could not be said that the finances of that country were in a satisfactory condition. The people of India were a most intelligent race; many of them were highly educated; and they looked with

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the utmost anxiety to every word that was uttered in that House, and every act that was done by the Government relating to the affairs of that country. Not long since he was reading the speech of an eminent Native, who in one sentence referred to some extravagant expenditure by the authorities, and in another described how people were driven by the increased taxation upon salt to suck a little salt from the mud that they picked up near where salt was manufactured. That speech was read from one end of India to the other, and such statements would have great effect if ever the day of retribution should come. This was not a mere Indian question, it was also an English question. The other day it was discussed at a club of which he was a member, when an eminent Indian authority laid it down distinctly that if anything wrong should happen in regard to finance in India, England, though not legally, would be morally bound to pay the interest of the Indian Debt. He did not agree with that opinion; but he thought a distinct policy should be laid down on this subject. If we were morally responsible for the debt, let us say so, and let India have the full advantage of our borrowing powers; if we were not, let us at least show that we were disinterested, and as anxious for her welfare as if we were really responsible. The history of the world did not present a worse tax than the salt tax. Taxing salt in India was like taxing water in England. The finances of India could not be considered in a satisfactory state till they could materially diminish, instead of materially increasing, the salt tax. No Government had ever been strong enough to maintain an 8*d.* income tax in England in time of peace; and if such an income tax could not be maintained in England, why should it be maintained in India? When that tax was proposed by Sir Richard Temple, every person who spoke, either directly or indirectly, said that the tax was not necessary, and that there would be no occasion to impose it if the finances of India had been administered with due economy. Both the Earl of Mayo and Mr. Strachey expressed a hope that such a Budget would never again be introduced for India. There were three other members of Council well known in India not only for great mercantile sagacity, but for their high character and financial ability—Mr. Chapman, Mr. William Smith, and Mr. Cohen—who insisted that it was not only unjust, but unnecessary. Such being the case, could they wonder that there was discontent in India? Would England be content to pay an income tax of 8*d.* in the pound, imposed not in consequence of any European crisis, but simply

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Salt Tax.

Income Tax.

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in consequence of mismanagement and extravagance, and after some of the most important Members of that House had declared that the tax was absolutely unnecessary? There was high authority for saying that every argument against the income tax in England had greater force in India. Mr. Laing said that inquiry into income was absolutely abhorrent to the Oriental mind, and that the Natives considered it a matter of honour and credit to defraud and delude the Government upon that matter. He said also that there was more than one well-authenticated case of suicide committed rather than to submit to an inquisitorial inquiry into income. He had read two days ago in *The Times* that a considerable portion of the income tax had to be collected by native assessors. They were underpaid, and all kinds of complaints were made of the extortionate nature of their demands. One of these was lately investigated, when it was proved that this native assessor had imposed the income tax in a great number of cases in which he had no right to impose it. The cost of the Army in India was £16,500,000; though successive Indian Ministers had said that it ought not to exceed £12,500,000 or £13,000,000. There was no serious attempt made to reduce the cost; but there was a great deal of cheeseparing and small reductions scarcely worth considering, and it was now rumoured that the Government intended to reduce the grants made for higher education in India. He hoped that rumour was untrue. No policy could be more short-sighted. He apologized to the House for having so long detained them. His object was to direct attention to this subject, and to show the Government that there were some Members who henceforth would not be content to have the Indian Budget shoved off to the end of the Session; they believed that no subject of greater importance could be brought before the English House of Commons, and that it must be thoroughly considered by the House. Although they did not look upon the people of India as their constituents, they felt that in taking on themselves to govern that vast dependency, they assumed a responsibility of an unparalleled gravity, and the people of India were bound to them not only by the ties of moral obligation, but by the bonds of sympathy and Imperial representation. The hon. Gentleman concluded by moving his Resolution.

Cost of Army.

Grant for
higher
education.

Mr. W.
Fowler.

MR. W. FOWLER said, he rose to second the Motion of his hon. Friend (Mr. Fawcett). He thought, however, that his hon. Friend had dealt with the subject too personally. The present Government were not specially responsible for the difficulties of the question. They had inherited a system

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which had brought them into all these perplexities. He wished to draw the attention of the right hon. Gentleman at the head of the Government to the fact that it would be impossible to discuss the finances of India at a proper period of the Session unless the date of the termination of the financial year were changed. If that year were made to end on the 31st of December instead of the 31st of March, they might then discuss the finances of India in May instead of August. As regarded the confusion existing in the Indian accounts, no evidence was needed beyond that of the Duke of Argyll, who, in several passages of the correspondence which had been laid upon the Table, expressed himself even more strongly than in the observations which he made the other day in the House of Lords. The noble Duke seemed to think the confusion to be almost hopeless and inextricable. He (Mr. Fowler) certainly thought that much good would be done if the opinions of the people of India could be brought to bear upon the Estimates, before their final adoption by the Government, in the same manner as they now had the opportunity of considering and discussing new laws before they were adopted by the Council. A better illustration of the working of the present system could not be found than the recent imposition of an increased income tax and salt tax. In this country the imposition of heavy taxes with a view to the making of great public works would not be tolerated for a moment. But in India it came to this—that the people were taxed most heavily in order to make these works, for he could show that but for the vast expenditure on public works, the income would be ample to defray the whole of the expenditure. According to the revised Estimate for 1869-70, the income of India was £48,500,000, and the total expenditure, independent of public works, but including the guaranteed interest on railways, was £44,400,000. Independent, therefore, of public works, there was a surplus of over £4,000,000; but on the other side of the account an outlay was incurred of £5,000,000 for what were called Public Works Ordinary, and of £3,500,000 for Public Works Extraordinary. The truth was, that the Revenue of India had been increasing for the last 20 years; but the expenditure had increased yet more rapidly, and we had now got into the period of chronic deficits. The main cause of this state of things was the excessive expenditure on public works, though it was quite true that the expenditure on the Army was extravagant. He wanted to know on what principle they were executed out of Revenue? Either such works were of permanent

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Change of
Indian
Financial year
to December.

Confusion of
Indian
accounts.

Taxation for
public works.

Public works
executed out
of revenue.

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value to the country, or they were useless. If the former, the charge ought not to be imposed on the taxpayers of any given period, but the payment ought to be spread over a term of years, and if the works were useless they ought not to be begun. Take the case of the barracks. They were costly structures, and meant to be useful for many years—a generation at least, and yet they were paid for out of Revenue. But here in England we paid for our fortifications by a loan, and no Minister would have dared to propose an income tax in order to defray the cost of such works. It seemed to him that the whole system in India as to these works was bad. There was a want of proper responsibility on the part of those who spent the money. He agreed with what was said by Sir Bartle Frere, in a recent speech, to the effect that you ought to appoint a good man to do a work, and trust him and make him responsible, and not to attempt to put him under the check of another man thousands of miles away. There was need at once of more freedom and more direct responsibility. He had referred to the Army as one source of needless expense. The Army of Madras cost about £3,000,000; and he had recently heard a speech of Sir Charles Trevelyan, in which he intimated that there was no more occasion for that large Army in Madras than there would be in Hertfordshire. If that were so, here at once an opportunity presented itself for effecting an important economy. He regretted that want of time had prevented him from entering more into detail respecting these most important questions; but he entirely agreed with both the propositions contained in the Motion of his hon. Friend, and he hoped, before another Session expired, a careful and thorough investigation would be made into the condition of affairs in India.

Amendment
proposed.

Amendment proposed,

To leave out from the word "That" to the end of the Question, in order to add the words "this House regrets that the Indian Budget is introduced at so late a period of the Session, and is of opinion, considering the present position of Indian Finance, that it would be expedient to appoint a Select Committee early next Session to inquire into the administration of the finances of India,"—

—instead thereof.

Question proposed, "That the words proposed to be left out stand part of the Question."

Mr. Gladstone.

MR. GLADSTONE: Sir, I shall not follow the example either of my hon. Friend who moved, or of my hon. Friend who seconded, this Motion, by discussing the details of Indian Finance before the Speaker has left the Chair. To

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do so would be entirely to reverse the rule of this House with regard to the annual Statement of Indian affairs, which is first of all to hear the representative of the Government, and when his Statement is concluded, then that there shall be full freedom for all Gentlemen to discuss, as fully as they please, the details of the policy which has been laid before them. The questions which have been touched upon of the salt tax, the income tax, and public works, are subjects of immense importance, and which well deserve all the attention hon. Members may be willing to devote to them. It is, therefore, from no want of feeling as to their importance that I hope the House will now adopt the usual course, and consent to go into Committee. But my hon. Friend who made his Motion has submitted two propositions that require from me a very brief notice. My hon. Friend refers to a speech of mine which, he says, to use the mildest expression, astounded him. If that be the mildest expression of my hon. Friend, I should like to know what a less mild expression of his would be. He quoted words as having been used by me—which I will not say astounded, but which certainly surprised me—for he used words which were not mine. And if he will compare the Report of his speech to morrow—which I have no doubt will be very correctly given—with my actual words, he will find that he entirely misrepresented the whole tenour and purport of my argument—which was I think, an argument perfectly sound for the purpose which I had in view—that of persuading the House that they had no right to cut off a great branch of Indian Revenue, for which, under the present constitutional arrangements of India, they were not in a position to provide a substitute. I am sure that my hon. Friend's misquotation and misrepresentation were entirely unintentional.

MR. FAWCETT: I can only say that I learnt the words accurately by heart. Of course, if I made a mistake I deeply regret it, and I apologize to the Prime Minister. But an hon. Friend of mine has gone to get *Hansard* and *The Times*, and he says that the words I quoted were exactly as they were reported in *The Times*. [The hon. Member, having placed the reports in the hands of Mr. Gladstone, proceeded.] I will ask him now to read the words, and if that be so, the fault of course will not be mine.

MR. GLADSTONE: The words quoted by my hon. Friend—as well as I can remember his words—were not those which I find in *The Times*. But I have no doubt that *disjecta membra* of my speech have been collected, and used for a purpose wholly and absolutely at variance from the

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Quotation
from Mr.
Gladstone's
speech.

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Introduction
of Indian
Budget.

purpose for which I used them. With regard to the introduction of the Indian Budget, I cannot altogether agree with those who say that the present practice is highly inconvenient, and scarcely consistent with what I will call the decorum of a discussion of this kind. I will not say that the Indian Budget is passed over very lightly, even when it is brought forward at this period, because, happily, there is a body of Gentlemen—small, it is true—but still accustomed to go carefully into those questions, and to pay much attention to the annual Statement of the Indian finances. I wish it was in our power to deal with this question at a more appropriate period. But the real state of the case is this—The Indian Budget is one of those questions which, although enormously important, is not important to-day, or to-morrow, or next day. It is not one of those questions urgent in point of time in the same manner and degree as most of the questions on which we have to make practical decisions during the Session of Parliament; and I will venture to predict it will never be found possible, as long as domestic legislation is in an active state, to discuss Indian affairs in the month of April, May, or June. That is the conclusion at which I have arrived from my experience of Parliament, because in that part of the year the pressure on Government is such that they cannot afford a night for any purpose except one which is to lead to immediate practical results. The conclusion, therefore, that I have come to is that, if it is desirable—and I think it is most desirable—that Indian finance should be discussed at a time when a considerable number of Members of Parliament are in London, and when the mind of the House is tolerably disengaged, there is but one period at which it can be done, and that is the first month of the Session. In the first six weeks of the Session you have these conditions—a large attendance of Members, and the mind of Parliament not totally engaged. Therefore, it becomes a question for those connected with the administration of India whether it is possible for them so to regulate matters as to enable the accounts to be sent home, and the Minister in this country to expound his policy in the early part of the Session. The case is one entirely connected with Indian administration, and I should be extremely glad if the exigencies of Indian affairs would permit of such a change being made, because I feel as strongly as any one that the present practice is not satisfactory. My hon. Friend then moves that it would be expedient early next Session to appoint a Committee to enquire into the admini-

Appointment
of a Select
Committee.

Mr. GILBERT

tration of the finances of India. I do not at all join issue with my hon. Friend on principle; but I do not think it would be desirable, in point of precedent, to resolve this year that it would be expedient to appoint a Committee next year. It would be better, as far as a particular decision is concerned, to allow the subject to stand over. But in saying this I do not wish to give any hostile judgment on this question. I think it is desirable from time to time that Committees of this House should be appointed to examine into all the various departments of administration, and among them is the finances of India; and the fact, which we must all deplore, that it is not easy to secure adequate attention within these walls to Indian affairs, is an additional reason for having a Committee to inquire into the matter. I do not think there would be any advantage in giving now what may be called a premature judgment on the case. Do not let it be supposed that I wish to check discussion; but I trust the House will be disposed to pursue it in Committee, because there it can be done most effectually and regularly.

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MR. SPEAKER: With respect to observations which have lately been made, I wish to call the attention of the House to these two rules—

“No Member is to allude to any Debate in the same Session upon a Question or Bill, not being then under discussion, except by the indulgence of the House, for personal explanations.”

“No Member may read from a printed newspaper or book the report of any Speech made in Parliament during the same Session.”

MR. FAWCETT said, he desired to apologize to the right hon. Gentleman in the Chair for having been out of Order. He also wished to say that he now quite understood the position of the right hon. Gentleman the First Minister of the Crown. He had taken great pains to quote correctly; but he most cordially accepted the statement which the right hon. Gentleman had made.

Mr. Faw

MR. GLADSTONE said, he was quite sure his hon. Friend did not in the least intend to misrepresent his meaning.

COLONEL SYKES said, that the late period at which the discussion of Indian affairs was brought on was a long-standing evil, which ought to be put an end to. On the 5th of February, 1845, the Court of Directors of the East Indian Company sent a despatch to the Government of India to which amongst others his own signature was attached as a Director, ordering that the Indian accounts should be at the India Office by the 31st of March in each year, but that order had never been obeyed. If the Indian Council sent

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Colonel Sykes.

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out orders to have the accounts prepared at a given time, and the officials in India did not obey those orders, they ought to be removed from their places. That was the only way in which the Council and the House could get the accounts sent home in proper time. The House was entitled to have the accounts placed before them at such a period of the Session that they could be deliberately inspected and fairly and honestly discussed. From the statement made by the Indian authorities both there and in India, it was quite obvious that no reliance whatever could be placed upon the accuracy of the accounts sent. Under these circumstances, he was ready to divide with the hon. Member for Brighton.

Mr. Fawcett.

MR. FAWCETT said, that after the speech of the First Minister he did not intend to divide. He understood the right hon. Gentleman to acknowledge that it was desirable, if possible, that the Indian Financial Statement should be brought forward at an earlier period of the Session, and he also thought the right hon. Gentleman would not be unfavourable to his Motion, if renewed next year, for a Select Committee.

Mr Gladstone.

MR. GLADSTONE said, in order that he might not be misunderstood, he would say that in principle the Government were not in the least degree unfavourable to the Motion of the hon. Member for Brighton (Mr. Fawcett); but it would be necessary for them to reserve to themselves a discretion as to time.

Amendment
withdrawn.

Amendment, by leave, *withdrawn*.

Main Question, "That Mr. Speaker do now leave the Chair," put and *agreed to*.

MR. GRANT DUFF'S FINANCIAL STATEMENT.

Considered in Committee.

(In the Committee.)

Mr. Grant
Duff, 5th
August 1870.

MR. GRANT DUFF, in rising to make his Statement on Indian Finance, said, Indian Finance was a phrase which summoned up very few agreeable associations. All the more proper was it that the first idea which he brought before the mind of Committee in making the Indian Financial Statement should be an agreeable one, and such it certainly would be; for he had to announce that, whereas on the 3rd of August, 1869, he was obliged to trespass at great length upon the attention and forbearance of those hon. Members who still survived the Irish Church debates, it would not be necessary for him to trespass at anything like the same length upon the attention and forbearance of the scanty survivors of the Irish Land Bill. The second idea which he brought

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before the Committee would be hardly less agreeable, for he had further to announce that, by adopting a device suggested last year in *The Times*, and distributing the compendious Statement of Account which hon. Members had just received, he should be able to disencumber his Statement of many figures. He could not, however, escape from the *trinoda necessitas* of dividing it into three parts. He must speak first of Actuals; secondly, of the Regular Estimate; thirdly, of the Budget Estimate. By Actuals he meant the completed accounts of the year beginning on the 1st of April, 1868, and ending on the 31st of March, 1869; by the Regular Estimate he meant the Estimate founded on about 10 months' Actuals, and two months' calculation and conjecture, for the year beginning the 1st of April, 1869, and ending the 31st of March, 1870; by the Budget Estimate he meant the forecasts made last April by the Financial Member of the Governor General's Council for the year now in progress, beginning on the 1st of April, 1870, and ending on the 31st of March, 1871. He need not say that that Budget Estimate was founded entirely on calculation and conjecture. Some hon. Members might recollect that he explained very fully in August last the different sources of their Revenue and the different heads of their Expenditure. He thought it well to do so, because many years had elapsed since the representative of the Indian Government in that House had happened to treat his subject in that particular way, and it would seem to be desirable that it should from time to time be so treated; but it would not be necessary now to repeat what he then said, for no change had occurred in the nature either of their incomings or their outgoings, and it would be more interesting or less uninteresting to the Committee if, instead of going over the same ground once more, he began by briefly noting the chief difference between the Actuals of 1867-8 and those of 1868-9, as well on the side of Revenue as on that of Expenditure. The gross amount of their receipts in 1867-8 was £48,534,412, or, in round numbers, 48 millions and a half; the gross amount of their receipts in 1868-9 was £49,262,691, or, in round numbers, 49 millions and a quarter. It would be seen, then, that the receipts of the year 1868-9 were better than those of 1867-8 by £728,000. If they turned to the separate heads of their income they found that the Land revenue, the principal source of their wealth, had fallen off somewhat, thanks to an unfavourable season in Madras and the North-West Provinces. Assessed Taxes had fallen off considerably, because in the year 1867-8 they had a licence tax which

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Actuals of
1868-69
compared
with 1867-68.

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affected incomes as low as 200 rupees per annum; whereas in 1868-9 they had a certificate tax on trades and professions, which only swept into its net incomes of 500 rupees per annum and upwards. Salt again showed less favourable results, because the stock of salt in Bengal which they had on hand when they ceased to manufacture salt on Government account in that part of India had become exhausted. Opium, too, had fallen off largely. On the other hand, the Forest returns had risen a good deal, as had also the excise on spirits, and drugs known as the Abkari revenue. A brisk trade brought in an additional £100,000 for Customs. Stamps went up, so did the Mint revenue, the Post Office revenue, the Telegraph revenue, the receipts from fees of Courts, fines, and the like; while the sale of a large amount of naval stores bought in connection with the Abyssinian War in 1867-8, and sold in 1868-9, largely swelled the returns under the head of Marine. The general result was, as he had said, that the Revenue for 1868-9 was better than that of 1867-8 by £728,000.

Forest
Revenue.

Selection of
officers by
competitive
examination.

He did not think he need trouble the Committee with any further remarks about the actual receipts of 1868-9, except as regarded two items—the Forest revenue and the Opium revenue. He singled out the first of those because the Committee showed some interest last year in the remarks he had occasion to make with regard to the forests, and because very frequent inquiries about the Forest service were made at the India Office. It might accordingly not be out of place for him to observe that the experiment which they had been making of selecting young men by a competitive examination, and then giving them a thorough training in the great forest schools at Hanover and Nancy, bade fair to produce excellent results, and to give them a real forest school in India. That was all the more important because, although the natural products of India were not as yet made anything like so available to mankind as they ought to be, the increased tendencies of all art and science in our times to produce specialties and encourage specialists, were depriving them to a great extent of the assistance which they used to receive in that field from various classes of their officers, and, above all, from their medical men. The examinations for the special Forest service showed increasingly careful preparation. The accounts they received of the progress of the young men now, or rather till the other day, studying on the Continent, were good, while those who were in India were thought likely to turn out very useful officers. He ought to mention that although the receipts had largely

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increased there had also been a proportionate increase in the expense; but in a new service of that kind that was only what was to be expected, and the expense might well go on increasing for some time without raising any presumption against the ultimate pecuniary results of the plan. In truth, however, as he showed last year, much more than mere pecuniary results were at stake. Climatic changes of a very dangerous kind were threatening, or in some instances had actually occurred, and the evils that had to be met were of a sort that could only be checked by the direct action of the Central Government. An Indian officer of very great distinction, writing to him a short time ago about the denudation of the North-West Provinces, illustrated that point extremely well. He said—

“I feel rather horrified when I think of the acres of denudation that I had a hand in when burning bricks for the Ganges Canal Works at Roorkee; but it was my business to burn bricks, and as cheap as I could; it was the business of the railway establishment to get fuel as cheaply as they could—I think it is probable that if I had been very hard up for lime I would have burnt the Apollo. But it is only Government that can look to such large results as those affecting the future climate of the country.”

That strong central control they were at last he hoped in a fair way of getting, and should thus be able to save wide districts of India from the fate which had overtaken Greece, Algeria, and many regions round the basin of the Mediterranean. The Committee was familiar, from some Papers that had been laid before the House, with the excellent results of the chinchona cultivation. They had already 2,250,000 chinchona plants growing at Darjeeling alone. Peru and Ecuador had given increased facilities for combating fever, one of the worst enemies of man in India. It was now the turn of Brazil to enable them to combat acute dysentery, a hardly less formidable foe. Measures had been taken to send out from Kew, from Edinburgh, and also directly from Brazil, the ipecacuanha, which was now considered almost a specific against that terrible malady. A considerable number of ipecacuanha plants had arrived safely from Brazil, and Dr. Anderson was about to take out 60 more. The Government of India had lately been devoting some attention to the Rhea or China grass, an abundant Indian product, which, if there could only be obtained a machine that would detach the fibre from the stalk in an easy and satisfactory manner, would become of great economic importance. Rewards, to the extent of as much as £5,000, had been offered by the Indian authorities for such a machine. The opening of two new routes—that

Chinchona and
ipecacuanha
cultivation.Rhea or China
grass.*Mr. Grant Duff.*

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through the Suez Canal to Europe, and that through Cashmere by an easier pass than those formerly used to Eastern Turkistan, seemed likely to exercise a very favourable influence on the tea cultivation of Northern India. Mr. Shaw, a Kangra planter, went lately as a pioneer of that new form of commerce, and returned with so excellent a report of the friendly dispositions of the powerful Prince who now ruled there, that the Earl of Mayo had despatched a mission to his Court. Turning to another very important Indian product, it was gratifying to observe that India last year actually sent nearly as much cotton to our shores as the United States and Brazil put together. What would have been said if any one had prophesied that in 1860? He hoped that every succeeding year would show better and better results.

Cotton
production.

Opium
Revenue.

The general question of opium was discussed in the House in the month of May last, and therefore he would confine himself to the financial bearings of the subject. There was satisfactory evidence that the cultivation of the poppy was spreading very extensively through China, although the old rigorous edicts against it still remained unrepealed; but there was not satisfactory evidence as to how far that extended cultivation was merely the result of the withdrawal of much of the pressure that prevented the Chinaman from indulging in his favourite luxury, and of a consequent increase of consumption; or whether it implied that the Chinese opium was now used by many who formerly used the Indian opium. For anything yet known, Indian opium might still find a very profitable market in China. The returns from opium had varied so very much in the last 10 years, and even the best-informed knew so very little of the real facts connected with the growth of opium in China, that it would be most unwise in the Indian Government hastily to adopt the extreme views of those who believed that our Opium revenue must go. On the other hand, the recent great fall might possibly presage a much smaller average return, and they must be prepared for that eventuality.

Expenditure
of 1868-69
compared
with 1867-68.

Passing to the Expenditure, he would compare the actual out-goings of 1867-8 and 1868-9. In 1867-8 there was spent £49,542,107; in 1868-9, £52,036,721. The increase of receipts was very considerable and very satisfactory; but more considerable and less satisfactory was the increase of expenditure, which amounted to £2,494,614. The first important head of increase was Allowances, Refunds, and Drawbacks, where there was a large increase, arising from

allowances,
refunds, and
drawbacks.

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the fact that we paid over in this year to the Nizam the accumulations of the surplus revenue of the Berars, which were certain provinces ceded by the Nizam under arrangements made in 1853 in payment of the expense of the Hyderabad Contingent. The item of Political Agencies and other Foreign Services was swollen by the payment to Shere Ali which they discussed last year, and by the expense connected with the reception of that Prince when he visited the Viceroy. He was happy to say that almost every mail brought increased testimony to the wisdom of the policy inaugurated by Lord Lawrence, and carefully imitated by his successor, under directions from home—the policy, he meant, of giving the most friendly countenance to the ruler who had proved himself to be really the elect of the Afghan people. For some years, the Committee would remember, a civil war raged in Afghanistan, and it had been impossible for even the best informed statesman to say to which side the sympathies of that wild race would at length incline. During those years, Sir John Lawrence, in spite of discouragement, in spite of taunts, in spite of Russophobia, and that still more dangerous complaint, which ever raged along the Indian frontier line, and was known as the K.C.B. mania, held his hand, and preserved an attitude of friendly observation. That was the period of “masterly inaction,” to use the happy phrase of a gifted man, the late Mr. J. S. Wylie, who was in this House for a few weeks, but had now, alas! illustrated the saying—“whom the gods love die young.” But then circumstances changed. It became clear that Shere Ali really represented a majority of the Afghan nation, and Sir John Lawrence assisted him with no niggard hand. All that had since been done had been the development of that policy. We had made no entangling alliance; but the knowledge that we desired to see the existing ruler of Cabul strong, peaceful, and prosperous, together with the frank interchange of views that had taken place between the Foreign Offices at St. Petersburg and London, had produced a most excellent effect from the mouth of the Khyber far away to the cities of Central Asia. The political troubles of Afghanistan, however, arose as suddenly as the winter storms among her mountains, and many accidents might upset the fair promise of the present. Yet the impartial historian would, he was sure, come to the conclusion that the late Viceroy acted wisely both at the beginning and at the end of his rule, and that both the late and the present Government were right in giving him their entire support.

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Lord
Lawrence's
policy towards
Ruler of
Afghanistan.

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1870.

Army
Charges.

Public Works,
Ordinary.

Home
Charges.

Law and
Justice.

The rise under Army Charges was very great—nearly £400,000, from increases to the Bengal and Bombay Commissariat establishment, the Ordnance establishment, &c., and he feared that, read by the light of information which we had recently received from the Government of India, so large an increase in the most unsatisfactory of all branches of our expenditure could not be altogether defended. There was a great increase also under the head of Public Works Ordinary; but much of this was necessary. There was famine in many districts, and after the Orissa catastrophe public opinion in this country would not have suffered the Indian authorities to be slack in pushing on famine relief works, even at the risk of seriously affecting the finances of the State. Then, again, the Government of India pressed the Home authorities to send them out, with inconvenient and expensive speed, materials required for improving the port of Calcutta; and here, too, they had English public opinion on their side, for the two cyclones coming so near upon each other had, not unnaturally, struck terror into the shipping interest. Further, there was a large increase in the demands of India on England under the head of stores, mainly for the supply of moorings for the Hooghly, of machinery for making breech-loading ammunition, and for larger supplies of marine, military, and public works stores. There was also a large increase in the expenditure in England, exclusive of that incurred for Stores for India—an increase, however, wholly beyond the control of the Home authorities, arising under such items as charges for a submarine telegraph which had been laid along the Mekran coast; for the construction of two "Monitors" to defend the harbour of Bombay, the second city of the British Empire; for military and medical fund pensions, which were now included under charges in England consequent on the transfer of those funds to Government; for interest on debt, and for increased pensions and furlough pay paid in London. Then there was a greatly enlarged expenditure, under the head of Law and Justice, from an increase to the number of collectors and magistrates in Bengal, and many other things connected with the better management and more scientific administration of the country. These constant increases of existing salaries and fresh appointments were inevitable evils, for we had been teaching the Natives to insist on a higher standard of government. In the Judicial department something might be saved by employing more native labour, for the Courts were full of pleaders who knew the codes and the regulations as well as the European who sat on the

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judgment seat; but first-rate legal ability must be found in some way, for in most parts of India the good old times of patriarchal justice under a spreading tree were gone by for ever. Civilization brought a demand for scientific administration as well as good tribunals; and the day was not far distant when the ablest man would be overmastered by the work of a collectorate which was, like some of the Madras ones, as big as all Yorkshire, or even by the average Indian district, which was only as big as Devon and Cornwall rolled into one. Various branches of expenditure decreased in 1868-9. We got rid, for instance, of the payments for interest on Service Funds, for we arranged to take over the capital of the military and medical funds and to pay the pensions, so that to have charged ourselves with the old high interest on the capital would have been a needless complication. The opium market again was falling, and fewer cultivators wished for advances; that made some difference; and Marine Charges, which had been swollen by the Abyssinian Expedition, also fell off considerably. So did Allowances and Assignments under Treaties and Engagements, which had been exceptionally high in the previous year; and much less was paid as well under the head of Miscellaneous as under the head of Superannuation, Retired, and Compassionate Allowances; because the first of these heads of charge had been swollen in 1867-8 by the demands of famine-stricken Orissa, and the second had been exceptionally high in the same year, because we had during its course paid up certain arrears of donations to Service Funds.

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Items of
decreased
expenditure.

For the year of the Regular Estimate, which began on the 1st of April, 1869, and ended on the 31st of March, 1870, our accounts were, as he had already explained, not complete when Sir Richard Temple, the Financial Member of the Governor General's Council, made his Statement on the 2nd of April. He had before him the Actuals of from 10 to 11 months only. The rest was a matter of estimate; or, in other words, of calculation and conjecture. We were given to understand by Sir Richard Temple that the receipts for the year 1869-70 would amount to nearly £53,000,000, or, deducting the net returns from Railways after the payment of the working expenses, which had this year been included without any sanction from the Secretary of State in Council, to £50,387,925. On the other hand, we were given to understand that the expenditure would amount to £53,500,000, or, making the necessary correction with regard to the Railway Guaranteed Interest, on this side also, to £50,951,420. From these figures the

Regular
Estimate of
1869-70.

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Committee would perceive that the general result, as anticipated in April last, was a deficit of about £563,000 on the ordinary Revenue of the year. These were the figures which were before Parliament; but we had assurances that the Actuals would turn out better than Sir Richard Temple believed when he made his Budget Statement. The substance of the information telegraphed by the Viceroy on the 18th of July was that the accounts of 1869-70, adjusted up to July the 16th, were better than Sir Richard Temple expected on April the 2nd by about £700,000, so that we might expect, as at present advised, a small surplus, or at least an equilibrium, thanks to the prompt and decisive action which was taken in the autumn of last year by the Viceroy and his Council assembled at Simla.

Budget
Estimate of
1870-71.

The year 1870-1, for which we had no accounts, was entirely dependent on calculation and conjecture. Speaking on the 2nd of April, Sir Richard Temple expected to receive about £52,300,000, including, that is, the traffic receipts received from the Railways after deducting working expenses. But if we exclude these last, according to the usual and better arrangement, the amount would be much less, say £49,200,000. On the other hand, he expected to have to pay about £52,200,000, including the gross amount of the interest guaranteed to the Railways; but if from that amount the net traffic receipts were deducted, the charges in India and England came to a little over £49,000,000, leaving a small surplus of £163,440. That amounted really to no surplus at all, and was far below the figure which had been pointed out as the minimum by successive Secretaries of State, whose orders had been to frame Estimates so as to show a probable surplus of from £500,000 to £1,000,000 sterling. This Estimate was, however, in respect of expenditure in England, too favourable, and according to the information now obtainable here, the revenues would amount to about £49,300,000 and the charges to about £49,400,000, thus showing a probable deficit of over £100,000, instead of a surplus of £163,000. Even that small surplus could not have been estimated for by the Government of India except by calling in the aid of the unpopular, but in the opinion of the Viceroy and his Council absolutely necessary, income tax, without the recent increase in which the Indian Chancellor of the Exchequer would have had to estimate for a deficit in the year 1870-1 of very considerably more than £1,000,000. That would have been a strong measure, and he was fortunate in having at hand a resource so convenient as the income tax, which affected only 1 in 1,000 of

Income Tax.

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our Indian fellow-subjects, and those the persons who were best able to pay.

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To notice the chief objections that had been taken to the policy of the Government of India in raising the income tax to $3\frac{1}{2}$ per cent., he would take the Calcutta Memorial lately forwarded to the Secretary of State in Council through the Government of India, and say a word on each of its allegations *seriatim*.

Committee report Progress; to sit again *this day*.

House again in Committee.

MR. GRANT DUFF, on resuming his speech, said, he was about to make some observations in regard to the income tax in India, and the simplest way of placing before the Committee the objections to the raising of the tax, and the answer of the Government, would be to take the Calcutta Memorial, and go through its allegations *seriatim*. The first four paragraphs related to the rapidity with which the Income Tax Act was passed through the Legislative Council; and he believed dissatisfaction had been aggravated by contrasting this rapidity with the great amount of deliberation which preceded the imposition of the income tax by Mr. Wilson. Now, while it was necessary that long deliberation should precede the imposition of a new tax strange to the British system in India, it was not necessary that long deliberation should precede the raising of an already existing tax from 2 to $3\frac{1}{2}$ per cent. The period of representative bodies in India was not yet, and when the whole Cabinet of the Governor General had consented, however reluctantly, to the raising of the income tax as a State necessity, it made little matter whether the Bill went through in a few days or a few weeks. All concerned, however, including the Secretary of State in Council, would have been better pleased if the Financial Member had seen his way to make his proposal with regard to raising the income tax somewhat earlier. The 5th paragraph complained that the Budget Statement was framed upon an erroneous principle, expenditure upon the construction of extensive public works of a permanent nature, such as barracks or other works of emergent necessity, being charged against the Revenue of the current year, instead of the whole of such expenditure being spread over a series of years, and the current year debited with a fair proportion only. To this he replied by reiterating in the most positive terms that the policy, as well of the Secretary of State in Her Majesty's present Government as of the Secretary of State in Her Majesty's late Government, was that barracks in India and

Allegations of
Calcutta
Memorialists
against
Income Tax.

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all other works of a similar character should be charged against the Revenue of the current year or not executed at all. "*Sint ut sunt, aut non sint.*" To adopt any other course would be simply to throw dust in our own eyes, and to palter with the financial security of the Empire. The 6th paragraph expressed the alarm of the memorialists at the "imposition of an income tax of $3\frac{1}{2}$ per cent., equal to $7\frac{1}{2}d.$ in the pound, in a time of profound peace." To that he replied that an income tax of $7\frac{1}{2}d.$ in the pound, though often exceeded in England, was a higher income tax than the Government would wish to see continued in time of peace; but that, considered as a temporary measure mainly occasioned by our having in the last few years tried to civilize India a little too fast—in accordance, be it remembered, with the wishes of the very class which was making the loudest outcry—it could not be considered excessive under the circumstances in which the Viceroy's Council found itself placed. The memorialists further represented, in the 7th paragraph, that "a tax intended to fall exclusively upon the middle and upper classes of this country, who comprised less than one-thousandth part of the whole population, was unjust. His reply to this was that the classes which were hit by the income tax were the very classes which had not hitherto paid enough—Europeans who had gone to India in search of fortune or competence, and the wealthy Natives. The greatest obstacle in the way of a good financial system in India was the difficulty of making these last contribute a fair proportion to the necessities of the State which made their existence possible. Every device known to the financiers of the West—succession duties and so forth—broke down before the altered conditions of the taxation problem in India, and a civilized Government could not resort to those short and easy methods which were employed so freely in the good old times. The memorialists also submitted in the 8th paragraph, that the taxpayers of India had a substantial grievance in the large and excessive expenditure in England of money drawn from India, to the extent of nearly one-fourth of its entire annual Revenue, without any efficient check or control being exercised from India, and in the absence of the early publication of full and exact details of such expenditure. His reply to that was that only a mere fraction of the money expended in England for India could properly be called home expenditure at all. Almost all of it consisted of money expended in buying things which the Indian Government asked the Secretary of State to buy for it in Europe, because they were

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not to be bought, or begged, or stolen in Asia; and nearly the whole of the rest consisted of payments made by the Secretary of State, because the Indian Government must make those payments somewhere, and found it more advantageous to make them in London than at Calcutta. Such, for example, was the interest on the debt contracted on behalf of the Indian Government in England, the guaranteed interest on the railways in India, paid in the way most convenient to all parties, to the people in England who had made them, and the pensions, furlough-pay, and so forth, disbursed to the retired or actual servants of the Government when in Europe for its convenience, and virtually at its request. The 9th and 10th paragraphs regretted the state of the finances, and asked for the disallowance of the Income Tax Act, and the appointment of a Royal Commission to inquire into the position of the State so far as its pecuniary circumstances were concerned. To that he replied that no Secretary of State would ever have dreamt of overruling in such a matter the Governor General and his whole Council in compliance with the demands of a fraction, though an influential fraction, of the population of India; and that the appointment of a Royal Commission would be an excellent thing if by the first wave of a wand we could create half a dozen thoroughly competent Western financiers willing to go to India; and by a second wave of the wand could make them intimately acquainted with all the past and present of India, in their bearing upon receipt and expenditure. Even with the increased income tax, Sir Richard Temple was only able to promise a surplus of £160,000, and when he promised that, he was not reckoning a sufficiently large amount for home expenditure.

The telegram, of which he had stated the substance to the House, was, however, so far reassuring—projecting, as it did, some brighter hopes into the year 1870-1. Opium, too, was doing better than was expected when Sir Richard Temple made his Statement in April. He would not have the Committee, however, to be over sanguine. We were, hon. Members would remember, in our capacity of receivers of the Land revenue, largely dependent upon the seasons, and the last two or three seasons had not been favourable. A bad season impoverished the people, who became unwilling to buy European goods, which were, or appeared to them, in the nature of luxuries; and so our Customs were apt to fall off, just as our Land revenue was checked. Opium, again, was, as we had already seen, having one of its periodi-

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cal depressions—if, indeed, the recent fall could be spoken of by so mild a name—and Sir Richard Temple was not thought, even under the slightly improved circumstances to which he had alluded, to have been, on the whole, too cautious in estimating the receipts in 1870-1 from that second most important feeder of our Revenue at under £7,000,000; whereas, in 1867-8, a smaller Opium expenditure brought an Opium revenue of nearly £9,000,000.

Expenditure
of 1870-71.

Turning to the other side of the Budget Estimate, to the contemplated payments of the Government of India, the pruning-hook of reduction had, he must admit, been applied to the expenditure with no sparing hand. The Grant for Public Works Ordinary, for example, was reduced by about £1,700,000 below the actual expenditure under that heading in the year 1867-8. He was far from saying, however, that, although the pruning-hook of reduction had been vigorously applied to the expenditure of 1870-1, it might not be further applied in 1871-2. In fact, the Government of India encouraged them to hope that that would be the case.

State of cash
balances on
31st March
1870.

He had now stated the probabilities of their outgoings and incomings for 1870-1, so far as he knew them. It remained to ask what was the state of the cash balances on on the 31st of March, 1870; or, in other words, what balance had India at her bankers on that day? India had at her bankers on that day £13,982,099 (being £337,240 more than was anticipated by Sir Richard Temple in his Budget Speech, and in the accounts as laid before Parliament), including an unexpended balance from the last loan of over £1,000,000—a sum which the Government of India considered would be more than adequate for all the ordinary requirements of the year. It was, however, proposed to expend £3,000,000, or a little more, for Public Works Extraordinary. Of these, £2,000,000 would probably be raised in England, and the rest would be taken from the cash balances. Public Works Extraordinary were, he might remind the Committee, that class of public works for which they thought themselves entitled to borrow. It was in them that the commercial interests of Great Britain were, or conceived themselves to be, chiefly interested; and a good deal of needless alarm was sometimes created in this country, and even found expression in this House, when it was announced that there was to be a reduction in Indian public works. That arose from not apprehending the distinction which was made between Public Works Ordinary and Extraordinary, the broad distinction between the two kinds of public works being that we classed as Public Works Ordinary

Public Works,
Extraordinary.

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improvements more or less analogous to those which a country gentleman would think it his duty to pay out of his income, and under the other, those kinds of improvements on which he would think himself justified in expending capital. By the one class of improvements it was hoped to effect great indirect good, but the Government did not look for a direct pecuniary return; by the other they hoped to obtain an early and ample return in hard cash. Of the large sums which, as he mentioned a few minutes ago, it was proposed to expend in Public Works Extraordinary, about £1,732,500 would be for irrigation works, and the remainder—about £1,300,000—would be for expenditure in India and England on account of State Railways.

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The Committee generally liked to hear a little about our irrigation works, and would be glad to learn that, whereas we spent about £220,000 upon them in 1867-8, and £468,000 upon them in 1868-9, it was proposed to spend in the year now passing the large figure which he had just mentioned—namely, £1,732,500. Hon. Members would listen with interest to the following extract from a speech by the Viceroy in the Budget debate at Calcutta:—

Irrigation
works.

“There never was a year in which the benefits of irrigation were more decidedly evidenced than in the last year. In the unusually dry season of 1868-9 a great calamity was averted. It is stated on the authority of the Government of the North-Western Provinces and of the canal officers engaged there, that in those Provinces alone 1,425,702 acres were kept in a state of fertility which would otherwise have been unproductive. Colonel Brownlow and his officers exerted themselves to the utmost. The result was that in those irrigated districts there was a considerable increase in the production of the lower class of cereals, and I find that the 2,786 acres of that description of crop which were under irrigation in 1867-8 have increased, in 1868-9, to the amount of 85,281 acres. The Returns exhibit an increase of the extent of land watered of 665,023 acres over the preceding year, 96 per cent. more than that irrigated in 1860-1, the most recent year of scarcity, and 45 per cent. greater than in 1866-7, the previous maximum of irrigation. In the Meerut Division irrigation reached the extraordinary extent of 308,161 acres, or 30 per cent. of the entire cultivable area of the district, exhibiting an increase over the preceding year of 103 per cent. These facts tend completely to show the enormous value of irrigation works.”

With regard to State railways the Committee would be satisfied that we were applying the sinews of war to them pretty freely, when he stated that whereas we were in the year 1870-1 about to spend on them well on to £1,300,000, we spent on them in 1867-8 only £594. Full details as to what was being done would be found in Mr. Juland Danver's Report, which had been lately circulated; but he might

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observe, in passing, that the Viceroy announced in the Budget debate of April last at Calcutta, that he hoped to open 801 additional miles of railway in the year which was now in progress.

What, then, in a sentence, was the financial story that he had to tell in the last two years? There was a deficit in 1867-8, a deficit in 1868-9, a small surplus, after much effort, in 1869-70, and an equilibrium in 1870-1. No one would say that this was a brilliant state of affairs. Had we, then, any reason to hope that it would mend, and that the near financial future would be better? He thought we had.

The necessity of a radical change had this year been impressed upon the authorities in India not merely by despatches from the Secretary of State, but by the discovery suddenly made by themselves that the forecasts laid before the public in March, 1869, and transmitted to the Secretary of State, were unmistakably misleading. Since this came to the knowledge of the Viceroy and of his Council we had observed the most gratifying signs of a feeling that such a state of things as declared itself last September was injurious, not only to the Department which it immediately concerned, but to the whole Government. The altered tone of many communications which had been received from India led the Government to hope that the absolute necessity for a severer economy, for an improved financial department, and for obliging all the subordinate authorities to bring their accounts more closely up to date was thoroughly apprehended and keenly felt, while at the same time there was a perfect conformity of opinion between the Home Government and the Government in India as to what he might call the great lines on which our financial policy should be built. The great lines on which our financial policy should be built were, in his opinion, as follows:—First, military reduction; peace round the frontier and within the frontier. Every year in which the Indian atmosphere was undisturbed by a little war—and such years were unhappily few—was a year gained to the habit of peace; and it was certain that retaliatory raids against wild tribes, like the Huzara people in the far North-west, or the Looshais in the North-east of the Empire, were, even when most necessary and most successful, a very great evil, only to be resorted to in the direst extremity, because they excited and troubled an area far wider than that over which the operations extended. The best authorities united in assuring us that the habit of peace in the British territory south of the Nerbudda had extended during the last few years in the most surprising manner; and they

Main lines of
financial policy—military
reduction.

were sanguine as to our being able before many years passed by considerably to diminish our force in these regions. Those who reflected that the countries of which he was speaking contained the scenes of many of our most famous victories, would appreciate the significance of this statement; but this was not all. We had in this part of India two great hopes, which seemed to be in a fair way of fulfilment, and which were both eminently favourable to peace. The first of these was that the ruler who would eventually succeed to the great inheritance of Mysore would not disappoint the expectations which had been formed of him, and would maintain and develop the admirable system of government which Mr. Bowring, an extremely able public servant, had just handed over to the care of Colonel Meade, who long managed, with great success, the difficult and delicate diplomacy of Central India. Certain it was that the progress of the heir-apparent of the Throne of Mysore, of which we were kept carefully advised, had been, up to the present time, highly satisfactory. Our second hope was that the efforts of the enlightened Government which now controlled the wide realms of the Nizam, far the most powerful of Native Princes, might be thoroughly successful, and that by the time the child-ruler of these broad lands—equal, be it remembered, to about three Irelands—came to his throne he might read, with incredulous wonder, the description of his capital which was laid before this House in the famous *sua si bona nobiscum* Papers. The second line on which our financial policy should be built was civil reduction; not so much by cutting down salaries—always a process of doubtful advantage when service, to be good for anything, must be more than willing—but, by availing ourselves of all increases of communication, to amalgamate the duties of posts that must be held by Europeans, and to take advantage of improving Native intelligence to obtain cheaper labour; in connection with which we must, however, remember the imperious demands which civilization made for improved administration, to which he had already alluded, and which would, perhaps, more than neutralize all we could do in this direction. 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 fourth line upon which our financial policy should be built was the pushing on, with the utmost

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Civil reduction.

Local improvements by local Governments.

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Pushing on
remunerative
public works.

Resistance to
dangerous
schemes.

zeal, and to the fullest extent to which it could be done without deranging the labour market or injuring our credit, all public works which would be directly remunerative, while we rather held our hand in improvements which were not directly remunerative. Further, we must take care, by improving our Public Works Department, and providing ourselves with other securities, that the works called reproductive should be really so, and not in any case so only upon paper. This question of reorganizing the Public Works Department was occupying the most serious attention of the Secretary of State in Council. It would be premature to attempt to explain at any length what was being done about our civil engineering College in the present state of the arrangements; but he felt confident that no one would complain that the scheme likely to be adopted did not go to the root of the evils complained of. The fifth line upon which our financial policy should be built was the resisting to the uttermost all those benevolent but dangerous persons who advocated the claims of this or that interest, which strove to make good some unjust and unscrupulous demand upon the pocket of the Indian taxpayer. The High Court of Parliament had no more *nobile officium*, as they would say in Scotland, than to stand between these voracious interests and the patient millions of India. He need say nothing about the extreme importance of fostering the Land revenue, nor of the necessity for carefully watching the opium trade. By working steadily upon the lines he had indicated, along with the Government of India, he thought ere long we should find they had as few deficits as at one time they had surpluses; even in spite of the falling off in the Opium revenue, which would, probably, take place before long. He would not now repeat what he said last year of the very great improvements which would result in some few years from the natural operations of the Revenue, nor need he say anything about the fact that in 1874 they would get rid of the payment of about £450,000 a year to holders of the old India Stock. He would simply allude to the fact which was explained last year, that before long they would begin to gain and not lose in the railway exchanges between this country and India. He should not enlarge upon any one of these things, because his object was to give the Committee anything but a sanguine view of the state of affairs. But there was one matter on which he would say a few words. The usual practice in all countries in making railways was to consider the dividends paid to shareholders, while railways were in course of construction, as part of the capital of the

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line; but those in India had never adopted that plan. They had always considered the guaranteed interest as a charge on the Revenue of the year. This alone represented a sum of £1,244,742 for the current year, and not much less than £16,000,000 for past years, which some financiers, and those not of the ultra-sanguine school, would wish to treat as so much debt legitimately incurred for promoting the locomotion and general welfare of the country. He could not take that view, considering the peculiarity of the tenure by which India was held; although everything seemed extraordinarily peaceful and prosperous, it was quite impossible to say what a generation would bring forth. In making an experiment absolutely unique in human history, we should be very great purists in the matter of debt. Our Indian Debt was small, indeed, in comparison with that of the great nations of the world; but then we must remember that the words "our Indian Debt" meant something quite different in the mouth of an Anglo-Indian from what "our English Debt" meant in the mouth of an Englishman. The possessive pronoun covered a much larger number of persons here than in India. If, however, we steadily resisted the blandishments of *couleur-de-rose* financiers, he saw nothing that should induce us to feel any real anxiety about the future of Indian finance. Great surpluses we were not likely to have, because our object was to spend every penny of surplus upon improving the country without involving it in debt, and endangering the powers or credit of the Government. The foreign rulers of India, more unhappy than the much-enduring hero of the ancient world, were doomed to sail not once, but, he had almost said, for ever, certainly for not a few decades, between Scylla and Charybdis. Such a voyage required no small amount of nerve, and the helmsman must not be blamed too harshly, if, occasionally, he seemed to be dangerously near either the Italian or the Sicilian Coast; if, in other words, he seemed sometimes to be pushing on improvements too quickly, and sometimes to be husbanding a little too much those pecuniary resources without a free use of which improvement was impossible in a country like India.

Having laid before the Committee these views with regard to Indian finance, he would merely say with reference to the speech of the hon. Member for Brighton (Mr. Fawcett), that the hon. Member appeared to have strained very much the forms of the house in making a speech full of financial details while the Speaker was in the Chair. It had been the custom of the House to

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interest on
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motion.

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take care that such matters should be discussed in Committee. It would, perhaps, be the best course to treat that speech, which offered room for a great many observations—to use the least strong term which he could find—as having been made in Committee, and he would reply at a later hour to such of the rash, reckless, and more than erroneous expressions of the hon. Gentleman as might happen not to be sufficiently disposed of in the course of the discussion.

Motion made, and Question proposed,

Resolution re-
specting re-
ceipts and
expenses of
1868-69.

“That it appears by the Accounts laid before this House that the total Revenue of India for the year ending the 31st day of March 1869 was £49,252,691; the total of the direct claims upon the Revenue, including charges of collection and cost of Salt and Opium, was £9,249,766; the charges in India, including Interest on Debt, and Public Works ordinary, were £33,406,826; the value of Stores supplied from England was £1,432,840; the charges in England were £6,246,819; the Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting net Traffic Receipts, was £1,700,000, making a total charge for the same year of £52,036,721; and there were an excess of Expenditure over Income in that year amounting to £2,774,030; that the charge for Public Works extraordinary was £1,370,613, and that including that charge the excess of Expenditure over Income was £4,144,643.”

Mr. Eastwick.

MR. EASTWICK: Sir, I am sure that everyone who has listened to the very able Statement just delivered will be satisfied with it—as a Statement. Indeed, as far as regards clearness of explanation and lucid arrangement, nothing more could be desired, and that is all for which my hon. Friend the Under Secretary of State is responsible. But when we come to that for which he is not responsible—that is, to the financial measures themselves of this year's Indian Budget, I own I think the reverse is the case, and that they are so eminently unsatisfactory as to deserve the censure which they have already received from the Indian public. In saying this, I do not mean to impute any blame to Sir Richard Temple, whose career I have watched from the very first, and whose great abilities and indefatigable energy I, in common with all who know him, admire. It is the system I blame, which, in spite of what was done to improve it by Mr. James Wilson and by the Financial Commissions of 1859 and the following years, is still very far from being perfect. How, indeed, can a system be called perfect which omits from account such a glaring item as £152,290, a charge in the political department which was avowedly overlooked in the Estimate of 1869-70! How can anything like complete accuracy be attained as long as the Indian Estimates are liable to be deranged by a sudden order from

Defective sys-
tem of Indian
Accounts.

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1870.

the Secretary of State in Council to pay, perhaps, £500,000 to some Native Prince or public company? Can we look for exact Estimates when the Home Accounts are year after year unexpectedly swollen by enormous indents for stores, regarding which neither the Financial Minister in India nor the Secretary of State in this country has had any previous warning? The Indian financial system is still confessedly imperfect, and the Indian authorities who have to carry it out seem to me not even yet sufficiently impressed with the extreme, I might almost say the desperate, necessity there is for better arrangements, and for carrying economy to the very farthest limits compatible with the safe working of the machinery of government. It is, perhaps, impossible for men who have resided long in India, whose minds are biased by Indian associations, and who have been accustomed to lavish expenditure, to realize the true position of affairs. Occasionally, no doubt, as was the case this year, some compunction is shown by them at the increasing expenditure, and spasmodic efforts are then made to reduce it. But these efforts, by their very suddenness and uncertainty, have a contrary effect; for, as was well said by one who took part in the Indian debate of the 5th of April last—"It is impossible to make suddenly great and fundamental changes without enormous loss." In general, however, to use the words of the same speaker, Mr. John Strachey, "the Indian Government lives in a fool's paradise," an illusion which, I fear, will not be dispelled now that the expected deficit is reconverted into a surplus. Sir, I, for my part, wish to do something towards dispelling these illusions, and closing the doors of this paradise; and I would, therefore, beg to point out one or two of the most prominent reasons which make it imperative on the Indian Government to adjust its finances, and carry retrenchments to, as it were, the outside edge. The first reason is, of course, the precariousness of the Opium revenue, as to which I must call attention to a new element of danger which, I believe, has hitherto escaped notice. It was certainly overlooked by Sir Richard Temple, who, in his Financial Statement, contented himself with a slight reference to the increase of opium cultivation in China, and merely said that "the trade will be subject to a competition not hitherto experienced." But he did not so much as allude to the rapid increase of opium cultivation in Persia, a country which, a few years ago, did not export opium at all, but last year sent no less than 4,000 chests, worth about £500,000 sterling, to China. This Persian opium has been analyzed at Bombay, and is proved to be nearly, if not quite,

Possible extinction of opium revenue.

Competition of opium from Persia.

Mr. Eastwick

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Rise in prices
and wages.

Enormous
increase in
Home
Charges.

equal to Indian, and, as it pays no duty, being carried in French vessels to Ceylon, the profit on it is so enormous that we must not be surprised if we should see the trade in it doubled, or quadrupled, in a year or two. We shall thus not only be supplanted in the Chinese markets to a considerable extent, but must expect to receive very reduced prices for what opium we may continue to sell. In face of such a contingency, and with the position and known fact of the rapid extension of opium cultivation by the Chinese themselves, it would be madness to delay any longer making preparations to meet the, perhaps, gradual but in the end inevitable, extinction of the Opium revenue. The next point to which I wish to draw attention is the rise of prices and of wages throughout India, but especially in the Bombay Presidency. This renders it every day more difficult for the Government to economize by reducing the salaries of its *employés*. Servants now get in some parts of India three times the wages they got before the mutiny, and junior officers, both civil and military, instead of being able to save money out of their pay, as formerly, are now sometimes compelled to club together to take a house. As a labourer receives double the hire he did 10 years ago, the construction of new public works is rendered more expensive, and that circumstance alone must operate as a restriction on the effective outlay of Government. But in the item of repairs, which is an annual charge that sometimes rises to between £1,000,000 and £2,000,000, expenditure cannot be stinted unless we would see the existing public works in ruins; and this item of expense must, therefore, go on increasing every year. The last reason that I shall mention for abandoning illusions, and instituting a most searching inquiry into expenditure with a view to its reduction, is one which has been alluded to in "another place." It is that justice demands that "nothing shall be exacted from India but what is strictly due to its defence, or paid for exclusively Indian purposes." Now, when we consider that the Home Charges rose from £3,529,673 in 1867 to £16,870,337 in 1869, we cannot feel surprised that the educated part of the Indian public believe that a great deal more is exacted from India than what is due to its defence. I can assure hon. Members that those who influence the Press and public opinion in India have long been most deeply occupied with this question, and are scrutinizing it in a way which demands that corresponding attention should be given to it here. Now, I am quite aware that these Home Charges are in part stereotyped, and cannot be

Mr. Eustace

reduced, as, for instance, Pensions and Dividends on Indian Stock, which together make up £1,335,000, but others admit, I believe, of reduction. I am not going through the list *seriatim*, but I ask attention to only one item, which appears at the bottom of every column of disbursements as "Stores," and amounted for 1868-69 to £1,609,198, being an increase of £438,723 on the year preceding. Now, these stores are required for consumption in India, and the Secretary of State is merely a purchasing agent with respect to them, and has no information which would enable him to check the demand! I ask, then, why these stores should appear at all in the Home Charges, and why the heads of Departments in India should not forward to the Finance Minister in that country regular Budget Estimates of the stores they require, with list of prices and explanatory reports, so that these charges might be checked in the finance department and kept down to a regular and moderate amount? The responsibility for them would then rest with the Finance Minister; but at present it is fixed nowhere, and though economy may be possible under such a system, there is plainly nothing whatever to enforce it. Such are some of the most urgent reasons for retrenchment; but I despair of its being carried to the necessary extent unless some independent financier is sent out from this country as Finance Minister, who, after thoroughly examining the Home Accounts, and conferring with the Secretary of State regarding them, should then proceed to India with his full support to apply the pruning knife wherever possible. If that were done, and if the Secretary of State in Council would renounce the practice of ordering expenditure by a simple despatch, I should begin to have hopes of economical results. I will give, as an illustration of the practice I allude to, the £45,000 ordered as a contribution to Her Majesty's naval forces in Indian waters in 1869-70, and of which Sir Richard Temple himself tells us in his Financial Statement he had no previous intimation. I contend, that as a substitute for that practice, the Secretary of State should direct Bills for the outlay he desires to be brought before the Legislative Council, that they may be duly discussed. I would add that, in order to make the discussion really valuable, the number of the non-executive members of Council ought to be increased, and that instead of all being nominated, some of them at least ought to be elected.

With these remarks, I proceed to the main question before us—namely, the Budget Estimate for 1870-1. The years 1868-9, and 1869-70 are past and gone, and it is

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Stores.

Independent
Finance
Minister to be
sent to India.

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Army expendi-
diture.

useless to dwell on the actual accounts of the one and the regular Estimate of the other, which ended, in the one case, in an actual deficit of £2,750,000, and in the other, in an estimated deficit of £625,594—I am using Sir Richard Temple's figures—now declared to be converted into a small surplus. Our real business is to see what can be done in the future. Let us begin, then, with the Army, under which head there is a saving of £554,016, the total net expenditure being reduced to £15,009,116. Now, I confess I am far from being satisfied with this reduction, which still leaves the cost of our Indian Forces greater than that of the enormous French Army on its peace establishment, and £750,000 more than that of the whole Army of Great Britain. For my part, I shall not be satisfied until the expenditure under this head is brought down to £13,000,000, including Home Charges. In order to effect this reduction, we must begin by adopting some of the suggestions made in a clever pamphlet called *India as it should be*, and published some years ago by Mr. Lodwick, one of the principal officers in the Accountant General's Department in India. His suggestions have been in part endorsed by Sir William Mansfield, who not only advises that the commander-in-chiefships in the subordinate Governments, with their expensive Staff, should be done away, but says—"So long as the separate system lasts I am hopeless of real economy." The same high authority, while declaring that "to attempt the diminution of the existing British Forces in India is fraught with so much danger as not to be thought of," yet admits that the Government may well dispense with a large part of the Native Army in the Provinces, where peace has now lasted for three-quarters of a century. To this reduction of the Native Army, then, I earnestly call the attention of hon. Members as being the only safe means of bringing our Indian finances to a satisfactory state. Far be from me, Sir, at this crisis to recommend any reductions which would impair the real efficiency of our Indian Forces, but I am confident that reductions might be made which would increase instead of diminishing that efficiency. For the safety of our empire, the European regiments, the Punjab Frontier Force, the Sikh, Gurkha, and Biluch battalions, and Sindhi Horse and other Native cavalry are amply sufficient, and we might retain all these and yet reduce the Native Army by 50,000 men. At present that great force, which I must remind hon. Members still outnumbers our European soldiers by two to one, is kept up in order to garrison a number of unhealthy stations in the plains of India, which the railroads

Reduction of
Native Army.

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and the approved loyalty of the Native Princes have rendered unnecessary. If any one will take the trouble to look at a map of military stations, he will see that our forces are disposed along the Indian frontier in the shape of a fan, with several very large cantonments in the centre of India, close to the capitals of Native Princes. Now, I ask, have not Sindhia, Holkar, the Gaekwar, and the Nazim passed through the fiery ordeal of the mutiny? When Delhi was in the hands of a great rebel army—when 100,000 of our mutinous Sepoys clamorously called upon those Princes to place themselves at their head, not a breath tarnished their loyalty; and why, then, should we continue to stud their dominions with our cantonments? It has been said that they ought to contribute towards the defence of the Empire. Well, I am sure I may venture to say they are willing to contribute to it by guaranteeing the tranquillity of Central India. Can we doubt it when we see by this last Budget that Holkar and the Nazim have advanced each £1,000,000 for the construction of railroads to the centre of their capitals? I say, then, let us rely on their approved fidelity; let us push forward our European regiments from such unhealthy places as Cawnpore, Morar, and Secunderabad, to more salubrious stations on the frontier, such as the new station Ranikhet, and let us reduce a moiety of our Native regiments, including the 25 mixed Bengal regiments, to simple cadres, which may be expanded again if necessary; thus we shall enormously reduce our expenditure, and transfer 50,000 men from the unproductive to the productive class of the community. Beyond this, as regards military expenditure, I would only ask that a searching inquiry should be made into those commissariat and miscellaneous expenses which raise the cost of a European infantry regiment from £18,000 or £20,000 a year in England, to £80,000 a year in India. It is my conviction that considerable reductions might and should be made in this quarter. The inquiry might be extended to the number of the officers of the Staff corps and locals, which seems still in excess. I see that at the close of the last year out of a total of 3,311 officers there were no less than 888 on furlough, 410 in civil employ, 148 in the police, and 82 in Public Works Department, besides 253 returned as supernumeraries, leaving only 1,530 engaged in regimental duty and on the Army Administrative Staff. Sir William Mansfield's speech shows that there were altogether 7,086 British officers in India to 55,333 English soldiers, or, an officer to every eight men. I come now to Public Works, and here I must begin by asking the

Commissariat
expenses.Officers of
Staff corps and
locals.

Public Works

Mr. Fawcett.

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Minister of
Public Works.

Loan policy.

Government whether with an expenditure in this Department which rose in 1869-70 to £8,000,000, and, adding the expenditure on railways, to upwards of £12,000,000, it is possible any longer to overlook the necessity for appointing a Minister of Public Works? At present, the Viceroy himself holds the portfolio of this Department, and, fully admitting the Earl of Mayo's great ability and aptitude for this particular kind of work, I must still think this a very objectionable arrangement. What should we say if the Prime Minister here, in addition to his own duties, were weighted with those of the first Commissioner of Works? Great as are the right hon. Gentleman's powers, we should be sorry to see him in that way bending under the lot of Issachar. Sir, I suppose it will be admitted that the Army and the Public Works Department are the two great causes of Indian deficits. And yet, in spite of this admitted fact, there are persons who urge the Government to accelerate the already overwhelming outlay in this Department. These persons would make no distinction between ordinary and extraordinary works, but would pay for all alike with borrowed money. Loans terminable and interminable are, according to them, to be the one grand feature of Indian finance. Sir, I protest against this policy, less weightily, indeed, but as warmly as did James Wilson in his memorable speech of the 18th February, 1860. I ask with him—"What was the state of our Indian Debt before the mutiny? What is it now? And what will it soon be, if we are to resort to the miserable, the disreputable expedient of continuing to borrow in the time of peace?" Do I say peace—who can tell how soon India may be compelled to borrow to carry on war? The war of the mutiny cost India £38,000,000, and imposed on her a yearly payment of £2,000,000. Surely that is warning enough that we ought to reserve the credit of India and her borrowing powers for a period of war! But there are other, and to my mind irresistible, reasons against the loan policy. In the first place, those who advocate loans forget that there is only one way of paying the interest on them, and that is by fresh taxes. The utmost that retrenchment can do for us is to replace coming losses in Revenue, and prevent increasing deficits. If the interest on the debt is to be augmented it must be met by augmented taxation. How senseless and absurd, then, is the combined clamour for a reduced income tax and an increased debt! Another reason against an abnormal expenditure on public works by Government is that it discourages private enterprise, which is already shy enough

Mr. Eschsch.

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of India. It must have struck every one that while millions of private capital go yearly to Mexico, to South America, to the ends of the earth, very little, if any, goes to India unless the interest be guaranteed by Government. Now, why is this? The reason is plain, that to spend money on public works in India is not in general very remunerative. We are told, indeed, in *The Times of India* of June the 2nd last, that the Jumna Canal declared 19 per cent. dividend last year, and that it will declare a dividend of 23 per cent. this year. On the other hand, Sir Richard Temple tells us he has written off as irrecoverable the advances made on account of Port Canning, and the Earl of Mayo mentions that the Government have had to buy up the Orissa and Soane Irrigation Company at a cost of £1,040,000. I do not say that public works may not be remunerative in India; but I do say we ought to scrutinize very closely the schemes of well-meaning enthusiasts. The rapid progress of scientific discovery, too, is continually inventing cheaper modes of constructing public works, and by imprudent haste the advantage of these discoveries is lost. Railway communication, for example, might, perhaps, have been accelerated in India by increased outlay, but Government would thus have lost the advantage of the light rails and carriages, which now seem likely to be generally adopted. I am glad to hear a report, which I hope is correct, that the Government have sent Commissioners to Norway to inquire into the economical system in use there with a view to its adoption in India. I should think that the wire tramways, too, might be found useful. The possibility of other changes, too, must ever be kept in view, which may sometimes make great public works a great public waste. Take, as an example, the lately-erected costly barracks for Europeans. I have looked over the list of stations where they have been built, and I see a dozen places in which it appears to me, under present circumstances, and after what Sir William Mansfield has said, little short of insanity to keep European regiments at all. Lastly, and above all, I would cite as an argument against loans for public works the words of Mr. Laing. He said in his Financial Statement of 1861—

Light rails
and carriages.

“India has two great wants—irrigation and communication. I do not mean grand schemes only, which strike the imagination, so much as village roads, and village tanks and water-cuts, which enable every rood of ground to grow its crop, and send it to market. Such works we are most anxious to encourage, and, accordingly, instead of simply curtailing the Imperial allotment to local Governments, we say to them—‘Take what we are able to give you, and for the residue take certain powers of taxation, and raise it yourselves.’”

Mr. Eastwick.

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Local funds
raised by local
Governments.

Income Tax.

Taxes, direct
and indirect.

This, in my opinion, is emphatically the true policy. Let the local Governments raise funds for local works in the manner they judge best, and expend those funds without the friction and delay of constant references to the Supreme Government. Let the Supreme Government rather reduce than enlarge its expenditure on public works, which we are told by the Earl of Mayo will amount for the two years ending the 31st of March 1871, to £28,500,000, or £3,000,000 more than the whole Revenue of Prussia. Let the Government be content with executing works to which it is pledged, as to the 15,000 miles of railroad, of which, by the last Returns, only 4,628 have been opened. And, for the present, let the all-engrossing object be the adjustment of the finances, and the obtaining a margin of surplus Revenue. If that surplus is to be obtained, the present amount of taxation cannot be reduced. I do not say that it cannot be changed. I admit that in a time of peace an income tax of $3\frac{1}{2}$ per cent., or $7\frac{1}{2}$ d. in the pound, is too high, and must create discontent. That discontent has been naturally increased by the sudden and precipitate manner in which the increased tax was imposed. The bill was read the first time on Saturday, passed into law on the Tuesday following, and promulgated as law on Wednesday. But I am very far from thinking that it ought to be reduced below 2 per cent. Even its strongest opponents admit that it has one redeeming feature—namely, that it falls on the Native traders, “who, but for it, would not contribute at all towards the burden of the State.” But it has other recommendations. The expense of collection is only 3 per cent., whereas that of the salt duty is nearly $4\frac{1}{2}$ per cent. It falls on the class best able to pay, and can never excite general discontent, as only one man in a thousand is reached by it. The irregularities and exactions which are said, on the authority of respectable witnesses, to have taken place in collecting it, might easily be stopped by vigilant investigation and severe punishment. As for what is said about its demoralizing tendency, we may be sure that only the frail will find it a stumbling-block. In my opinion, Sir Charles Trevelyan was wrong to abolish it in 1865. I think it ought to be retained at a moderate rate, and that it is an instrument of great power, which will improve by use. In the meantime, if it is to be reduced, and if the five additional annas just imposed on salt are to be taken off, it is necessary to find a substitute. Well, Sir, I, as no doubt many other hon. Members have spent much time in weighing and examining every sort of Indian tax, both direct and indirect,

Mr. Estlin.

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and have heard them discussed by persons most competent to form an opinion, and the result is that there are objections to them all. I have heard good things of a succession tax, and still more of a hearth tax, and of other taxes; but, to sum up, the general argument seems to incline in favour of direct taxation, for which, in the first place, there is the great authority of James Wilson. Sir Bartle Frere, too, has shown that all Native States resorted to direct taxation, that they bequeathed it to us, and that it is only 35 years since we gave up the bequest. I find, too, from Colonel Grant's pamphlet, called *Indian Deficits*, that in our Burmese Provinces "the contented, prosperous, industrious, and progressive population," as he calls them, pay willingly a capitation tax of 4 rupees for every married man, and 2 rupees for every unmarried. I have great faith in Lord Grey's maxim. He says an opposite policy of taxation to that which obtains in Europe is proper in the tropics. "Make," he says, "taxes press, so far as prudence will permit, rather on those who are content with a mere subsistence than upon the possessors of property and the purchasers of luxuries." In accordance with that opinion I think that the people of India, who are a very frugal, but not a very productive, people, might be induced to produce a great deal more than they do by direct taxation judiciously initiated. At present there are immense swarms of unproductive people in India, and an immense waste of time in innumerable pilgrimages to the shrines of innumerable deities, amongst whom it is a pity that no one ever thought of deifying a god of labour. Direct taxation might, perhaps, have a beneficial effect upon those swarms, and reduce a little that great waste of time. I am not arguing in favour of a capitation tax, but I think that there are similar taxes which have been imposed, and might be imposed again. But, Sir, I feel I have been too long, and must conclude. Before doing so I would say that I think the time has arrived when the whole subject of Indian finance and taxation should be again reviewed by a Select Committee of this House. That would afford an opportunity of looking into the question of the drain of treasure to India, which since 1800 has absorbed £311,000,000 of bullion, and takes in one year more silver than the whole world produces in that time. Thus in one year India takes £14,500,000 of silver, while the total annual produce is only £10,000,000. That question is, of course, intimately connected with that of a gold currency for India, which seems to me the most urgent matter to which a Finance Minister could direct his attention; and that, again, is bound up with the extension

Capitation
Tax.Select Com-
mittee for re-
view of Indian
Finance.*Mr. Estlin.*

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of paper money. These questions ought all to be thoroughly sifted; and, at the same time, the error of the impoverishment of India by the so-called tribute, which has taken such root in the minds of educated Natives, might be exposed. Lastly, the English public would become better informed of the inestimable treasure we possess in the magnificent Indian Empire; and this House might, perhaps, be induced to bestow on Indian questions more of that valuable attention and wise consideration which have produced such great results in the individual affairs of this country.

Mr. Haviland-Burke.

MR. HAVILAND-BURKE said, he rose rather for the purpose of entering his protest against the reckless system of discussing a subject of such grave importance so late in the Session. Last year at this time, almost to the very day, his hon. Friend, in a comprehensive and eloquent address, laid the Indian Budget before them. He then drew, for the delectation of his hearers, a picture of the vastness of the Empire, its untold resources, and almost innumerable population. He (Mr. Haviland-Burke) had at the time hoped this showed the interest and attention his hon. Friend took in questions relating to this vast dependency; but he deeply regretted saying his expectations had not been realized. An hon. and gallant Friend, the Member for Aberdeen (Colonel Sykes), had last year congratulated the House upon there being so many as 40 Members present! But this Session the attendance had fallen off to 26, which he hoped, however, was not to be accepted as a sign of the falling off in the interest displayed in Indian affairs by this House. He had listened with much interest to the observations of the hon. and learned Gentleman who had just sat down (Mr. Eastwick), with some of whose remarks, however, he was unable to agree. In particular, he could not agree that loans should be raised in India only for the purposes of war. [Mr. Eastwick: I meant to say, in the present state of Indian finances.] He still remained of opinion that loans might properly be raised for Imperial purposes, and this correction of the hon. and learned Gentleman was not happy, for he was strongly of opinion that the £38,000,000, said to have been added to the debt on account of the Indian Mutiny, might have been better expended. An outlay of that £38,000,000 on useful public works would have been more beneficial, and coupled with a wise and conciliatory policy, might have had a great influence on events in India. Certainly recent events showed a marvellous system of Indian finance. But the other day there was an estimated

Interest of
Parliament in
Indian affairs.

System of
accounts.

Mr. Haviland-Burke.

deficit of £1,500,000; to-day there was an estimated surplus! What trust could there be in such a system? There were so many hon. Gentlemen present who wished to address the House, that at this period of the evening and of the Session he would not detain them except to point out one or two items in the Budget requiring attention. He thought the sum of £8,000,000, or even more in round numbers, was too large to pay for the cost of collection, and the great charge of over £12,000,000 for the Civil Government was one that he thought might be reduced. As to the Army, he concurred in what had been said as to the possibility of its reduction. But we had this consolation, that in case of necessity we could fall back upon 50,000 well-equipped and seasoned soldiers, who could be brought to Europe at any moment, as, indeed, had been done in the case of the Crimean War. It was reported to have been said by a noble Duke in "another place," that "the people of India did little or nothing to help themselves." But how could they at present be expected to do so? His hon. Friend the Under Secretary stated last year his surprise that so small an amount of our stocks was held by the Natives of India, and his hon. Friend thought the Native education had not reached the investing point. He (Mr. Haviland-Burke), however, thought the Natives knew too much for his hon. Friend. We ought to consider whether our conduct had been such as to encourage them to trust in us. It had been said that up to the time of the Indian Mutiny there was scarcely a single year in which there had not been a war of annexation. Hence the cause of our deficits. We had deposed their Princes. We had solemnly entered into treaties and engagements with them, and these treaties and engagements had been deliberately broken. These breaches of faith naturally created great mistrust in the minds of the people, and hence they were not at present found willing to entrust their hoards to the British Government. His hon. Friend had, on a former occasion, informed the House of the importance of Native Princes, but results proved the reverse, so far as evidenced by the treatment of those Princes. He could not quite agree in the remarks made by the hon. Member for Brighton (Mr. Fawcett) as to the taxes. Doubtless the salt tax was most objectionable; but so also, if not more, was the income tax. It was most unpopular in India. It produced a comparatively small sum—he believed little over £2,000,000—while the expenses of collection were enormous. He thought the debate taking place that day would have a most beneficial effect. It would show the people of India we

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Reduction of
cost of collec-
tion and civil
and military
charges.

Native dis-
trust and its
causes.

The taxes.

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Budget pre-
pared in
February:

Use to Eng-
land of India.

were beginning to look into their affairs. He would suggest that the Budget should be prepared earlier, say in the month of February, so that it might be laid before, and discussed by, the Governor General and his Council before they dispersed for Simla. Under such an arrangement the Budget might reach this country in May, and hon. Members might then have an opportunity of studying it before the closing days of the Session. It would have a good effect in India if it were known there that the subject was really exciting interest and attention in this country. There were persons in this country who seemed to think the possession of that magnificent country was of little importance to us. He could not, however, agree to that. If for no other reason, India had been useful as a training field for distinguished soldiers and eminent public men. Some of these of whom we were most proud had made their reputations in India. Then, too, there was scarcely a family in England who had not some cadet who had laid the foundation of his fortunes in India, and he thought it was to be regretted that so many Englishmen who had made their fortunes in that country, retired and, ceasing to take an interest in India, ignored the source of their prosperity. It might be of the greatest advantage to this country and India, if such men would perform the public duty which their past successes in India might be supposed to impose on them in after-life. He thought that a rigid economy and a careful investigation must produce the desired effect in regulating Indian finance. At any rate he, for one, rejoiced at the awakening interest in India, which showed that the House at least was beginning to be determined to excute firmly and conscientiously their most important trust.

Mr. C. Deni-
son.

MR. C. DENISON said, he thought that the hon. Member for Brighton (Mr. Fawcett) had done good service by the discussion which he had originated. The fact that the affairs of so great an Empire as India were only discussed once a year at the close of the Session was discreditable to the House and to the system of government. He was glad that the First Minister of the Crown had been induced to promise that he would not prejudge the policy of having an inquiry into the finances of India next Session. He thought, however, that it would be wholly impracticable to adopt the Prime Minister's suggestion and have this discussion in February. In that case, the Indian Accounts must be made up to the 31st of December; but the amount of the Land revenue was unknown until late in February, because there were two crops a year in India, and the land tax was collected

Laying Ac-
counts before
Parliament
in February.

Mr. C. Denison.

in three separate instalments each half-year, and one of the instalments was not collected until late in January. It was, besides, physically impossible that the Indian Accounts could be made up with sufficient expedition to be laid before Parliament in February; and, further, a great and sudden change in the making up of the Indian Accounts would be no slight matter from the confusion it would cause. He fully agreed with those who thought that the financial administration of India demanded a systematic overhauling. He thought that the manner in which the India Office discharged its duty to Parliament demanded attention. As a rule, the India Office was not in harmony with the spirit of the House; for it was secret, despotic, and bureaucratic. It never afforded the House information except under pressure. It discouraged and disliked discussion. The documents which they had then before them were only printed three days ago; and last year many of the most important Papers were not delivered until after the Session closed. Now, that was not the proper way in which to treat the House of Commons. The India Office, at all times, under all Administrations, was adverse to criticism. One great reason why the Office should be brought to book was that the expenditure through the Home Government had increased from £3,000,000 to £16,000,000, or, including the railway contributions, £20,000,000. The Office also insisted upon keeping at the end of each year a balance of £3,000,000 in hand. At the very time when Sir Richard Temple was making his Financial Statement in Calcutta, and was urging special reasons for the imposition of the income tax, there was this balance here to the credit of the Indian Government. This required explanation. Then, again, the India Office systematically refused to give reasons for their expenditure; and how could the Finance Minister in India know how to frame his Budget when the Home Government refused to furnish him with the details? Such a state of things ought not to exist. On that ground alone he would support a Motion for Parliamentary inquiry. During the Elections of 1868 the Under Secretary for India said that we lived in days when every institution in the land would have to show cause why it existed, and that aphorism was afterwards adopted by the Prime Minister himself. Now, he (Mr. C. Denison) thought that one of the first institutions that should show cause why it existed was the India Office. There was, however, a dead weight of passive resistance on the part of Ministers for India, past, present, and expectant, which made inquiry difficult, many of those persons making no secret of their

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India Office in
its relation to
Parliament.

Home Expen-
diture.

Parliamentary
Enquiry.

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Income Tax.

opinion that the less the House of Commons discussed Indian affairs the better for the people of India, and therefore it would require a great deal of pressure to get a Committee of Inquiry. He was astonished that the memorial from Calcutta, as to the increase in the income tax, had not received any notice from the Secretary of State for India when he made his Statement in the other House, for such treatment would cause bitter disappointment. The hon. Gentleman the Under Secretary contended that that tax was thoroughly justifiable in itself; but he (Mr. C. Denison) must deny that in time of peace an income tax of the present amount, brought about by no fault of the population, could be justified. Mr. Wilson, he maintained, had to deal with a totally different state of affairs, and the manner in which the tax had first been imposed, as it were with a word and a blow, was, in his opinion, highly objectionable, and altogether contrary to the necessities of the case. Mr. Wilson went to India to deal with a state of affairs which required special legislation. He imposed the income tax only for a period, and it was understood that it would be taken off as soon as possible. What induced the Government of India to raise the tax from $2\frac{1}{2}$ to $3\frac{1}{2}$ per cent. ? Simply an error of account; but at the end of the year there was a slight surplus. Such an imposition was indefensible and dangerous. The Native communities, whom they treated so lightly, combined as they were with the Anglo-Saxon community, would not long endure such conduct. He agreed that the only redress the Government could make was to publish the Indian Budget earlier; the day for the establishment of representative institutions for India was not yet. But that was no reason why the just complaints of the people were not to be listened to. He put it to the dispassionate judgment of men in the habit of dealing with taxation in this country, whether such a system of taxation could be continued or could be repeated? Then, as to the salt tax. The Under Secretary of State had last year held out the hope that its most objectionable features would be done away with; yet, instead of being revised, it had been made more intolerable than ever, its amount having been more than doubled. If means could not be found to reduce the tax, he thought the strongest argument was thus afforded for diminishing largely the extravagant sums which were being spent on public works in India. He thought it would be quite possible to reduce very considerably the Army which was kept up in the Madras Presidency, which numbered something like 20,000 men. The civil reductions could not be realized in practice.

Salt Tax.

all experience showing that if they saved with one hand they lost with another. They had yet to discover what were reproductive works in India. That remark applied especially to canals, while as regarded railways the course pursued by the Government, in giving up a large amount of interest to the companies, required explanation. As to the Governor General, the manner in which he had devoted all his energies to bringing about an equilibrium in the finances of India was beyond all praise. The noble Lord was, to a certain extent, the victim of circumstances; but he had no doubt that under his able superintendence we should have a full measure of efficient administration.

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MR. J. B. SMITH said, he had listened with some degree of satisfaction to the speech of the Under Secretary for India, inasmuch as he candidly acknowledged the mismanagement which had led to the embarrassing state of Indian finance, with which he assured them the Government was now prepared to deal with an unsparing hand. Notwithstanding that the Expenditure exceeded the Revenue they found one hon. Gentleman in favour of abolishing the opium duty, while another desired to repeal the salt tax; but he did not know how the Indian Revenue could bear such reductions, nor was he prepared, until he saw a very different state of Indian finance, to entertain such projects. As regarded the salt tax, which was the only direct tax paid by the great mass of the people of India, it was no longer the great grievance it was in times past, because, first, the ability of the people to pay the tax had been increased by a three-fold increase in the rates of wages; and, second, because there had been a great reduction in the increments of the cost of salt. The great increment in the cost of salt was not the tax but the cost of carriage. Where salt was carried hundreds of miles on the backs of bullocks, the cost of carriage operated as a heavy tax; but in the last 10 years the opening out of railways and water communications had so greatly reduced the cost of carriage, that in some places the cost of salt had been reduced a third to one-half its former price, and the consequence had been that the consumption had doubled in the last 10 years. Those who desired to see the cost of salt reduced to the people of India ought to advocate the extension of cheap water and railroad conveyance. As to cotton, he had for a long time past endeavoured, and, he feared, with little effect, to direct the attention of the Government to the improvement of the quality of cotton, and to the provision of cheap conveyance by opening out water navigation. He again warned the Government that a crisis was approach-

Mr. J. B.
Smith.

Salt Tax.

Cotton.

Mr. J. B. Smith.

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increase of
revenue, and
of imports
and exports.

comparison of
loans for
works from
other debts.

ing which would have a serious effect on the exports of India. During the cotton famine and season of high prices the value of the exports of cotton from India reached £30,000,000 sterling, and even last year, notwithstanding a great decline in prices, the exports of cotton amounted to £20,000,000. Now, the whole exports from India in 1869 amounted to £53,000,000, of which, as he had stated, £20,000,000 were cotton. Could India afford to lose such an important item of export? The production of cotton had been resumed in the United States and was rapidly increasing, and very soon the planters of India would be brought into serious competition with those of America. Now, the Indian planters laboured under the disadvantage of only producing 60 to 100lbs. of cotton per acre, while in America 250 to 400lbs. per acre were produced. At the same time the American planter had the advantage of cheap water conveyance, which India might equally enjoy if her rivers were made navigable. The increase of the Revenue was, he admitted, a very favourable sign. In 1860 the Revenue amounted to £33,000,000, and in 1869 to £49,000,000. The imports in 1860 amounted to £40,000,000, and in 1869 to £50,000,000, while the exports rose, during the same period, from £28,000,000 to £53,000,000. The extraordinary increase in the productive power of India was in great part attributable to the development of the resources of the country, by the opening up of the rivers and railways, there being 4,000 miles of railway open in 1869 as compared with 734 miles in 1860. With regard to loans for public works, he would remark that India had a great future before her, and in proportion as capital was invested in the country its productiveness would increase. He was pleased, therefore, to hear that it was the intention of the Government to expend a large amount of money on irrigation works in the ensuing year. In his opinion, however, the loans contracted for reproductive works ought to be classed separately from other State debts, so that the amount borrowed might always be known. He contended that such works ought not to be contingent on surplus Revenue; if they were properly selected every shilling expended, principal and interest, would be returned. In support of his opinion he would instance the case of the Godavery irrigation, and of the irrigation works connected with the Ganges Canal, which, although not yet completed, paid last year 6 per cent., and, what was more, prevented a famine, which saved more than the whole cost of the canal. In conclusion, he would express a hope that the whole question of Indian finance and policy would be brought

M. J. R. Smith.

under the consideration of a Committee of that House, as he believed such an investigation would result in benefit both to India and to this country.

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SIR CHARLES WINGFIELD said, the aspect of affairs in regard to the finances of India was grave. It was only by the energetic measures adopted by the Earl of Mayo, the retrenchment of £1,000,000, and the increase of the income tax to nearly 4 per cent. that an equilibrium had been brought about. The problem for solution was how the equilibrium could be maintained in the face of an increased income tax and a declining Revenue from opium? The right hon. Baronet (Sir Stafford Northcote) had laid down a good, sound principle when he resolved that unproductive works should be paid for out of Revenue, and the productive only by loan. Mr. Laing had set the Indian finances to rights by reducing expenditure and setting his face against borrowing. If our predecessors had constructed barracks out of borrowed money, we should now be saddled with a debt of £100,000,000. And even as regarded railways, it was acknowledged most distinctly that a well-selected line made with due economy would yield interest on the capital within 10 or 15 years from the time of opening its entire length. He, therefore, deprecated carrying out such works by borrowing, and maintained that a departure from the principle he had referred to would bring Indian credit, which was now— notwithstanding the extraordinary deficits—second only to British, down to a level with that of Turkey and Egypt. For taxes to produce in India it was said they must reach the poor; but salt and spirits were taxed already, and to tax tobacco, their only other luxury, would be cruel. The income tax had not only been raised, but had been raised suddenly and without discussion, contrary to the acknowledged principle that the propriety of increasing taxation should be long discussed to acquaint the people with the necessities of the step; and this had occasioned irritation. He did not object to a moderate income tax, but he objected to its increase in time of peace, and he thought that a heavy tax of 9*d.* in the pound should be reserved for periods of great emergency, and should not be imposed simply to repair the errors of financiers and make up for former wasteful expenditure on barracks that had proved to be unsatisfactory. As he objected to loans for any but productive works, to indirect taxation, and especially to a heavy income tax, he might be asked what remedy he had to suggest for India's financial difficulty. The only remedy was the old-fashioned one, reduction of expenditure, and one source of that relief was

Sir C. Wingfield.

Borrowing for reproductive works.

Income Tax.

Reduction of expenditure.

Sir Charles Wingfield.

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1870.

Committee of
inquiry.

Mr. R. N.
Fowler.

Moral objec-
tions to rais-
ing revenue
from opium.

to be found in the reduction of the Army, of which, however, the Indian Government were the best judges, as they were charged with the maintenance of peace. So long as the British Government only exacted those taxes that had been the acknowledged dues of the Governing Power in that country for centuries, the Revenue would be raised with ease; but no new taxes ought to be imposed without the consent of the Native population. He thought that for the future they must look principally to the Land revenue for increasing the income of India. But when the Government imposed new and increased taxes it naturally created a demand among the upper classes in India for some voice in the expenditure of the revenue. He believed that one of the most eventful eras in Indian history was about to commence, and that before long some constitutional reforms would have to be conceded to the country. He hoped the inquiries which would be made by the Select Committee to be moved for by the hon. Member for Brighton (Mr. Fawcett) early next Session would lead to a beneficial result not only as regarded finance, but also as respected the general system of Indian Government. A searching inquiry by a Select Committee was the only measure that could by any possibility be satisfactory to the natives of India.

MR. R. N. FOWLER said, he also trusted that great good would result from the proposed inquiry. It was to be regretted that the Act of 1858 had failed to interest hon. Members in the affairs of India, and it was to be further regretted that the Indian Budget should be postponed until the end of the Session, when it was impossible to secure a full attendance of hon. Members to discuss it. He fully concurred with the hon. Member for Brighton that there was no subject in regard to which so heavy a responsibility rested on him, as a Member of that House, as in connection with India. With empty front Benches on both sides of the House and a thin attendance generally, it was impossible to do justice to important questions affecting the welfare of the millions inhabiting India. His hon. Colleague (Mr. Eastwick) had brought three questions under the notice of the Committee. The first was relative to the opium trade. He (Mr. R. N. Fowler) last year, and again this year, in seconding the Motion of the hon. Member for Carlisle, urged objections with regard to that trade. His objections were based on moral grounds. This country, by encouraging the opium trade, had incurred a great moral responsibility, and, in his opinion, Revenue obtained from such a source was a disgrace to a Christian and a civilized nation. In abolishing

MR. R. N. F. C.

that traffic we were bound to make some sacrifices ourselves, and not to throw the whole of the loss on India. The salt duty and the income tax were questions that must press themselves with great force on the attention of Parliament. If the statements of the hon. Member for Brighton, in regard to the sufferings of the people in consequence of the salt tax, were true—and he feared they were—the matter deserved the attention of the House. With great deference for so high an authority as his hon. Colleague, he thought it was a doubtful question whether an impost like the income tax should be forced on the people of India. He hoped that the hon. Member for Brighton (Mr. Fawcett) would early next Session move for a Select Committee, and that the Government would accede to it in order that an opportunity might be given of fully investigating all subjects connected with India. He desired to express his satisfaction that the Prime Minister had held out hopes that if nothing unforeseen occurred a Committee would be appointed next year to inquire into the finances of India; the questions of the salt tax and the income tax would have to be considered very carefully by that Committee.

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inquiry.

MR. MAGNIAC said, that any one looking at the immense import of treasure into India—no less than £160,000,000 during the last 10 years—must have arrived at the conclusion that India had been in a state of immense prosperity; but he feared that this year there would be a great falling off. India depended upon two great sources of income for that prosperity—namely, cotton and opium. During the last year the Revenue received from cotton and opium in India amounted to £30,000,000. From this it appeared that the Revenue of that country also depended mainly on these two articles. He believed the real danger ahead was finance. Indeed, he thought no one could look at the financial accounts of India during the last 10 years without seeing that. In those 10 years there were only two in which the income of India exceeded the expenditure. During that period cotton had produced £207,000,000, and opium £108,000,000, or an amount equal to almost the half of our National Debt; and those £315,000,000 were derived from the produce of unskilled labour. In 1869 cotton produced £20,000,000; but 10 years before that it produced only £5,500,000. Events were now occurring which plainly indicated that the Revenue derived from cotton must be very considerably reduced. Cotton had fallen nearly 20 per cent. in price, owing, no doubt, to the increased production of cotton in America. He believed the opium question

Mr. Magniac.

Precariousness
of revenue
from cotton
and opium.

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would soon settle itself. The Chamber of Commerce at Shanghai had appointed commissioners to inquire into the opium trade in China. They found that, though the growth of opium was nominally prohibited in that country, duties were levied on it, and the cultivation was carried on in Zchuen. As the Chinese opium could be produced at 40 per cent. of the price charged for Indian opium in China, the Native growth must be superseding the opium which was imported into China from India. Looking at what was going on in Persia and China, one must look at the probable decrease of the Revenue from opium with the greatest alarm. He said this without reference to the moral question. He was treating the matter merely as one of finance. Having regard to the facts he had referred to and to the rate charged for bills, he was afraid we must look forward to hard and difficult times in India. He believed that the management of Indian finance would require all the energies of British statesmen. A suggestion had been made that it would be useful to publish the Budget for the benefit of the people of India. He had no doubt that great benefit would arise from presenting it to the House within a reasonable time after it was prepared, for it was impossible to go into all the details at so short a notice; and he hoped this was the last occasion on which the Indian Budget would be brought forward within two or three days of the close of the Session.

Sir D. Wed-
derburn.

Barracks.

SIR DAVID WEDDERBURN said, he thought the expenditure for barracks in India was very unsatisfactory. Large sums had been laid out for their erection in the most unhealthy situations. A sum of £200,000 had been spent for the erection of barracks at a number of the most unhealthy stations, and £100,000 had been spent on stations in the plains, while £17,500 had been appropriated to two new hill stations, and another sum, not specified, for five old hill stations. For months the Indian papers had been filled with complaints of the misery and discomfort suffered by the English soldiers in these barracks, and very lately the officer commanding the 92nd Highlanders had been compelled to remove his regiment from new and costly barracks at Rawul Pindee to the old buildings of mud and thatch, because it was found that the temperature was so much lower in the latter. The same story came from the new barracks in Nusseerabad, and from other places in which these new barracks had been erected. The wisest plan would be to abandon the new barracks and remove the troops to the hills, where comparatively healthy quarters might be

Sir David Wedderburn.

found. It was gratifying to know that the soldiers, averaging 2,000 at a time, who had been employed from 1863 up to the present time in the making of roads among the hills, had enjoyed very much better health and complete immunity from cholera, heat apoplexy, and other diseases from which 90 per cent. of the deaths in the plains arose. The expense incurred in employing soldiers to make the roads had been greater than the profits of their labour; but there should be taken into consideration the necessity for those roads, and the political advantages of having the troops in those places. He wished to have from the Under Secretary of State for India an assurance that the new barracks in unhealthy localities would not be completed, and he hoped the Government would see the necessity of making a radical reform in the matter of quartering the troops not merely as a measure of economy, but on account of the health and welfare of the soldiers, not to say their existence.

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SIR THOMAS BAZLEY said, he regretted that the Indian Accounts were in such an unsatisfactory state, and he would suggest that accountants should be employed to render them creditable to the country, and capable of showing the actual position of affairs. There was little doubt that extravagant expenditure was at the bottom of the matter. The Army cost something like £5,000,000 a year more than it ought. If that amount were not spent the income tax which had been so much complained of would be altogether unnecessary, and there would be a surplus instead of a deficit. His right hon. Friend (Mr. Grant Duff) had spoken of the increased production of cotton in India; but it should be remembered that the American supply had of late been very much increased, so that, unless the quality of the Indian cotton was much improved, England would not derive those advantages which she might anticipate. Seeing that the trade and commerce of London were likely to be very much embarrassed by the Continental War, he thought it was the duty of the Indian Government to give every facility for the development of the industrial resources of our great dependency, for he believed that in the future we should have to rely on India much more than in the past, both for a market for our own manufactured articles and for a supply of raw material. A promise had been made some time ago that a Department of Agriculture and Commerce should be established in India, and he hoped that promise would be carried out; otherwise the resources of that great country would continue to lie in a dormant state. One suggestion submitted to the House to-night he had heard with alarm—

Sir T. Bazley.

Extravagance
in expendi-
ture.

Department
of Agriculture
and Com-
merce.

Sir Thomas Bazley.

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1870.

Engineering
college in
England.

a proposal to found an engineering College for India. He hoped that would not be carried out, for we had already a superabundance of engineering talent in this country which was available for India, and not only would the establishment of such a College lead to great unnecessary expense, but the institution would be apt to direct the minds of students rather to the refinements of mechanism than to the useful adaptation of mechanical agencies to the ordinary purposes of life.

Mr. Kinnaird.

Defence of
Sir R. Temple.

MR. KINNAIRD said, he could not let the debate close without saying a few words in defence of Sir Richard Temple, upon whom so many reflections had been cast that evening. It was on an emergency, caused by the failure of the attempts that had been made to obtain a Finance Minister from England to go out to India, that Lord Lawrence had prevailed on Sir Richard Temple to undertake the duties of Finance Minister—duties of great importance and responsibility, and to which he had not been trained. He had discharged those duties with great ability, and therefore no blame ought to be attached to him. Sir Richard had always shown himself to be an able administrator, and he (Mr. Kinnaird) believed it would be found that the Indian Government, in the end, would be in possession of a surplus instead of a deficit. He must also observe that there were plenty of engineers in this country competent to carry on irrigation works in India, and many engineers, including Mr. Hawkshaw, had protested against the contemplated alteration of the gauge of some of the Indian railways, as it would destroy their value for military purposes. With reference to education, enough had been done for the education of the higher classes, who could pay; but he regretted that nothing had been said about the education of the masses of the people. The licensing system of India demanded the attention of the Government, for India was, with reference to it, becoming afflicted with the same evils which had grown up in this country.

Mr. Whitwell.

MR. WHITWELL said, he hoped the Under Secretary of State for India would be able to give some information to the Committee in reference to the progress of the agricultural education of the people of India, or, at all events, that the Government would give an assurance that some movement was being made in that direction. He wished to endorse what had been said by the hon. Member for Manchester (Sir Thomas Bazley), as to the necessity for a reduction of the military expenditure; and, as a Native soldier cost £40 against £150 for an English soldier, he would direct attention

Mr. Kinnaird.—Mr. Whitwell.

to the fact that the reductions of the last 10 years had been made in the Native Forces, while he would suggest the propriety of considering whether the Indian Government ought not to organize its own forces and save the cost of transporting troops between India and this country.

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1870.

SIR WILFRID LAWSON said, there was no doubt, as the hon. Member for St. Ives (Mr. Magniac) said, a large growth of opium in China, but this was because we would force opium on the people of China; for the Government and the ruling classes strongly objected to its use, and were willing to give up all Revenue from it. *The Friend of India* stated that the Excise were encouraging the opening of unnecessary shops in India; and, looking merely to the increase of Revenue, were deliberately encouraging drunkenness. The quotation was endorsed by Baboo Keshub Chunder Sen. Last year that House had unanimously decided that the Excise in this country should not be permitted to pursue the same policy, and he hoped that what was too bad for the people of England would not be allowed to flourish in India.

Sir W.
Lawson.

MR. MACFIE hoped the supply of military stores, torpedoes, coals, and other munitions of war would be pressed, and kept up to a sufficiency to meet sudden emergencies and possible retardation of replenishments hence. Comparing the taxation of India with that of the mother country, he found it was a very few shillings per head—only about a fifth of what the people of the United Kingdom had to bear.

Mr. Macfie.

MR. CHADWICK said, he thought that there ought to be a reform in the Council of India, and he would urge the expediency of taking steps to promote the cultivation of silk in India.

Mr. Chadwick

MR. GRANT DUFF said, that the discussion had wandered over even more topics than was usual in this always the most miscellaneous discussion of the whole Session, and he would try, as briefly as possible, to reply to the various speakers. First came his hon. Friend the Member for Penryn (Mr. Eastwick). Well, with what his hon. Friend had said about the want of an efficient control over expenditure by the Financial Department at Calcutta, he to a great extent agreed. He thought there should be more control, and that that Department should be more in the position of the Treasury at home. At the same time, the difficulties were very great,—historical difficulties arising from the relations of the Government of India with the Subordinate Governments, and material difficulties arising from the

Mr. Grant
Duff.

Control of
Financial
Department
at Calcutta.

Sir W. Lawson—Mr. Macfie.—Mr. Chadwick.—Mr. Grant Duff.

immense number of treasuries scattered all over India through which business was carried on. Then his hon. Friend spoke about the Persian opium trade. He (Mr. Grant Duff) by no means overlooked its importance. He had alluded to it last year; but on this occasion he had wished to confine himself to the purely Chinese part of the subject. Then, as to sending out an independent financier, of course, that would be an excellent thing if you could first catch him, and then keep him alive, as we had unfortunately failed to do in the case of Mr. Wilson, until he had gained his experience and done his work. Next as to the Secretary of State sending out direct orders for expenditure. His hon. Friend was quite mistaken in supposing that the Governor General and his Council had not been aware that arrangements had been going on with the Admiralty about the employment of Her Majesty's ships in the Indian seas; employment which would, of course, lead to expense.

He congratulated the hon. Member for the East Riding (Mr. C. Denison) on having shown very clearly that, to expect that the Indian Accounts made up to the 31st of December could be discussed in the House of Commons in the February next following, was to expect an impossibility; as soon might they look to see the Ganges running uphill to its source. The hon. Member had, however, fallen foul of the India Office as being secret, despotic, and bureaucratic. Of course it was despotic, for our government of India was a despotism, whatever it might one day become—an enlightened and benevolent despotism, but a despotism nevertheless. As to its being bureaucratic, of course it was bureaucratic; what Office was not bureaucratic? For an Office not to be bureaucratic was a contradiction in terms. As to its being secret, he knew nothing of an undue secrecy. Of course, all official business must in a certain sense be secret till the proper time. But he was sure he could take hon. Members who had had any business to do with the India Office to witness that, since he represented it in that House, he had done everything he possibly could to give to hon. Members every information of which they stood in need; laying on the Table every Paper asked for which he could lay without impropriety; and, when sometimes a Paper could not be laid, allowing hon. Members to have access to it under the usual honourable understanding which prevailed in that House. The hon. Member, in declaiming against secrecy, had chosen a most unlucky illustration. The hon. Member had not sat in the last Parliament but one, or he would have known that the Paper on Material and

Mr. Grant Duff

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Persian opium
trade.

Independent
Financier.

Laying
Accounts
before
Parliament in
February.

Accusations
against India
Office.

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Moral Progress, which the India Office was accused of keeping back, was his (Mr. Grant Duff's) own particular pet and bantling. It was he who had, by pointing out to Sir Charles Wood that that Paper had not been produced, as it ought to have been produced, under the clause of an Act of Parliament which had become a dead letter, first got that Paper presented under the Administration of Earl De Grey in 1866. Ever since he had been at the India Office, he had been trying to have that Paper improved, and this year he was confident that hon. Members would think that it had considerably improved in the hands of Mr. Sturt, who had drawn it up. As for keeping it back, he could only say that he had, for many weeks, made that gentleman's life a burden to him by constantly urging it forward. The fact of the matter was, however, that some of the most important Papers abstracted in that Report had not even come from India until after the day on which it had been laid *pro forma* on the Table of Parliament in compliance with the Act. Then the hon. Member said that the Indian Government kept too large a balance at home, and did not get enough interest for it. But, first, it did not keep a penny more than it could help; and, secondly, if the hon. Member would give a little more interest for it than the Government got in the market, he was very welcome to the use of the money. As for declining to give information to the Government of India on financial matters, the India Office never dreamt of anything of the kind. It never kept back a scrap of information, unless when it happened to know that certain information was no real information, but would only mislead and bewilder.

The hon. Member then explained the arrangements with the Great Indian Peninsula Railway Company which had been objected to, and read the following memorandum:—

Contract with
Great Indian
Peninsula
Company.

“The Company's debt to Government was for unliquidated arrears of guaranteed interest, plus simple interest thereon, and amounted to between £4,000,000 and £5,000,000 sterling. The only means of paying off such arrears prescribed by the contract was appropriation by Government of one moiety of any surplus net earnings over and above 5 per cent. on the capital that might be realized in any half-year. Of course if the arrears should ever be completely paid off, Government would no longer be entitled to any of the surplus profits, which would thenceforward be divided exclusively amongst the shareholders. Under the new arrangement one-half of the surplus profits was to be made over to Government for ever, or as long as the Company endures.

“So that what in the House of Commons and elsewhere has been termed a renunciation by Government of its claim for debt, was in reality an engagement on the part of the Company never to cease making to Government precisely those payments to which it would have been

Mr. Grant Duff.

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1870.

liable if the debt had continued for ever. The only possible objection to this arrangement from the Government point of view was that Government, in return for the concession made by the Company, waived the option it previously had of buying up the Railway at the end of the first 25 years—*i. e.*, in 1874. But it was considered that this was an option of which it would not be advisable for Government to avail itself at so early a date. It was thought that Government would have quite enough to do for some years to come in managing the Railways which it was itself about to construct, without undertaking in addition the management of those of the Guaranteed Companies. In waiving its right to purchase in 1874, it was considered therefore to be merely waiving a right which at any rate, it would not be inclined to exercise."

Next came the hon. Member for Stockport (Mr. J. B. Smith), who, as usual, sang the praises of the Godavery works. He (Mr. Grant Duff) could only say that he wished he could share the fine enthusiasm of his hon. Friend. He referred his hon. Friend the Member for Ayrshire (Sir David Wedderburn) to the recent speech of the Duke of Argyll as to the barrack policy. He could assure the hon. Member for Manchester (Sir Thomas Bazley) that the question of creating a Department of Agriculture and Commerce, or some other department closely answering to that description, was engaging the anxious attention of the Secretary of State and of the Government of India. As to an engineering College, the present system had utterly broken down; the so-called competitive examination was, from the great inferiority of the candidates who came forward, a mere low pass examination, and the creation of an engineering College into which young men should be drafted by competitive examination, had become a matter of paramount necessity. While he wished to speak very highly of Sir Richard Temple's many abilities and aptitudes, he must point out to the hon. Member for Perth (Mr. Kinnaird) that he had done his friend a most cruel kindness in obliging him (Mr. Grant Duff) to point out that the surplus or equilibrium of the year 1869-70 was obtained in consequence of the measures adopted while Sir Richard Temple was in Europe, by the Viceroy and his Council. No definite resolution had been come to about altering the Indian gauge, and consequently the protest of which the hon. Member spoke would be quite premature, although, of course, Mr. Hawkshaw's opinion would always be valuable and interesting. In reply to the hon. Member for Kendal (Mr. Whitwell), who thought that the time had come for establishing a local Army in India, he must say that that time was not in the future, but in the past, and the shadow did not go back upon the dial.

He would now proceed to deal with the speech of the hon. Member for Brighton (Mr. Fawcett), which, although

Reply to
Mr. Fawcett:

Mr. G. J. D. C.

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made on going into Committee, ought to have been made in Committee according to the usual practice of the House, and which had been made in a quite different spirit from that of all other hon. Members who had spoken. Whereas the hon. Member had asserted that they had, two months ago, been told that the deficit would be £1,500,000, no such statement had been made upon authority. The expected deficit, as laid before Parliament in May last, was, as he had already explained, something over £500,000. With respect to the Home Military Charges, if the hon. Member would get the English Treasury to abate its claims from the Indian Treasury, he (Mr. Grant Duff), of course, would only be too happy. The whole question of the Persian mission was being considered by a Select Committee, and the India Office would be only too delighted if, should the present arrangement continue, it could get off contributing to the expense of that mission. So with regard to the Chinese mission and consulates. The hon. Member, instead of rating the India Office, should draw

“Iron tears down Pluto’s cheek,”

and make the Chancellor of the Exchequer relent. As to errors in the Home Accounts, he had to explain that the error alluded to by the Duke of Argyll had been quite misconceived, and was a very venial error after all. It was not an error of account, but a failure of Estimate—the increased charges that would be caused by an entirely new system of furlough rules. That a mistake in such a matter should be made the first year was not very surprising, and, such as it was, he was bound to say the mistake was in no way attributable to the Finance Department at the India Office, which, whatever might be said about the Finance Department in India, was presided over by one of the ablest and most thoroughly satisfactory officials who ever managed any Finance Department in any country. He could not say less in justice to Mr. Seccombe. As to the Store Department which the hon. Member attacked, that Department was presided over by Mr. Talbot, a gentleman of much ability, and of the highest honour. He (Mr. Talbot) was perfectly satisfied that the Department was working satisfactorily, and it must be remembered that all stores collected, and sent out to India by that Department, were subjected to most jealous criticism in India, so that anything wrong would be very speedily detected. At the same time, he was sure that Mr. Talbot, as well as the Duke of Argyll and himself, would welcome any inquiry, if the hon. Member, instead of confining himself to vague and random accusation,

Errors in
Home
Accounts.Stores
Department.

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1870.

Duty on salt.

Duke of
Edinburgh's
presents.

Mr. Fawcett.

office of
action for a
select
committee.*

would attempt to bring forward facts. All human institutions were imperfect, and a Store Department was just the kind of Department about which the heads of an Office could very rarely in the nature of things know much. He must point out the ignorance displayed by the hon. Member for Brighton in what he said about salt, the duty on which varied from $\frac{1}{2}d.$ to $1d.$ in the pound in various parts of India, and was the only tax to which the really poor contributed in that country at all, taking the place, as it did, of the taxation on tea, coffee, &c. With regard to the remarks of the hon. Member on the Duke of Edinburgh's presents, he had to say that the visit of His Royal Highness had been a great pleasure to the people, and had produced the most excellent political effect. No equal sum of money that had recently been spent in India had done so much good. While the hon. Member had been making his unfortunate remarks, an Indian Prince, the nearest surviving representative of Sivajee, the founder of the Mahratta Empire, had been looking on from the Gallery, and he blushed to think what an impression His Highness must have carried away as to the amount of insight into the feelings of his countrymen possessed by the hon. Member for Brighton, who put himself forward as, forsooth, a great authority on Indian affairs.

MR. FAWCETT said, the hon. Gentleman (Mr. Grant Duff) had accused him of making a speech which was rash, reckless, and erroneous. Indeed, the hon. Gentleman was so confident that this would be the opinion of the House that he did not deign to reply to that speech, but said he would leave other Members to answer it. In point of fact, however, all the independent Members who had addressed the House approved his speech, and his Resolutions, and were prepared to support him if he had gone to a Division. The Under Secretary had remarked that there was one fact which he (Mr. Fawcett) had developed from his inner consciousness. Well, that fact was derived from the speech recently delivered in "another place" by the noble Duke the Secretary of State for India. He felt confident that when he obtained the Committee which the whole House wished to see appointed he should be able to prove all the assertions he had made. In conclusion, he gave formal notice, that on the earliest possible day next Session he should move for the appointment of a Select Committee to inquire into the financial and general administration of India; and also, that if next year the Indian Financial Statement was made as late as the 5th of August, he should ask the House to express its opinion on such a course of action.

Mr. Fawcett.

MR. GRANT DUFF said, he held in his hand the speech of his noble Friend the Secretary of State for India, and what the hon. Gentleman had stated about £1,500,000 was directly contrary to the facts of the case. The Secretary of State said—

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“In March, when the regular Statement was framed on 10 months of actual expenditure and an Estimate for the next two months, the Government of India were hopeful enough to think that the deficit would be little more than £500,000.”

The mistake was made in the leading article of *The Times* the next morning, and the hon. Gentleman it was clear had trusted the statement of the leading article without having read his noble Friend's speech.

MR. FAWCETT said, he had read both the speech and the leading article, and he was sure hon. Members would admit that, considering the general accuracy of the articles in *The Times*, he had not made the statement without foundation.

Mr. Fawcett.

Motion agreed to.

Motion passed.

Resolution to be reported *To-morrow*.

MR. GRANT DUFF'S FINANCIAL STATEMENT,
1871-72.

EAST INDIA REVENUE ACCOUNTS.

Considered in Committee.

(In the Committee.)

MR. GRANT DUFF: When I addressed the Committee upon the financial position of India in August last, my Statement was founded upon three documents—upon the Actual Accounts of the year ending the 31st March, 1869; upon the Approximate Accounts of the year ending the 31st March, 1870, technically described as the Regular Estimate; and upon the calculations and conjectures of the Governor General and his Council for the year now passing over us, the year ending the 31st of March, 1871. On this occasion I must base my Statement upon two documents only, as anything corresponding to the third document which I used last year does not yet exist—that is to say, I must base it on the Actual Accounts for the year ending the 31st March, 1870, and on a telegraphic summary of the Approximate Accounts for the year now passing over us, so far as they were known to the Viceroy and his Council on the 21st February—that is, last Tuesday—an abstract, in other words, of the Regular Estimate for the year 1870-1, which will, after undergoing, perhaps, some correction, be laid before Parliament, according to law, in the month of May. Hon. Members will be good enough to observe that this abstract gives the figures in round numbers.

I am all the more glad to make the Indian Financial Statement at the beginning rather than at the end of the Session, because I have not to be now, as I was on the 3rd of August, 1869, and on the 5th of August, 1870, a Job's messenger. On the first of these occasions, I had to announce that the Actual Accounts of 1867-8 showed that India was about £1,000,000 to the bad; and, on the second occasion, I had to announce that India was nearly £2,800,000

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Duff.

Accounts received from India—actuals of 1869-70 and Telegraphic Abstract of Regular Estimate of 1870-71.

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to the bad. Now, however, I have to announce that India was, in the year ending on the 31st March last, nearly £120,000 to the good, and that, so far as the information which we have received up to the present moment extends, but making all the reserves necessary, there is every probability of her being, in the financial year now drawing to a close, fully three-quarters of a million to the good. In short, we have reason to believe that we shall this year have almost, or altogether, the surplus which we think we ought to have, and for which the Secretary of State has laid down that the Governor General and his Council ought to arrange—that is a surplus of between half a million and a million.

Comparison
of Actuals
with Regular
Estimate of
1869-70.

The Regular Estimate for 1869-70, which was presented to Parliament in May last, showed an estimated excess of expenditure over income, excluding, of course, public works extraordinary, of £563,495. The Actual Accounts show an excess of income over expenditure of £118,669. The result shown by the Actual Accounts is, therefore, more favourable than the Regular Estimate by £682,164. It will be in the recollection of some Members of the Committee that I prepared them for this agreeable result by communicating to them the substance of the information which we had received from India by telegraph up to the 16th of July—that is, up to a date three months and a half later than the day on which Sir Richard Temple made his Budget Statement, the 2nd of April, 1870. On the 5th of August I used the following words—

“ We have assurances that the Actuals will turn out better than Sir Richard Temple believed when he made his Budget Statement. The substance of the information telegraphed by the Viceroy on the 15th of July was that the accounts of 1869-70, adjusted up to 16th July, were better than Sir Richard Temple expected on 2nd April by about £700,000, so that we may expect, as at present advised, a small surplus, or at least an equilibrium, thanks to the prompt and decisive action which was taken in the autumn of last year by the Viceroy and his Council assembled at Simla.”

It is satisfactory to observe that almost every head of receipt has been a little more productive than was anticipated. I will not burden my Statement with the figures, but hon. Gentlemen will see them by looking at the Papers which they have in their hands.

So much for the comparison of the Actuals of last year with the Regular Estimate. Let us now look at the figures of the Actuals of 1869-70 as compared with those of 1868-9. These two will be found comforting from various points of view. First let us look at the total receipts. The total

Actuals of
1868-69 and
1869-70 com-
pared.

Mr. Gladstone.

receipts of last year exceeded the total receipts of the year before by no less than £1,638,390. Then let us see how this increased receipt was made up. £1,161,848 came from land revenue, the most important, the oldest, and the most satisfactory of all our sources of income. This increase is largely attributable to the fact that the land revenue of the year 1868-9 was, as I mentioned six months ago, unusually depressed by a bad season in Madras and the North-West Provinces, and to the coming into play in 1869-70 of a new settlement in Oudh, and a re-settlement in some of the non-regulation Provinces of Bengal. The increase of about £600,000 under assessed taxes arose from the income tax, which it will be remembered was augmented in the second half of the year 1869-70 from 1 to 2 per cent. The increase of £300,000 under salt arose from the fact that the salt duties in Madras and Bombay were also raised during the last half of the year 1869-70 from 1 rupee 8 annas to 1 rupee 13 annas per maund—that is by $7\frac{1}{2}d.$ on 82 lbs. These are the increases of gross receipt which it is most important to notice. On the other hand, there were some important decreases of gross receipt. For instance, customs in the year 1869-70 brought in less than they did in the year 1868-9 by over £263,000, thanks to the generally depressed state of Indian trade. Opium, again, brought less in last year than it did the year before by about £500,000. The general result, however, was, as I have said, highly comforting. Our Revenue was better in 1869-70 than it was in the year before by £1,638,390, and hon. Members may possibly recollect that the receipts of 1868-9 were themselves better than those of 1867-8 by £728,000.

Now let us look at the Expenditure. The Expenditure in 1869-70 was less than the Expenditure in 1868-9 by £1,254,309. This result was arrived at chiefly by a very large reduction in public works ordinary—that is to say, works of comfort and convenience not directly remunerative. A small but important saving in India of £160,000 was obtained by a diminished Army expenditure; and the charge for guaranteed interest on railway capital, less net traffic receipts, was £153,406 lower than that of the previous year, thanks to the large increase in the net traffic receipts during the year 1869-70, an increase which amounted to nearly £100,000. On the other hand, there were some considerable increases in gross expenditure in India, of which perhaps the most worth mentioning were £72,000 under post office, £143,000 under marine charges, owing to the debts of the Port Canning and Calcutta Port Funds having been written

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Chief sources
of increased
receipts.

Items of de-
creased re-
ceipts.

Decreases in
expenditure.

Increases in
expenditure.

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off as irrecoverable, and £235,000 from the loss by exchange on bills on India. As I have said, however, the total diminution of expenditure in India and England chargeable against income in 1869-70, as compared with the previous year, was £1,254,309.

Such are the more noticeable features in the receipts and disbursements of the year 1869-70.

Estimate of
1870-71—
Rise in price
of opium.

I come now to the year 1870-1, the year just drawing to a close. The one great fact of the year, which is already certain, is that opium has come to the rescue. When Sir Richard Temple made his Statement in April last, nothing could be much more gloomy than the prospect of the opium revenue for the financial year which had just begun, and although in the month of August I was able to say that the prospect was somewhat better, yet even then we felt anything but comfortable about the ultimate result. From almost all quarters came prophecies of evil, and the prophecies from China were the gloomiest of all. The very able man who lately represented Her Majesty at Peking even went to Calcutta to confer with the Governor General about the increased growth of the poppy in China. Owing to some cause, however, which we cannot in the least divine, all anticipations have been for this year falsified. Sir Richard Temple took the price of the chest of Bengal opium for the year at 975 rupees, whereas the average by our latest advices has been 1,113 rupees. This is another illustration of the truth that, after an intercourse of some hundred years, Europe really knows very, very little indeed, about the circumstances of China—that marvellous country, one of whose functions seems to be to force the nations of the West again and again and again to re-consider generalizations, in religion, in politics, and in social economy. In spite, however, of the favourable results of this year, I dare not venture to unsay anything I have said about the extreme care with which we should watch our opium revenue. Considering the enormous extent of country, even in Asia alone, where the poppy can be grown with fair success, it is really almost too much to hope that the Indian drug will continue to be so distinctly preferred by those who can buy it, as to enable us to lighten by many millions every year the price which India pays for civilized government; for whatever some Gentlemen may have to say against the opium revenue, let them never forget that hardly any of it comes out of the pocket of our Indian fellow-subjects, and if it were done away with, India would not be lightened of an impost, but robbed of a splendid estate.

M. Grant D. P.

To return, however, to the telegraphic summary of the Regular Estimate for the year 1870-1, which hon. Members have in their hands. In round numbers, the Regular Estimate for that year—that is, the Estimate founded on about eight months' Actual and four months' calculations and conjectures—shows that India's income for this year will be about £51,000,000, and her Expenditure, including no less than £1,800,000 for guaranteed interest on railway capital, will be somewhere about £50,000,000, the probable result being accordingly a surplus of nearly £1,000,000. Hon. Members may be surprised that I do not say more about this year 1870-1, but I do not dwell upon it, advisedly, because we have given them all the information we possess ourselves, and have in fact fallen under the curse of Voltaire—"Woe unto him who says all he knows upon any subject." We see the figures, we can form conjectures about them, but the usual explanations of details we cannot give. There are disadvantages and difficulties in corresponding by telegraph about the affairs of an Empire.

The Committee will, I hope, do us the justice to remember that we are making this Statement at a time anything but convenient to us, under the impression forced upon us by an experience of many years, that Parliament will only give up a whole night to India, I mean, of course, in perfectly peaceful and easy times, either at the very beginning or at the very end of a Session. We should like to make our Financial Statement each year somewhere about the 15th or 20th of June; but when we *have* made a feeble effort in that direction, all Governments of all parties have always treated us as amiable children who asked for the moon.

Such, then, are the facts of the year that is completed, and the probabilities, so far as they are known to us, of the year which is now in progress. As to the year to come, I can say little, because we have not yet received, and cannot for some time receive, the plans of the Government of India for meeting the outgoings of 1871-2. There are two points, however, as to which I am in a position to make some explanations. First, there is the income tax of 3½ per cent., or, say, 7½*d.* in the pound. To that income tax the Home Government consented with considerable reluctance, and I am glad to say that, unless some very unforeseen and quite extraordinary emergencies arise, in the next few weeks, it will certainly be reduced. It can be shown, no doubt, that, even at 3½ per cent., the income tax hardly redresses the balance of taxation as between the higher and the lower classes. In India the poor man certainly pays

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Surplus of a
million.

Budget Estimate of 1871-72 not to hand.

Contemplated reduction of Income Tax.

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quite enough, and the rich man as certainly pays too little; but, unhappily, the masses are still not sufficiently educated to know their true interests. The classes affected by the income tax are the classes who can make themselves heard not only by the Government, but by the people; and it would not be difficult to bring evidence to show that this very income tax, which, if it could be used as we use it in England, might enable us to adjust the burden of taxation with almost scientific accuracy—is really unpopular to some extent with the very classes whose burdens it lightens. *Populus vult decipi*, and, as usual, it obtains its wish; nor must it be forgotten that the income tax has been sometimes used by unscrupulous Native collectors as an engine for the oppression of their own countrymen. The Native in power is too often, in ours as in all previous ages of Indian history, apt to use his position for his own pecuniary advantage.

Financial
decentraliza-
tion to be
carried out
experimentally.

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 13th, 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 liable, 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

Mr. Grant Duff.

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.”

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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 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 1870-1,—gaols, 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:—

Imperial
assignments
for Provincial
Services.

	£
Oude	206,948
Central Provinces	261,263
Burmah	275,332
Bengal	1,168,592
North-West Provinces	640,792
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. Oude, which is about as large and as populous as Holland and Belgium united, will receive from the Imperial Government

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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.

By this arrangement the Central Government will save in 1871-2, as will be apparent to the Committee, about £300,000 on the low Estimates of 1869-70, and prevent the growth of some terribly expensive items of expense. On the other hand, income tax will bring in a smaller amount, and, although there will doubtless be some reduction under various heads of Expenditure, there will be increase under others; but beyond this I can form no conjecture which would be worth laying before the Committee as to the finance of the year 1871-2. The Home Government, as has been truly said, controls, but does not direct, Indian finance, and, in the nature of things, cannot do so. Of one thing, however, we may be certain, and that is, that there will be the usual difficulty in making the ends meet. "But why should there be a difficulty," some one may say, "in making the ends meet?" For many reasons, of which the two chief are—first, that we discharge the most expensive duties of sovereignty for 200,000,000 of men with a revenue derived from 150,000,000 of men; and, secondly, that we discharge the duties of sovereignty after a scientific and civilized manner, with resources which would better become an uncivilized and unscientific discharge of them. "But why should you continue to do these things?" it may be asked. To that question I reply, after the manner of my country, by putting two others. My first question is—Are the objectors really prepared to adopt the short and easy methods

Difficulty of
making ends
meet.

Mr. Gladstone

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of ridding themselves of treaty obligations which have been sometimes put forward? My second question is—Are we to go back on our steps, and to administer India as a whole, after the old rough-and-ready unscientific system which is still excellent for certain out-lying districts? In this matter, the Government occupies a middle position between two extreme views. On the one side, you have the view which was well set forth by a very distinguished Native statesman, speaking to an Anglo-Indian statesman, a year or two ago—

Opposite
views of
policy stated.

“You English,” said this eminent person, “make a great mistake. All this improvement of the country, about which you talk so much, is mere moonshine. Leave the country alone. Instead of the immense taxation which you levy to give us roads, and canals, and railways, and schools, and improved courts of law, and what not, let these things be. Levy much smaller taxation, and instead of spending the money on improving India, spend it in helping out the English Revenue, or anything else you please. You will be extremely popular, and your rule will continue long in the land.”

The latest apostle of the diametrically opposite view is an hon. Friend of mine, whose maxim is—“Pay, for God’s sake, pay, with both hands open. Borrow money right and left from all who will lend it. Do not be such purists as only to raise loans for expenditure which you believe will be directly remunerative. Raise loans for all those objects which you are satisfied will be indirectly remunerative. Increase, in short, the wealth of the country, and you will be at the same time increasing your own.”

Now, to the first of these, the Native critic, the Government answers—Even if we wished to adopt your policy, English public opinion would not allow us to adopt it. Various views prevail in England as to the moral right or wrong of our original acquisition of our Indian Empire. Some think that it was forced upon us by circumstances; others, that it was a justifiable exertion of superior power; others, that it was an unjustifiable exertion of such power. Some say that our rule in India must continue as long as the world endures; that while the Native improves in arithmetical, the Englishman will improve in geometrical ratio; and that the stronger race will always be necessary to the weaker, as guide, philosopher, and friend. Others hold an opposite opinion, and say that even now, in the year 1871, we should be admitting more and more the Natives of India into the higher posts of the government, with the distinct and defined intention of some day abandoning India. But all the holders of all these antagonistic opinions agree in insisting that, while we hold India, we must endeavour to improve India according to our lights.

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Necessity of
expedients.

To the second of our critics, to my hon. Friend, the Government replies—We wish we could take your sanguine view, but we do not find that the increase of the general wealth of the country shows itself anything like so rapidly in the increase of our wealth as you suppose. The great source of our income is the land revenue. That land revenue is fixed, and must be fixed, for long periods, and it is only very slowly and at distant intervals that we can increase it. India is the most conservative of countries, and no sooner do we try a new experiment for getting some increase to the resources of government than there is a shriek from some quarter or other. This year the shriek has been on account of the income tax. Another year it will be on account of another tax, and so on *ad infinitum*. We must disregard these clamours to a certain extent, but we dare not disregard them as much as would be necessary to carry out your views; and we should end in sheer bankruptcy and confusion, to say nothing of the moral guilt we should incur by tempting capital from England, which might be properly expended at home or elsewhere, to be, as we in our heart believe, unprofitably expended in doing things for India which should not, in our opinion, be done by capital at all, or in doing things which should one day be done by capital, but for which the country is not yet ripe. Well, but if we do not try heroic remedies for our chronic impetuosity, like those of which I have been speaking, we are thrown back upon expedients—and expedients we have been trying one after another ever since the Mutiny. First came Mr. Wilson, keenest and most clear-headed of men, exactly the kind of man whose appointment a large party is, or was, lately clamouring for as a panacea for Indian financial evils. Well, what were Mr. Wilson's expedients? First, reduction, especially military reduction. That was excellent; but, remember, he had a military expenditure of £23,000,000 to reduce, while we have now one only of about £16,000,000. Second, an income tax; and third, revised or partially enhanced customs duties. As to the income tax, which I think a very good tax, especially in its improved and later form, it is the very central grievance which is put forward in all the complaints which we receive about the financial policy of Government; and as to the enhanced customs duties, which seem to me a less good expedient, how long did our own manufacturers allow them to continue? Then came Mr. Laing, and what is the burden of his song? It is—

“No Government in Europe and no private company ever thinks of charging to current revenue such things as extraordinary public works

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and interest during construction on unfinished railways, &c., which in India are so charged, and create the deficit." In other words, he maintains that there is no deficit at all. Then came Sir Charles Trevelyan. He was followed by Mr. Massey, to whose reign belong the license tax and the certificate tax, which are really only income taxes affecting portions of the population. Last of all came the crisis of September, 1869, to which belongs the sudden enhancement of the income tax and the salt duties. But the upshot of the whole is that the principal expedients that have been hitherto tried to fill the deficit, always excepting the obvious expedient of reduction, have been three—some form of income tax, some form of revised and increased customs duties, and the enhancement of the salt duties. "But," some one may say, "this shows a great poverty of financial resource. Might you not try many other expedients? Have not many persons advised you to tax tobacco, to tax successions, to tax Native marriages?" Yes, all these expedients have been suggested to us, and have had powerful advocates; I will not commit myself against any one of them. Nothing is more possible than that, sooner or later, in Indian history one or other, or all of them, may be tried, either by the Central Government or by one or other of the local Governments in this or that part of India; but there are, certainly, a great many considerations which would have to be most carefully weighed before any one of them was adopted, and which have hitherto prevented their adoption. "But," I am told, "you are at least sure of your present sources of revenue, and these are highly expansive." Expansive they are, no doubt, but hardly highly expansive; and as to our being quite sure even of them, that I doubt too. The salt tax in some parts of India is confessedly too high, and will, sooner or later, in the exceptional districts, have to be reduced. I have again and again pointed out that under the head of opium we may have great disappointments; and the retention of the few export duties which remain to us under the head of customs must be defended rather on the ground of necessity than of principle.

Is, then, our chronic impecuniosity to be mended by saving? Yes, to some extent; but, as I have pointed out on former occasions, our margin for reduction is not, after all, enormously great. We must always have a very considerable British force. The British soldier in India is a fearfully expensive instrument, and one not likely, I fear, to become cheaper. By the last Returns we had 61,481 European officers and soldiers in India, and 133,229 Native officers and soldiers. Add these together, and it gives you

Limited extent to which reduction of expenditure can be carried.

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about one man for every thousand of the population of British and feudatory India. That is not an overwhelming force, though it might be very rapidly raised, in the very improbable event of trouble ever assailing India from without, to be an overwhelming force. Then consider the endless auxiliary expenses which the maintenance of even this moderate force requires, and it will be understood that, though we are in the course of making reductions, neither these nor any possible civil reductions will go very far to put us at ease in our circumstances in India.

Difference of
position of
Indian and
English
Financier.

The position of the Indian financier is altogether different from that of the English one. Here you have a comparatively wealthy population. The income of the United Kingdom has, I believe, been guessed at £800,000,000 per annum. The income of British India has been guessed at £300,000,000 per annum. That gives well on to £30 per annum as the income of every person in the United Kingdom, and only £2 per annum as the income of every person in British India. Even our comparative wealth will be looked back upon by future ages as a state of semi-barbarism. But what are we to say of the state of India? How many generations must pass away before that country has arrived at even the comparative wealth of this; and how long will it be before the rulers of India can feel that they can in an emergency very largely increase the taxation? No; I am afraid we must make up our minds in India to have as much to do with our money as we can well manage. The bright side of Indian affairs will not, I fear, in any time to which we can look forward be the purely financial one. But as long as we keep our debt within moderate limits, so as to make it absolutely certain that we can always keep faith with the public creditor, and so long as we are conscious that every year's end shows a steady advance in the civilization and well-being of the country, we must be content, I fear, to remain, as a Government, very far from rich. As I said last autumn, the Indian financier must make up his mind for many a long day to sail between Scylla and Charybdis—the Scylla of doing too little by public works and improved administration for a country, the physical and moral conditions of which require great expenditure on public works, and an administration which must be progressively costly as civilized supersede semi-barbarous ideas of polity—the Charybdis of too large a debt, damaged credit, and financial embarrassment.

Prospective
alleviation of
certain
burdens.

I am not forgetting the various alleviations of our burdens to which I have alluded in former Statements; the

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fact that our debt is relatively small; the fact that we shall get rid in 1874 of a charge of about £430,000 a year on account of East India Stock; the fact that the receipts from the railways will gradually improve; the probability that the sale of waste lands will slowly grow larger; the certain, though far from rapid, increase of our land revenue; and the not unnatural expectation that the improved material prosperity of the country will enable it to consume more taxed articles; I am not, I say, forgetting these things, but, nevertheless, I should think that I was doing very wrong if I left on the mind of the Committee the impression that I thought our pecuniary prospects were *couleur de rose*. If, however, we look away from the mere bare question of our annual balance sheet—the question whether we have, or are likely to have, a wide margin of yearly income over yearly expenditure,—and ask whether in the immediate past India has not been prospering and rapidly improving, if perhaps just a little too rapidly for her purse, the answer must be a most agreeable one.

For more than two years we have had profound peace. Since the conclusion of the Frontier Campaign in 1868, hardly a shot fired in anger can be said to have awakened the echoes of even the wild North-West, and the very last news which I have seen from that quarter—a letter written on Christmas Day by Sir Henry Durand, the distinguished Lieutenant Governor of the Punjab, who met his death in so melancholy a way—was to the effect that one of the most intractable of the intractable tribes who look down upon our frontier posts from their crag castles beyond the Indus, had been showing a very marked desire for the elements of education—the three R's at least. There has been a little uncasiness at the opposite side of the Peninsula, where our people have had some annoyance from the Looshais, who form one section of that great company of barbarians who fill up the angle between our Province of Assam and the dominions of the King of Burmah, and amongst whom there have lately been many symptoms of disquiet, the causes of which are by no means clear. Everywhere, however, except on the very uttermost fringe and outside edge of our possessions, there has been deep quiet, a fact which should not, however, be allowed for a moment to make us forget that, in that mighty Continent which we call India, there are many elements of unrest. The agitations that have disturbed several of the countries which fall within what may be called the influence of India's political attraction have not required anything more on our part than an attitude of

Present political condition of India.

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friendly but absolutely passive observation. The Coast of Oman has been the scene of a prolonged conflict, but the peace of the Persian Gulf has not been disturbed; and the civil conflict in Afghanistan has had no direct result upon us, except to postpone the lending of our assistance to the Persian and Afghan Governments in arriving at a friendly and permanent understanding about certain disputed questions of boundary.

Progress of
Public Works.

I will say nothing as to what we are doing with regard to public works, irrigation, state railways, and so forth, because, the year being incomplete, I have no figures which I can properly lay before the House later than those to which I referred in my Financial Statement of the 5th of August, 1870, and to those contained in Mr. Danvers's Railway Report, which was circulated towards the end of last Session; but they have been progressing as rapidly as circumstances would permit. It is well known to the Committee that the present Viceroy has a very keen and strong interest in all matters of this kind. I may add, with reference to a caution that fell from the right hon. Baronet the Member for North Devon (Sir Stafford Northcote) in 1869, that the attention which is being given to railways and irrigation is not making us forget the importance of harbours, and that, especially at Kurrachee, and in the Hooghly, much good work has been lately done.

Absence of
physical dis-
asters in last
two years.

In one respect fortune has conspicuously favoured us of late, for we have not, during the last two years, suffered from any of those sudden and overpowering physical disasters which so often confound human sagacity in India. Bad seasons there have been, as I have had occasion already to mention, but nothing sudden and overpowering, like the Orissa drought, or the cyclones and inundations of some former years. Against calamities of that sort man is powerless, at least, in the present state of his knowledge; but we are doing what we can to fight against preventible calamities—witness the very remarkable monograph upon cholera which has recently been published under the authority of the Government of India. Nor are there wanting agreeable indications that our efforts in the direction of sanitary reform are beginning to find favour with the Native mind. An opinion has lately been given, by very high Brahminical authority, in favour of using the water supplied to Calcutta by European agency, a fact which has been described, not unjustly, I think, in an Indian newspaper, as a real social victory.

Scientific sur-
veys.

The Trigonometrical Survey, the Topographical Survey, and the Geological Survey are progressing satisfactorily,

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and extending the network of our knowledge all over the peninsula.

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Some want of organization having been observable in the efforts to preserve and to describe the architectural treasures of India which were set on foot in 1867, we have sent out, at the request of the Government of India, one of the most distinguished of Asiatic archæologists, General Cunningham, to give to the Archæological Survey that definitiveness of aim and regularity of procedure which seemed to be wanting; and a cognate duty, with regard to the preparation of a complete Gazetteer of India, has been intrusted to Dr. Hunter, whose book on the *Annals of Rural Bengal* attracted so much and such deserved attention two or three years ago.

Archæological
survey.

The lamented death of Mr. Hayward, on his way to explore the Pamir Steppe, has excited great indignation and pity throughout India. Mr. Forsyth, a Government officer sent by Lord Mayo to the Court of the Ataligh-Gazee, the stronghanded Chief who rules in Eastern Turkestan, met with but moderate success in his diplomatic capacity—the ruler whom he sought being far away from his capital, warring in the north. Still Mr. Forsyth brought back a certain amount of commercial and other information, which will not be without its uses. In another part of our frontier we are anxiously looking for the day when it may be possible to re-establish a friendly commercial intercourse with Thibet, which has been too long interrupted by irrational jealousies. Still further, on the extreme north of Burmah, we are trying to foster into renewed existence the old traffic between South-Western China and the sea-board, to which an end was put, some years ago, by the Mussulman insurrection in Yunnan.

Intercourse
with Frontier
States.

The Franco-Prussian War has interrupted the training of our forest students at Nancy, but there is every reason to hope that the interruption will not continue long after the conclusion of peace.

Training in
Forestry.

We have not yet succeeded in getting a satisfactory machine for working up the Rhea fibre, to which I alluded last August, and the time for sending in machines on trial has been extended.

Machine for
Rhea fibre.

We have sent out six more cotton gardeners, and are enlarging the area of our experiments in the production of this most important article.

Experiments
in Cotton.

The sudden death of the distinguished Indian botanist, Dr. Thomas Anderson, has not prevented our continuing the arrangements, of which he had charge, for naturalizing the

Cultivation
of *Ipomoea*.

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Production of silk.	We are not unmindful of the hints which we have received from my hon. Friend the Member for Macclesfield, and others, about silk, to which the Madras Government has of late been giving special attention.
Encourage- ment of English salt- manufacture of salt at Sambhur Lake.	As little have we failed to play into the hands of my hon. Friend the Member for Stockport, who wants his constituents to have facilities for giving English salt a fair chance of competing with the cheap salts of Madras and Bombay; and we are not without hope that we shall make a reasonable profit, as well as confer great benefits upon the neighbouring districts, by the manufacture of salt at the Sambhur Lake, which has been leased to us by the Princes of Jeypore and Jodhpore.
New Department of Revenue, Agriculture and Commerce.	I had hoped to have been able to announce that the new Department of Revenue, Agriculture and Commerce, had begun its work, but the arrangements are not yet quite completed. The creation, however, of such a Department has been sanctioned by the Secretary of State in Council, and only matters of detail remain unsettled.
Influence of Franco- Prussian War.	It seemed that the great war which has been raging in Europe was going to exercise a very unfavourable influence upon our trade; but the fears at first entertained have turned out to be exaggerated, though not unfounded. In a very excitable population, like that with which we have to deal in many parts of India, the occurrence of such a world-catastrophe as we have been witnessing of late must, of course, cause a great deal of what I may call political feverishness, and there have been rumours and speculations, without end, in the bazaars; but nothing has occurred in any way to excite uneasiness, and the scare at Allahabad, which was telegraphed to Europe in the autumn, and produced some momentary surprise and discomfort, turned out to be the offspring of mere delusion.
Political relations.	Our relations with all the Princes of India, and all the independent States around and near our borders, are perfectly friendly.
Administra- tion of justice.	The administration of justice is steadily improving throughout the country, and there is no department of affairs for which intelligent Natives seem to show more aptitude than for this. Of these intelligent Natives more and more are coming to this country; a few to compete, sometimes successfully, at the examinations for the coveted Civil Service, the majority to qualify for various profes-

It is to be hoped that the death of the two Natives of India of the highest rank who ever left their country for Europe—the Rajah of Kuppoothulla, on his way hither, and the Rajah of Kholapore, who was present and took a most intelligent interest when we last discussed Indian affairs in this House, but who died on his return journey—may not prevent the resort to England of many persons whose names are as closely connected as theirs with the history of India. I am sure if they are as amiable and as sensible as the Rajah of Kholapore, whom many of us came to know, they will be welcome from considerations altogether independent of political expediency.

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Death of Rajahs of Kuppoothulla and Kholapore.

The extension of education amongst the higher and middle classes shows increasingly satisfactory results, and the Government has been giving very special attention of late to extending the facilities for elementary education—that potent engine for the working out of all good as well in the East, as in the West. It is probably known to some hon. Members that India is to contribute her share to the Exhibition, which is to be opened in the month of May, at South Kensington, and, I think, that there can be little doubt, that if the local authorities act in the spirit of the very sensible Memorandum which has been circulated by the Home Office at Calcutta, the educational part of that Exhibition will be more instructive than many Blue Books—

Education.

“Competition with other countries in educational appliances is,” it has been truly said, “not our object. To this we cannot hope to attain; but we can offer an illustration of a rise and progress in education such as no other country can offer; an illustration of the task which a European Government has to perform when, with limited resources, and in opposition to deep-rooted prejudices and irrational suspicion, it attempts to introduce and carry out over an enormous area, containing a vast variety of nations and tribes speaking languages or dialects, many of which have hardly yet been systematised in writing, those views upon popular education which have guided the civilized countries of Europe and America.”

India is also to send many contributions to the part of the Exhibition which is to be devoted to the illustration of what the world can now do in textile fabrics, and various other branches of manufacture. And in connection with this, I will venture to ask, whether it would not be extremely desirable, alike for the encouragement of manufactures in India, and for the education of taste at home, if some systematic attempt were made by persons of capital in this country to open in London a depôt, on something like an adequate scale, for the sale of the artistic products of our Eastern Empire? Any one who will visit the Museum at

Contribution to Exhibition at South Kensington.

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the India Office, wretchedly accommodated as it is, will go away wondering why in this metropolis, which is in close communication with all parts of India, it should be impossible to purchase almost any of the beautiful works with which those rooms are filled. It seems to me a very real evil, because I am convinced that, if society in this country could have the picturesque side of India forced upon its notice, the name of that country would cease to exercise upon all sorts and conditions of men here, not directly connected with it, that narcotic spell with which we are but too familiar.

Even the exaggerated ideas about the wealth of India, which used to prevail in England, and which still linger in France, were not without their advantages; they struck the popular mind and attracted attention to it, by investing it with a halo of romance. We know that these were dreams; but we also know that if India is not as rich in gold and gems as was believed, if her soil taken as a whole is not equal in fertility to that of England, yet that the patient application of science to the cultivation of that soil, and a minute investigation of its products, organic and inorganic, will illustrate the old story of the field beneath which a treasure was said to be hid, and will make India, if India remains peaceful and progressive, one of the most important factors in the prosperity of mankind. We know that the investigation into the history of the most venerable of her languages has been important not only from the actual addition it has made to human knowledge, but as putting into the hands of the student a key for the unlocking of a thousand secrets in the history of religion, of philosophy, and of society. We know that if we can once thoroughly penetrate India with all that is best in European civilization, it will not be India alone, but the whole of Asia, or at least the whole of Asia south of the great central ranges of the Continent, that will be benefited; and that when we ask our people to take an interest in India, we are asking them to take an interest in something much wider and deeper than the mere fortunes of a British dependency. I cannot help thinking that if the public mind were once thoroughly possessed of the idea that, in addition to being a great European, a great African, a great American, a great Australian, and a great Oceanic power, we are incomparably the greatest Asiatic power, we should get rid of that foolish self-consciousness which makes us perpetually fuss about what we are pleased to call our prestige and our position, and should make up our minds simply to do our duty as a cosmopolitan power according to our lights. I beg, Sir, to move the Resolution which I have placed in your hands.

M. C. C. F. 2

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Resolution.

Motion made, and Question proposed,

"That it appears by the Accounts laid before this House that the total Revenue of India for the year ending the 31st day of March 1870 was £50,901,081; the total of the direct claims upon the Revenue, including charges of collection and cost of Salt and Opium, was £9,230,823; the charges in India, including Interest on Debt, and Public Works ordinary, were £32,293,859; the value of Stores supplied from England was £1,379,052; the charges in England were £6,331,614; the Guaranteed Interest on the Capital of Railway and other Companies, in India and in England, deducting net Traffic Receipts, was £1,547,064, making a total charge for the same year of £50,782,412; and there was an excess of Income over Expenditure in that year amounting to £118,669; that the charge for Public Works extraordinary was £2,599,614, and that including that charge the excess of Expenditure over Income was £2,480,945."

MR. STEPHEN CAVE said, the hon. Gentleman had made, as on a former occasion, a very clear, able, and comprehensive Statement on a very difficult and intricate subject. He regretted very much that his right hon. Friend the former Secretary of State for India (Sir Stafford Northcote), owing to his absence, as the House knew, on an important mission, could not give the Committee the result of his great experience, for he felt how far less worthy of attention would be the few remarks he should endeavour to make than those which would have fallen from him. The Committee discussed an Indian Budget under great disadvantages, because, while the statement of the Minister embraced three years, hon. Members only had the opportunity of considering one of these with the requisite information before them. Taking the last three years of which they had a precise account, it seemed to him that the Revenues of India were, on the average, nearly stationary, while the Expenditure was steadily advancing. The year 1869-70, the subject of the Resolution now before them, showed rather a better account than the two years immediately preceding; but it contained the seeds of increased annual expenditure in charges for guaranteed railways, and in interest on loans for reproductive works constructed by the Government, and at the same time relied too much on the apparently diminishing and questionable opium revenue, while the receipts from excise, customs, and stamps, as well as those from land, appeared to rise but little in proportion. No one, he imagined, would consider this a satisfactory condition—ordinarily a serious deficit, nearly £2,000,000 a year for three years; sometimes a small surplus—so small, that a very trifling mishap or miscalculation would suffice to throw the balance on the wrong side. The telegraphic Budget which had just been placed in their hands, showed, it was true, a larger surplus. He hoped it might be so; but they had heard occasionally of

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State of Fin-
ances.*Mr. Stephen Cave.*

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Question
whether ex-
penditure can
be reduced.

amended Budgets, and in this case also the hon. Gentleman had used the ominous phrase, that opium had come to the rescue. Surely this was not a result on which the Minister could congratulate himself, or which could be satisfactory to the people of this country, who, in addition to the general interest they must feel in so magnificent a dependency, were becoming more and more personally interested in the prosperity of India on account of the capital which flowed from them for the construction of her public works. Was there any hope of inaugurating a more prosperous era? He need hardly say that this could only be done in two ways—either by reducing the Expenditure or by increasing the Revenue. Could the Expenditure be reduced? It was generally allowed that this could not easily be effected. True, it might be that here and there charges might be cut down for what might appear to economical reformers to be unnecessary pomp and ceremony. But all people did not see with our eyes, and we were told on excellent authority that it would be unwise and impolitic to bring down our establishments in India to Spartan simplicity. The army was enormously expensive; but an Army so situated must be costly. We heard indirectly of reductions in the artillery. He hoped this arm might not be reduced so far as to be inconsistent with safety. It might be that some reduction was possible in the Madras Presidency. But, as the Navy was scarcely powerful enough, no material diminution could be looked for in the charge for defence. The other items were by no means excessive, and that for the collection of the Revenue—about 10 per cent.—was moderate. Perhaps he might except the charges for stores supplied by this country, according to requisitions. Some experience as a West India proprietor convinced him that the object of those who made out such lists was to ask for at least enough; and, though the hon. Gentleman might say, and say truly, that these items were carefully examined and some even disallowed, he (Mr. S. Cave) had gone through that ceremony in West India accounts, and generally found that those articles which he struck out were discovered afterwards to be absolutely necessary, and were purchased at a much higher price on the spot. He did not know how the guarantee fund to be paid in 1874 was invested. [An hon. MEMBER: In Consols.] But it had been proposed to lend it to Indian railway companies, and so to obtain a higher interest. There was one way, indeed, in which a diminution might be made in the present charge. The small surplus of the year 1869-70 was obtained by carrying to capital account the expenses of extraordi-

Mr. Stephen Cave

nary public works—that was, of reproductive works—of irrigation, railways, &c. To this no one could object. But there was no reason on principle why such charges as that for barracks should not be spread over a series of years. These were permanent works, designed to last for many years. They were works like stations, which would be placed to capital by auditors of a railway without hesitation, or like the fortifications which we had been paying for by loans. He said, then, that there was no reason, on principle, why this course should not be taken; but they were told that the credit of India would suffer if we borrowed so freely. That was a valid argument. The credit of England did not assist that of her dependencies, except in a few rare instances. He thought indeed that those instances might be extended with care and judgment, and that one of the most legitimate and safest ways of assisting rising colonies was to enable them to borrow money for reproductive purposes at a cheaper rate by endorsing their bills. But until this was done he could not advocate straining the credit of India by borrowing for non-reproductive works, especially as we were told that these barracks, constructed at so enormous a cost, were eminently unfit for their purposes—repetitions, probably, of the costly mistakes in the West Indies, where the barracks used generally to be built in the most unhealthy situations, one of which, now abandoned, he was told, was constructed of bricks from England, carried up mountain-paths on mules' backs, and costing 1s. 6d. each before they arrived at their destination.

If, then, there could be no material reduction of Expenditure, what prospect was there of raising a larger Revenue? Take first the customs—export and import duties, both of which were, or ought to be, regulated by circumstances over which the financier had no control. Export duties were usually the most impolitic of taxes, as, unless the country had an entire monopoly of the article, the price was not increased by the duty, which, therefore, fell upon the producer. In India this was essentially the case, as the largest amount of export duty was levied on grain, especially on rice, and it was evident that this commodity must go into the markets of the world unduly weighted. He should rejoice to see the abolition of the export duties, or their reduction to a mere registration fee. No increase on that head could be expected or desired. Could the import duties be increased? He was not one of those who had any great objection on principle to tax the necessaries of life. It could not be avoided in many instances. If a man used

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Charges for barracks spread over a number of years.

Question whether revenue can be increased.

Export duties.

Import duties.

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necessaries only, and could not be taxed directly, you were unable to touch him in any other way. He (Mr. S. Cave) should have to enlarge a little on this presently. Nor was he much influenced by what was called the Manchester School, who thought that the end and aim of finance was to get Manchester goods into every country of the world duty free. His idea was that an import tax was a good tax, so long as it did not materially impede imports. But there were two incidents to this tax in India which must not be lost sight of. Cotton goods paid the largest share of the duties, though by no means heavily assessed. In the first place; these imported goods competed with home manufactures, and, without a countervailing excise duty, the competition was unequal. Secondly, the duty, supposing it paid by consumers, was a tax which fell upon the poor, as the upper classes wore habitually the higher priced home-made fabrics. It was possible that a slight addition to the customs duties might not materially affect imports, but he did not expect that a very large increase could be obtained; and, though the revenue derived from these, together with other taxes, had been more elastic since the Mutiny, the increase had not been great for a population of 150,000,000. There were, indeed, articles such as tobacco and sugar, the latter of which, if not the former, India had begun to import, as well as to grow at home, a moderate customs and excise duty on which might bring in a fair return, and would press very lightly on the consumer. So much for customs duties properly so-called. He now came to that very peculiar, very profitable, and very much abused source of revenue, the opium duty. He need not recapitulate the many arguments they had heard, and would hear again on that subject; but if it were in Bengal, as in other parts of India, a mere tax, a transit or export duty, it might be susceptible of the same excuse that the present First Lord of the Treasury, he thought, made for the spirit duty in the United Kingdom—namely, that we could not be said to foster it when we put upon it as heavy a duty as it would bear without encouraging smuggling. He did not know how the right hon. Gentleman would have felt, when Chancellor of Exchequer, if his well-meant efforts to discourage the consumption of spirits had been entirely successful. But unfortunately, in Bengal, opium was a Government monopoly. Government not only taxed it, but they grew, manufactured, and sold it. Tobacco was a Government monopoly in many countries. The Chancellor of the Exchequer had proposed to make life assurance a Government monopoly.

Mr. Stephen Cave.

here; but he did not know what the hon. Member for Carlisle (Sir Wilfrid Lawson) would say if it were proposed to raise some millions in the United Kingdom by a Government distillery. This opium revenue had an ugly look in more ways than one, for we charged so highly for the drug that we had fostered its growth not only in China, where at present it had found no such suitable soil, but in Persia, where he understood it was nearly as good as in India; so that we might possibly lose this source of revenue without having the credit of giving it up for conscience' sake. Then came salt, which was taxed at rates varying from 500 to 2,500 per cent. on prime cost in different parts of India. That had been regarded by many as not dependent on price, subject to few fluctuations—in fact, a kind of poll tax, rising with increase of population. Unfortunately, famine had destroyed vast numbers who paid this tax; but, more than this, a casual scarcity in the Government salt stores in Bengal had proved that a large portion of the inhabitants of India, when an article arrived at a certain price, did without it, and in that way entirely upset the calculations of the Finance Minister. He had said nothing about the income tax, in respect of which opinions so widely differed. It was at present very high, and without it the telegraphic Budget would have presented a less favourable result. With the exception of great merchants, such as the Parsees, whose wealth was well known, though not more than their liberality, the money incomes of Natives was not generally very large. They had the apparent wealth of servants, horses, and magnificent attire; but we are told that the jewels on Oriental dresses and arms were not very valuable, being of the kind called "Lasque" diamonds, and that a very superb show might be made at a comparatively small cost. To say that the income tax was unpopular in India was no very strong argument. It was unpopular everywhere. But we must not forget that of all people the Indians were most suspicious of novelty. He believed they would prefer the doubling of an old tax to the imposition of a new one.

This brought him to the mode in which he ventured to ask, with great deference, whether the deficiencies in the Revenue might not be supplied. There were three conditions of national existence, to each of which, as it seemed to him, a different plan of taxation was applicable. The first was that like our own, in which the people were settled and stationary, having much fixed property and many artificial wants. In the case of such a population direct taxation might well be applied to property, and indirect taxation to luxuries.

Mr. Stephen Cure.

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Salt duty.

Income Tax.

Question of
mode of sup-
plying defi-
ciency of reve-
nue.

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Secondly, there was the newly-settled country in which the people were sparse and migratory, and though well to do and not in the habit of denying themselves, were impatient of taxation and difficult to reach. Indirect taxation, and on the necessaries as well as the luxuries of life, was the only method which paid the cost of collection in such countries; and he had always thought it most unfair that we should first call upon Canada to incur large outlay in self-defence, and then raise an outcry against her for obtaining the ways and means by almost the only method available for her. Thirdly, there was a class of people, like the Natives of India, who, owing to climate and habits, had few wants and little accumulated property. He spoke now of the masses, who, when prices rose, did without almost all the necessaries of life, as had been shown in the case of sugar, when the price in Europe had made it worth exporting. Upon such a class a hold could only be obtained in two ways—their persons and their land. In the Native States of India this had been recognized, and acted upon from time immemorial. There the bulk of the Revenue sprang from two sources. First, the land, in customary rents—namely, the portion of rent reserved for the State—and various local rates—cesses as they were called in India as in Ireland—secondly, from a sort of protection or poll tax, that which a man paid for the protection of the State. “Skin for skin, all that a man hath will he give for his life,” had frequently been the maxim of the Native Princes; and they had made it the excuse for the most grinding extortion and oppression. Mehemet Ali, in Egypt, justified his exactions in another way. He said that if he allowed the Fellaheen to have two shirts it would be impossible for him to govern them. That was not our policy; but he ventured to ask whether a way out of our difficulty might not be found in these two directions. A poll tax was the only tax for a naked man, who would live upon almost nothing, and he believed it would be found less objectionable and oppressive than the salt tax. Lord Grey, as was mentioned in a former debate, was in favour of taxing articles most used by negroes in the West Indies; but he was dealing with a people who, though adverse to work, would rather work than do without what they were accustomed to. The mention of the West Indies reminded him that the emigration of Indians to those Colonies, as well as the increase of public works in India, had caused so great a rise in wages in India that the labourer was far better off, and more able to pay, than in former times. With regard to land, he should doubtless be met by

Land rent.

Poll tax.

M. Stephen G. C.

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 afterward 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 Jubbulpore 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.

And now, although he had detained hon. Members too long, he should like to say one word on this Committee, which was to inquire into Indian affairs. He doubted its doing much good, though it might do great mischief. But he was thankful it was not to be a Commission sent to obtain information in the country itself. Persons who talked of sending Commissioners to India, as if they were to inquire into Scotch Fisheries or English Factory Acts, little knew what they were talking of. It was said that the Saxons in Ireland, after all our attempts at conciliation, were merely encamped in an enemy's country. If that were so, what must it be with the handful of English in India? Looking

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Local rates.

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Indian affairs.

Mr. Stephen Cave.

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to the difference of national character, which made conspiracy which was almost impossible to Ireland easy in India, we might well say of our countrymen there that they are on a slumbering volcano.

“Incedunt per ignes

Suppositos cineri doloso.”

What mischief such a Commission might do by exciting vague hopes or fears among excitable Southern races might be imagined from the effect which the late most ill-judged roving Commission, sent out on most inadequate grounds by the Colonial Office to British Guiana, had exercised, and would for some time longer exercise upon the coloured population. Then, what would be the composition of such a Commission? Possibly, old Indians, who would be quite able to draw up their Report without leaving the country; or men of books and theories, who would not stay long enough to realize their own ignorance. He remembered once going to look after some family property in the West Indies. He read everything that had been written on the subject, and went out to set everybody right, fully convinced that he knew their business better than men who had been engaged in it all their lives. It was not till he had been six months in the country that he began to find out how little he really knew. How little one knew of the inner life and real feeling of the working classes immediately around us; aye, without even excepting those who claimed specially to represent them. He had heard a distinguished Indian official acknowledge this with respect to the inhabitants of India—a man whose life had been spent among them, who could speak to them in their own language, and even, as he expressed himself, knew when they meant what they said and when they did not. It behoved us to beware of expressing doubts or hesitation. A vigorous government was far preferable to a much better government weakly administered. Revolutions had usually been in the reigns of good and weak, not of bad and vigorous rulers. A Governor General, even an able and energetic one like the present, had great difficulties to contend with—difficulties within his own Council, which was not so manageable as a Cabinet, though that was said to be not always a happy family; difficulties from conflicting interests and contending races; difficulties from the Press. All these, not unknown here, had to be encountered in an exaggerated form in India. A Committee would be apt to act on the notion that English ideas and English institutions were like a general fitting saddle, good for any country. But even in these days of telegraphs

M. S. J. C. C.

India must be governed in India. Mistakes must be corrected there, not at home. With a people, or rather peoples, of that kind, want of authority would be fatal, not only to good government, but to the very existence of our magnificent and dearly-bought Indian Empire.

Mr. W. FOWLER said, he agreed with the right hon. Gentleman who had just sat down (Mr. S. Cave) that this Statement would be far from satisfactory. In the first place, there was a supposed increase of the opium revenue; and, in the next place, a large decrease in the expenditure on public works. If hon. Members would turn to the figures they would find that the decrease in the expenditure on public works for 1870-1 was £1,000,000 as compared with the actual expenditure in 1869-70; and there was also a decrease in the expenditure on public works extraordinary amounting to nearly another £1,000,000. Now, it appeared to him that it was a very serious thing for the Government to commence so rapid a diminution in the expenditure on public works in India. He had read over and over again, on the authority of the very highest Indian officials, that the need of public works in that country was now as great as ever; that what had been done was comparatively nothing to what was required; and that over very large tracts there was a great deficiency of roads, bridges, embankments, and every other kind of the most necessary works. If that were so, he could not congratulate the hon. Gentleman (Mr. Grant Duff) on the decrease of expenditure this year under that head. While on this subject he begged to say a few words on a question of principle to which the hon. Gentleman had alluded with special reference to himself. He must say he held that if a public work was of a permanent character and was really useful to the community it ought not to be paid for out of revenue, but out of local taxation. In this country we should not dream of making a drain across a street without borrowing the money, because we were in the habit of proceeding on this principle—that those who came after us should share in the burden. In dealing with India we adopted a totally different principle. The hon. Gentleman had said that we did not find the result we might have expected from the money spent in India. Well, that would be an argument against making the expenditure out of revenue, for it would go to show that these works should not be constructed, as not being certain to be productive. Over and over again we had been told that the Indian Budget showed a constant deficit; but that had arisen of late years simply from this item of public works. The

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Mr. W.
Fowler.

Diminished
expenditure
on Public
Works.

Public Works
the cause of
deficits.

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Payment for
Public Works
out of borrow-
ed money and
not out of
revenue.

figures were very remarkable. In 1867-8, independent of the expenditure on public works ordinary, there was an actual surplus of £4,873,000. In 1868-9 the surplus was £3,809,000; and in the last year there would be a surplus of just about £3,000,000. Now, it puzzled him exceedingly to know why the poor people of India should have to pay additional imposts—an additional salt tax and an increased income tax, for instance—required to meet an increasing expenditure on public works. If a public work was paid for out of revenue it must be carried on in the most extravagant manner, because it would be constantly stopped in the middle for want of funds, and the works discontinued could not be resumed except at an additional expense. Take, for example, the works on the Godavery, which had been so much talked of in that House, and had almost become a by-word. He knew that a telegram had been sent out to stop those works in the middle, the men were all dismissed, and the whole affair had cost half as much again as it would have done had it been pushed on quickly. On the other hand, if the money were borrowed and the work proceeded with with all possible rapidity, he ventured to say that one-third of the cost incurred by doing it in dribblets would have been saved. This was the course adopted in the construction of railways in this country, and he had yet to learn what difference there was in this respect between railways and public works so called. It had been said that those works were not directly remunerative; but a good road was as directly remunerative in its degree to the community as any work that could possibly be made; it was in its degree as remunerative as a railway, even if no toll was got out of it. So again with regard to military buildings, which formed a very large item in what was described as public works ordinary. It was of the highest importance that the lives of the troops should not be thrown away from being in bad buildings, and, therefore, to provide good barracks was a most remunerative expenditure. But he had been told that the barracks in India were badly built; but that only showed that in paying for works out of revenue there was no security against improper expenditure. The fact was it discouraged a good officer and made him feel that he would not get full supplies for his work, while it did not make the lazy man diligent. He had been exceedingly struck by a speech made last summer by Sir Bartle Frere, who was admitted to be a man of high authority in these matters, in which he said that in the Public Works Department of India the best man was not he who would forward works, but he who

would check them. It was perfectly true that great caution was required as to the amount laid out in public works, just as in England in 1847 we laid out far more than the country could afford. That was a matter of judgment and discretion; but if they expect to find in paying out of revenue a security against extravagant expenditure, the check would prove utterly illusory. One or two other things in the Budget had struck him. He maintained the opinion he had expressed a year ago with regard to the opium revenue. They had been told that it was an extremely uncertain revenue; he believed it to be most unsatisfactory. The right hon. Gentleman opposite had said, with great justice, that it was like a revenue derived by the Government from an enormous distillery carried on at the public expense. But such a thing would not be tolerated for a moment; and yet we talked of the opium revenue as perfectly innocent, and very few Members lifted up their voices against it. In his opinion, it was an immoral thing for a Government to have a hand in, and the sooner they get rid of it the better. He was told last year it was a matter of dispute whether it was or was not injurious to the people of China. He was persuaded that it was injurious, and he felt that our conduct in this matter had not been marked by the high principle which ought to be expected from a nation as civilized and advanced as our own. The expenditure on the Army had also been referred to, and certainly it was very great. He would call the attention of his hon. Friend to an opinion expressed on this point by Sir Charles Trevelyan a few months ago—that almost the whole cost of the Army of Madras was a sheer waste of money. Now, if he mistook not, the cost of that Army was nearly £3,000,000, and therefore he would recommend to the hon. Gentleman to see whether there was not a possibility of some economy with respect to it. Looking to all the circumstances, he considered the appointment of a Committee on Indian Finance as a very satisfactory proceeding on the part of the Government, which he was sure would go into the inquiry in a business-like manner. In his opinion, it was high time that the whole question should be thoroughly investigated, because he was one of those who believed that the danger of India was the danger of England. It was perfectly true that the House of Commons was not responsible for the debt of India. For the money which was invested there the people of this country got Indian security and nothing more; but he felt assured that if we were likely to lose India, the public would demand that English credit should be pledged in order to

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of Opium
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save her. Anything, therefore, which endangered her position was of great importance to every taxpayer in England, and a question of greater moment could not, therefore, be brought under the notice of a Committee. The right hon. Gentleman who had just spoken (Mr. S. Cave) had used a very serious expression when he said the English population in India were living on a volcano. That he hoped was an exaggeration; but certainly there were enormous dangers arising out of the peculiar prejudices and ideas of the people of that Empire; and living as we did in ignorance of those prejudices, there were, perhaps, many dangers the extent of which we failed to appreciate. If, then, by means of the proposed Committee, we could convince the people of India that we wished to treat them with perfect justice, and to avoid unequal taxation, we might win them to a more thorough devotion to our rule, and thereby confer a great benefit on the whole Empire.

Sir C.
Wingfield.

SIR CHARLES WINGFIELD said, that if the Indian Budget was henceforth to be laid before Parliament in the month of February, the Indian year of account must be made to agree with the calendar year. The Financial Statement of the Minister for India, in which he reviewed the results of the last year and stated the Estimates for the next, was the occasion on which the only debate of interest as to the internal conditions of the Indian Empire arose in that House. But upon the present occasion, owing to the desire of the Government to make that Statement at an early period of the Session, they were without either of those necessary items of information. In fact, the only difference between what they knew now and what they knew in August last was that they now had the actual instead of the estimated results of 1869-70, and a revised Estimate of 1870-1. It was said that they could not adopt the calendar year, because it would not fit in with the land revenue accounts. He did not agree with that. The land tax in India was fixed for a term of years or perhaps in perpetuity, and the amount was therefore known; the instalments were payable at variable periods in different parts of India. If the calendar year were adopted as the Indian year of account, it would only affect the first year's reckoning; after that the year's land revenue would fall into the year of account. The very same inconvenience had been got over without difficulty a few years ago, when the 31st of March was adopted as the close of the year of accounts instead of the 30th of April; and there was no greater difficulty in putting back the year three months than one. If that were

Accounts to
close of
calendar year.

See Charles Wingfield's

done, the Indian accounts could be laid before the House with the Financial Statement and the Estimate of the current year in February. The hon. 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 1870-1 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 it 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

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Decentraliza-
tion of finan-
ces.

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tion.

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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. Despots 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, the share in the rental of land. The hon. Gentleman (Mr. Grant Duff) remarked last Session that representative institutions were not yet 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. The hon. Gentleman attributed the unpopularity of the income tax to the oppression of unscrupulous Native collectors. But that was the fault of the Government. From ill-judged economy they would not allow an efficient special establishment for the collection of the tax, and the duty was devolved on the overworked collectors and their deputies, and these were

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Representative councils for purposes of taxation.

Unpopularity of Income Tax.

Sir Charles Wingfield.

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Alleged
interference
of Secretary
of State with
Indian
Government.

obliged to leave it to underpaid Native assessors, who extorted money from the poor and ignorant classes under threats of assessing them for large sums, and distraining their property in default, while many landlords recouped themselves the amount of the tax from their tenants. He (Sir Charles Wingfield) hoped his remarks would not be understood as made in a spirit adverse to the Home Government. On the contrary, he attached the highest value to the Government by a Secretary of State in Council. He knew that complaints had been made of undue interference with the Governor General on the part of the Secretary of State. He did not sympathize with those complaints at all; so far from it, he considered that in every case that had come to his knowledge, where the Secretary of State had modified or annulled the acts of the Governor General, his interference had been exercised for the public advantage. For instance, Lord Halifax had overruled a law making failure in a contract to deliver agricultural produce a criminal offence; and the present Secretary of State had disallowed two laws, one introducing the metric system, and the other the Contagious Diseases (Women) Act. It was most fortunate that there was an authority in this country to prevent the consequences of such empirical and *doctrinaire* legislation. It was worthy of notice, too, that this complaint of undue interference was never made by the people of India, who highly appreciated the controlling authority of the Secretary of State. And, when Lord Halifax resigned office, he received addresses from the Native inhabitants of all Presidency towns, thanking him for the care and protection he had extended to their interests. The right hon. Member for Shoreham (Mr. S. Cave) laid it down as a profound political maxim, that India must be governed in India. If that merely meant that the initiative should rest with the Governor General, he (Sir Charles Wingfield) had no objection; but if it meant that the proceedings of the Governor General were not to be subjected to watchful supervision and control by the Secretary of State, he entirely dissented from it. He could conceive no greater danger to our Empire in India than that the impression should prevail among the people that the Governor General must be supported at all hazards, and that there was no remedy against hasty and unjust measures. He was convinced that the decision of the late Secretary of State (Sir Stafford Northcote), restoring the kingdom of Mysore to its Native Prince, after repeated misdeeds by former Secretaries of State, had done more to inspire confidence in the Home Government, and to unite the Indian

of India by the bonds of attachment to this country, than all the money they had spent on railways and canals had accomplished. The truth was that this maxim was first laid down at a time when there were no railways, no telegraphs, and when education was in its infancy. It was now quite antiquated. He heartily thanked the right hon. Gentleman at the head of the Government for having acceded to the request for a Committee of that House on the financial administration of India. He assured him that the announcement would be received with satisfaction and gratitude throughout India.

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MR. EASTWICK said, that, before adverting to the Statement they had just heard, he wished to express his belief that the course adopted by Government this Session with respect to India must be satisfactory to the people of India, and to all those who took a real interest in that country. He hoped that the appointment of a Select Committee to inquire into everything connected with the finance of India would go far to remove the impression—that most mistaken impression—that Parliament was really indifferent to the interest of India. The delusion would, he hoped, be further dispelled by the day for making the Indian Financial Statement having been changed from the very end to the very beginning of the Session. By a happy coincidence, although the financial year was not concluded, the alteration had not deprived the hon. Gentleman of the opportunity of making several important announcements. It might be otherwise on the next occasion, and it would, perhaps, be better, that the Statement might be more complete, to appoint a day somewhat later in the Session—say, towards the end of June—for the Indian Budget. For this time, at least, nothing could be more felicitous than the alteration; and he hoped the people of India would now be disabused of the idea that there was, or had been, any real indifference on the part of Parliament towards them, except that which was not indifference, but rather an inability to act on account of the overwhelming pressure of home business. He hoped the Anglo-Indian Press would put this matter in its true light; and would, at the same time, make the people of India understand how impossible it was for a nation that had to pay £26,000,000—much more than a third of its Revenue—for the interest of its own debt, to encourage the remittance of capital to India by way of Government loans, so as to increase the debt of that country, all of which but 9 per cent. was already owing to England. There were a number of matters in the statement they had just heard to

Mr. Eastwick.

Alleged indifference of Parliament to interest of India.

Mr. Eastwick.

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Decentraliza-
tion of
finance.

which he would like to advert. First, there was the important Resolution of December 14, 1870, on the decentralization of finance. It would be admitted that that Resolution was, at all events, a step in the right direction, because it would obviate the mistakes and delays which occurred in the mode of dealing with the representations of the local Governments with respect to the ten departments of expenditure to which it referred. Next, the sum allowed to the local Governments were stereotyped. Now, it was absurd to suppose that their wants could be stereotyped too, and would always remain represented by the exact sum of £4,688,711. Why, the wants of Bengal alone, in future years, for gaols, registration, police, education, and, above all, for roads and miscellaneous public improvements, might come to amount to that sum. How, then, was the deficiency to be made up? In his judgment, the better course would be for the Supreme Government to take such taxes as must be uniform throughout the Empire—say, customs, salt, opium, liquor tax, and a due proportion of the land revenue—and to say to the local Governments—“Take the rest, and make the best you can of them.” That would greatly increase not only their responsibility, but also their motives for economy, which, as they were told in the second paragraph of the Resolution, were now too few. He came next to the announcement made in the third paragraph of the Resolution, and which, he feared, unveiled the real reason for making these changes. It said that “existing Imperial revenues will not suffice for the growing wants of the country.” And again, in the eighth paragraph, they read that—

“The relief of the Imperial finances has been a principal object in the discussion of measures for enlarging the powers of the local Governments.”

It was quite clear, then, that the Supreme Government found itself overburthened, and was shifting its difficulties on to the subordinate Governments, which was like cutting away the trunk of a banyan tree, and leaving the immense weight of its branches to rest on the suckers. He hoped the Supreme Government would not rely on any such prop, but would take the only safe means of planting itself firmly by reducing its enormous expenditure. Now, it seemed to him that there were at hand two important means of effecting something like adequate reductions. The first, by re-establishing the local European Army for India, with long service engagements, and a very much smaller number of officers. He would not go into the question of the comparative merits of the late East India Company's European establishment. As

Re-establish-
ment of local
European
Force.

all events, they did the work required of them in conquering India, and there could be no doubt that similar regiments could perform the much easier work of retaining it. Recruits for such regiments would cost less than £40 each, whereas those for the Imperial forces cost £100. Such regiments would be sufficiently officered with 20, instead of 33 officers. Indeed, as the Native regiment, which he supposed required more leading than Englishmen, had only seven officers, he could not understand why such regiments need have even 20. Then look at the expenditure on account of the Army and military works for the last four years, ranging between £175,000,000 and £185,000,000, and judge whether the expense could be borne out of an available Revenue of only £27,000,000, which was all the Indian Government had to deal with as they pleased. Other enormous savings might be made by the reduction of the Native Army to two-thirds its present force, and by obtaining from the Native States their fair quota of the expense for defending the Empire. At present, with the revenues of only a part of India, they defrayed the expense of defending the whole. One of two things ought to be done—either those States should disband their forces and maintain order with police; or they should be made responsible for the security of the country, and we might withdraw the troops which were now kept to watch their armies. Another way of reducing the expenditure would be by the introduction of Native gentlemen of rank into the higher civil appointments. He would ask, why should they be paying £2,250,000 to mediatize Princes, and, as they had been called by a Secretary of State “titled stipendiaries,” without obtaining from them any service in return? Why should they do this when many of them were capable of rendering good service to the State, and loathe their enforced idleness? Why, he (Mr. Eastwick) received a letter a few days ago from an Indian Prince, who, for the last quarter of a century, had been spending his income at Bagdad, and had always maintained a character worthy of his high rank, and had been thanked by our Government for his voluntary and gratuitous services in the Persian War. He was most anxious to be employed in his Native country. If he were so employed his large income, which was now spent abroad, would be spent in India, and the Government would derive advantage from his abilities and his great influence among his countrymen. And, no doubt, there were many pensioned noblemen and others who would gladly be employed for a moderate, perhaps, even for a nominal, salary. He thought that, when they remembered

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Reduction of
Native Army.

Appointment
of Natives
of rank to the
higher offices.

<p>24th FEB. 1871.</p>	<p>the gloomy anticipations which existed about a year ago as to the accounts of the year 1870-1, they might be glad that the out-turn had been as good as it had proved. But the element of chance was too conspicuous in the result to make it very satisfactory. The great success had been in opium, and an opium success was one that rather sobered than intoxicated his mind. He (Mr. Eastwick) would rather turn to the progress in the Orissa Irrigation Works, which had cost £1,043,698, and were now irrigating 100,000 acres. That was a legitimate cause for satisfaction. He was glad to learn, too, from private letters, that the Native Princes were strenuously engaged in the construction of irrigation works, as, for instance, the Rajah of Ahmednagar, in the collectorate of Ahmedabad, who had lately expended about £40,000 in the construction of irrigation works, with an anticipated return of from 7 to 10 per cent. He was not going into the accounts, as he had hardly sufficient data wherewith to criticize them; but there was one point he could not forbear mentioning. He found a number of sums entered in the expenditure under the head of "Sundry Items." He had taken the trouble to add them up, and they amounted altogether to £404,379. Surely that was too large a sum to pass under such a heading, and details ought to be given. There were several matters on which he wished his hon. Friend had given them fuller information. Such was the Board of Agriculture and Commerce. He hoped that, when established, it would supply information why the agricultural produce of India was comparatively so small. Judging by the land revenue, that it might be estimated at £60,000,000, or, at most, £70,000,000, this, compared then with the agricultural produce of France or of Ireland, was in proportion very small. Another point was the small-gauge rail-roads, which, he understood, had been decided on, and one of which was to connect Mooltan with Kurrachee. Such railroads could be made very cheaply, but he apprehended that advantage would be counterbalanced by the disadvantage of having to break bulk. Lastly, he should like to hear something of the Princes and Chiefs who were drawing pensions from us. He should be glad to learn that some of them had been recommended to visit this country. The young persons among them ought, for two or three years at least, to study in this country. They would get instruction here which would be of great value to them in India. The young Rajah of Mysore, for example, ought, in his opinion, to be sent to England for a time. On all these points he should be glad if his hon. Friend could supply</p>
<p>Progress of Irrigation Works.</p>	
<p>"Sundry items."</p>	
<p>Board of Agriculture and Commerce.</p>	
<p>Small-gauge Railways.</p>	
<p>Sending Native Princes to England.</p>	

them with information. He desired once more to express his satisfaction at the course taken this Session by the Government with respect to Indian finance.

MR. DICKINSON said, he was anxious to point out that this was the first occasion on which the results of canal irrigation had been included as part of the land revenue. He thought it very undesirable to mix up the land revenue with railways, canals, or any works of that kind, believing that the capital expended upon reproductive works, and the income which this produced, ought to be shown clearly in the accounts. He had put an Amendment upon the Paper; but, after the Statement they had heard, and finding that its result would be rather to limit the range of discussion, he did not propose to move it. There were in that House hon. Gentlemen who were, or who had been, connected with different Departments of the Indian Government, and some who had visited India in connection with the Civil Service, with professions, or with trade, and thus acquired a knowledge of the country, but there was not one who could say that he represented the people of India, or that he was thoroughly acquainted with their views and aspirations. There being, therefore, no actual representatives in Parliament of the people of India, this country, as the governing Power, was bound to give the benefit of the doubt to India, whenever the interests of the two countries came into collision. Why, then, he would ask, should we not bear our proportion of Indian charges instead of seeking to throw an undue burden on India itself. What would be said by Australia or Canada, if we proposed to inflict upon either of these Colonies an annual charge for ships of war cruising upon their stations for the protection of our own commerce? And if, without risk of a separation, we could not attempt such a charge upon Canada or Australia, how could we justify it in the case of India? It was, no doubt, necessary that commerce in the Indian waters should be protected; but, in this, English interests were quite as much concerned as Indian interests; but the division of the charges was not proportionate. Moreover, it should be remembered that the relations of the two countries was very different from what it was when India was governed by the East India Company. At that time the Company had to bear every charge connected with the home control of its Government. It was impossible that the traditional policy could be preserved under the present state of affairs. On the part of England, the greatest commercial nation in the world and mistress of the seas, the policy of placing this

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Mr. Dickinson.

Separation of
accounts of
reproductive
works from
Land
Revenue.

Undue burden
thrown on
India for
protection
English
Commerce.

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burden on the Indian Government was both niggardly and unjust; and when the proper time came he should press the subject on the consideration of the Committee. They were now concerned in a hurried consideration of the Indian accounts, and, therefore, he thought it would not be convenient to press the general question at that moment. Still, he would remind the House that, if our rule was to be continued in India, it could only be maintained by governing the people of India in the spirit of equity and justice. Nearly three-fourths of the people were under English rule; we were in the position of the dominant power—yet we had never hitherto laid down with clearness what were the principles which were to guide our administration of affairs. A noble responsibility rested on us in determining the future destiny of that great Empire. He regarded any foreign attack on India as quite out of the question—our frontier was well protected by natural boundaries, and he had no fear of the Russian progress towards India; and, consequently, internal peace alone was required for the development of its resources. At present, of course, we could not give representative institutions to India, but this might be done at some future time. Education ought to be freely imparted to all classes, and the condition of the people elevated morally and socially. It was highly desirable that a decision should be come to as to the future language of the country, his own opinion being that English might be brought into general use. But at present he would not enter into the details referred to by the hon. Gentleman.

Mr. C. B.
Denison.

Accounts
made up to
31st Decem-
ber.

Financial de-
centralization.

Remarks on
cumbry items
in Estimate
of 1870-71.

MR. C. B. DENISON congratulated the Under Secretary of State on having made his Financial Statement thus early in the Session, in accordance with the wish expressed by the Committee last year; and hoped that in future it might be found practicable to make up the Indian accounts on the 31st December in each year. At the same time he must admit that it would be attended with a certain degree of inconvenience, because complete information on many details could not reach this country in time. 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. He had glanced over the Financial Statement that had reached this country by telegraph, and there were one or two points on which he desired to say a few words. He observed that £2,000,000 of the anticipated revenue was jumbled together under the head of

“Miscellaneous.” He hoped that in due time they would receive a statement explaining the exact character of the various items. He also observed that there was a serious diminution in the estimated expenditure for education. It was only £540,000, for the current year, instead of £750,000—a point that required explanation; it might be that part of the expenses had been relegated to the subordinate Governments. Under the head of assessed taxes he found that there was an increase of nearly £1,000,000. They had been indulged by the hon. Gentleman in a hope that the $7\frac{1}{2}$ per cent. income tax would be reduced, but he must confess to feeling very doubtful whether that anticipation would be realized. The hon. Gentleman, in viewing the financial administration of India since the days of Mr. Wilson, had characterised it as a period of experiments and suggestions. The retrospect was to him (Mr. Denison) very unsatisfactory—it seemed to him that these experiments and suggestions were such as were generally understood under the maxim *fiat experimentum in corpore vili*. He had always been of opinion that more than half the difficulties of Indian finance had been difficulties of audit more than anything else; and had there been a definite system of audit and of accounts, much inconvenience would have been avoided. When the income tax was doubled, instructions were sent to every officer to reduce his expenditure, without delay, to the lowest amount possible; and a chief engineer reported that it was impossible for him to keep his expenditure within the grant, except by postponing the charges of that year to the next. A system under which accounts could be postponed from one year to the next must lead to financial difficulty and embarrassment. He anticipated good results from the inquiries of the Select Committee.

SIR FRANCIS GOLDSMID said, he wished to take the opportunity of calling attention to the step recently taken by the Secretary of State for India in establishing a College for Civil Engineers, a step which appeared to him (Sir Francis Goldsmid) directly opposed to the whole course of recent policy adopted by the Government and approved by the House. Appointments in the Civil Service of India had been thrown open to public competition. Haileybury College, where formerly young men intended for that service were educated, had been abolished; and now this new College was established, education at which was to be a necessary preliminary to young men entering as civil engineers the service of the Indian Government. Could a more retrograde step be imagined? It was said, indeed, that admission to the

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Sir F.
Goldsmid.

Engineering
College in
England.

Sir Francis Goldsmid.

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College was to be open to public competition. But it was to be open only to those who could afford to pay £150 a-year for three years. Before the establishment of County Courts, when it cost £30 or £40 to recover a debt of £10, the reply to the remark that the King's Courts were open to all the King's subjects, used to be—"So is the London Tavern to all who can pay the bill." The new Civil Engineering College was to be open to all on the same principle. The reason alleged by the Government for a measure so strangely contrary to all that had of late years been done, was understood to be that without it civil engineers for the service of India could not be obtained. And to prove this, it was stated that at the recent examinations the number of competent candidates was quite insufficient for the exigencies of the service. But the reason for this failure was not far to seek. The Government had offered to the approved candidates no more than £240 a-year. Not only was this remuneration too low to attract young men of the qualifications required, but the Government had shown that they knew it to be too low. For simultaneously with the establishment of the College, they had announced their intention of giving to the candidates who might be successful a yearly salary of £140 from the time of their entering the service. The Government had thus, if better candidates should hereafter present themselves, made it impossible to ascertain whether the improvement were due, as they would suppose, to the establishment of the College, or, as he should believe, to the increased rate of remuneration. If, said Bentham, you desire to persuade yourself that a measure of no real utility is extremely useful, adopt it at the same time with some highly beneficial measure. If you wish to learn its real value, try it alone. If you want to convince yourself that saw-dust is a drastic medicine, mix it with jalap. If you desire to know its actual efficiency, swallow it in water. The Secretary of State for India was mixing the saw-dust of his College with the jalap of a nearly doubled salary. If the Government were determined to proceed with the establishment of the College, let them at least show their confidence in its usefulness by allowing young men who had been educated elsewhere to compete with their collegians. But even this had hitherto been refused.

Sir D.
Wedderburn.

SIR DAVID WEDDERBURN said, that the Motion of the Prime Minister yesterday made it quite unnecessary to trouble the House with any particulars as to the anomalies and abuses of Indian financial administration, which were only too patent. The financial history of British India, like that

of the Second French Empire, was a chronicle of deficit and debt, with occasional illusory surpluses, obtained, for the most part, by crediting special windfalls to current ordinary income. The inquiries of the Select Committee would go far to remedy the worst of these financial abuses, as would also the creation of the new Department of Revenue, Agriculture and Commerce. But after all, finance proper was only one of the many subjects urgently demanding investigation at this moment in India. There was at this moment in course of signature at Calcutta a Memorial, praying for inquiry into the condition of the Native Army, the management of the Public Works Department, and the working of the income tax. He desired to draw attention to the last of these points, especially to the fallacy of the statement put forward by the Indian Government, that the income tax "does not touch the poor, but only the well-to-do-classes." Probably by this time Government had found out their mistake; he thought recent despatches showed that they had done so, and, if they had, he hoped that they would frankly acknowledge it. The usual complaints against this tax—styled "odious" by those very Members of Council who voted for it—was that it was unproductive; that it was novel; and that it was oppressive in the case of officials and other persons with fixed incomes. Every one of these objections was well founded. It was unproductive, owing to the general poverty of the country—in Bengal, out of 36,000,000, only 53,773 had incomes over £50 a-year, and this in the wealthiest Province in India; also from the difficulty of ascertaining and assessing the incomes of the few rich Native bankers and traders. It was novel, and therefore dangerous, in a country where men would endure patiently, as inevitable, almost any amount of exaction by ancient and customary methods, but regard every innovation with mingled hatred and terror. It was hard on officials and Government *employés*, who found their salaries heavily mulcted at a period when marked increase in the cost of living made a reduction of their pay peculiarly ill-timed. But while such objections as these had been more or less generally admitted, he felt certain that in this country, and in this House, it was not understood what a terrible instrument for grinding the faces of the poor was placed by this, or indeed by any direct tax, in the hands of subordinate Native officials. Some very startling facts had been brought to light by the Indian Press as to the working of the income tax in and around Calcutta. Men had been assessed and fined for non-payment—miserable ryots, whose entire property when sold did not amount to the nominal

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Income Tax.

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annual income on which they were assessed—perhaps not even sufficient to pay the fine, amounting to double the tax. Others, again, had paid to the assessors the sums demanded of them, “to save trouble, expense, and insult,” as they said, although their incomes did not amount to half the minimum chargeable with income tax. In one village 25 ryots were assessed; and after a magisterial investigation, it was found that five might, perhaps, be liable to assessment. If such things took place at the Presidency, within sight of the viceregal palace, he asked those who know India what was likely to occur in the remote Mofussil, where no missionaries and no Press existed, and where European officials were few and far between? Nor was it only selfish dishonesty and speculation which must be dreaded, official zeal was equally oppressive, and the desire to find favour in the eyes of a supreme Government. In all Oriental countries the minor agents of Government were a terror to the people, and the favourite title given to a popular Prince or magistrate was “Protector of the Poor.” It was to the sympathy of the British Parliament that the poor of India now looked for protection against this grinding tax.

Sir T. Bazley.

Progress of
trade and
commerce.

SIR THOMAS BAZLEY referred to the great extension in the trade and commerce of India, since its affairs were managed by the Imperial Government, as a proof of the beneficial results which had followed from that change. In 1856 the imports of India amounted to £25,000,000, and the exports to £23,000,000. Taking the 10 years, during eight of which the new Government had been in existence, the imports were £56,000,000 sterling, and the exports £67,000,000, so that the trade and commerce of India had very nearly trebled; and there was every manifestation of increase during the past year or two. But still the increase had not been so rapid as they had a right to expect. He did not think that the public works were developed with the energy they had a right to expect. Railways and irrigation works would give an immense impetus to the vast internal commercial resources of India. He did not share in the gloomy anticipations of the future of that great Empire. He rejoiced in the appointment of the Select Committee, whose labours, he thought, would be attended with the most beneficial results.

Mr. Haviland-
Burke.

MR. HAVILAND-BURKE observed that last year the Under Secretary laid great stress on five points. The first of these was the military reductions; but in his Statement to-night he saw very little sign of this. The second point was the reduction in the civil charges; but everyone thought

Sir Thomas Bazley—Mr. Haviland-Burke.

they were still very greatly in excess of what they ought to be. There had been a reduction in the charge for public works, and amongst other items was that of irrigation; but this, he thought, was rather to be regretted, for expenditure of this kind was, or ought to be, reproductive. The people would never believe that there was an economical administration in India so long as there were great charges amounting, as one hon. Member said, to £2,000,000, which were almost altogether unaccounted for. It was assumed that the present rulers of India were superior to the former rulers; but there might be a difference of opinion on that point, and it might be maintained that 150 years ago India was in a better condition as to material prosperity than at present.

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SIR JAMES ELPHINSTONE said, that as the Government had moved the appointment of a Committee, it was unnecessary at present to discuss Indian financial questions in that House. He would suggest that the inquiry should be divided into two heads, the one being revenue, and the other public works; and in that case the investigation might be concluded in a reasonable time.

Sir J. Elphinstone.

MR. MACFIE said, that in listening to the statement of the Under Secretary of State he had been struck by the absence of any reference to the Indian Council; and he thought that this omission might possibly provoke the inquiry whether that body was really in existence. Complaint had been made of the want of public interest in Indian affairs; but the only way to excite interest was to increase knowledge of the subject; and to do that it would be advisable to admit the public and reporters to the meetings of the Council, and allow Members of Parliament to be unpaid members of it. He concluded, from the Statement that had been made, that the whole charges of every kind upon the people of India were less than 6s. 8d. per head, and that the proceeds from land and opium provided revenue for the whole cost of the administration—so that the people generally were taxed only for reproductive works. He trusted that economy would not be sought at the expense of the Army or Navy.

Mr. Macfie.

MR. GRANT DUFF reviewed at some length the various opinions that had been expressed during the course of the debate.

Mr. Grant Duff.

Motion *agreed to*.

Resolution to be reported upon *Monday* next.

Resolution.

House adjourned at a quarter after Twelve o'clock,
till *Monday* next.

EAST INDIA REVENUE ACCOUNTS.

COMMITTEE. ADJOURNED DEBATE.

6TH MARCH
1871.

Order read, for resuming Adjourned Debate on Question [28th February], "That this House doth agree with the Committee [on East India Revenue Accounts] in the Resolution which upon that day was reported from the said Committee."

Question again proposed, "That this House doth agree with the Committee in the said Resolution."

Debate resumed.

Colonel Sykes:

COLONEL SYKES: Mr. Speaker—Sir, this is the third time I have been before the House in the small hours of the morning to my grief. I have a good deal to say in support of my Motion to re-commit the India Revenue Accounts; but at this hour of the morning (12.30 a. m.), and after the exhaustion consequent upon the seven and a half hours debate on the Army Organization Bill, I must confine myself to a recital of facts, which I beg the House to bear in mind are derived from Returns from the India Office, or from Parliamentary Returns, and I am not in any way responsible for them. I have various reasons for moving that the Report upon India Accounts be re-committed; and the first is the utter untrustworthiness of the figured statements laid before the House. This I shall prove from the Budgets of Sir Richard Temple, the Finance Minister in India; from a despatch of the Secretary of State for India; from a despatch of the Governor General of India, dated 20th September, 1869, and a despatch dated Calcutta, 4th January, 1870; and from the Papers my hon. Friend the Under Secretary of State for India himself put into our hands the other night. In 1868-9, Sir Richard Temple made a surplus of £52,000; but the Government of India made a deficit of £1,500,000, which might possibly be reduced to £600,000, and now, probably, in August, 1870, there may be a surplus of £100,000 to £200,000. The Secretary of State for India, in reply to these statements, said—

Untrust-
worthiness of
Accounts.

"But it should be remembered that during the last 10 or 12 years there were very few instances in which the actual out-come of the accounts was not wholly different from the figures presented in the Budget."

The third authority is the Governor General of India, who, in a despatch to the Secretary of State for India, dated Simla, 20th September, 1869, in paragraph 3, says—

"Your Grace will remember that the Budget Estimate of 1868-9, after re-arrangements, in accordance with the principle now finally adopted in

Colonel Sykes.

respect to the charge for Public Works Extraordinary, showed an expected surplus of £243,550, and that the Regular Estimate showed an expected deficit of £970,471. But the actual result is the enormous deficit of £2,273,362, being worse than the Budget Estimate by £2,516,912, and than the Regular Estimate by £1,302,591 ;”

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1871.

But in the Governor General's despatch of 4th January, 1870, all these figures are changed. My fourth authority is my hon. Friend's own figures, which he has put into the hands of Members. The Budget Estimate for 1870-1 shows a deficit of £3,188,173, and the Regular Estimate of only £485,182—what the Actuals will turn out remains to be shown. In the article of salt, the Budget gives £6,177,370, and the Regular Estimate £6,069,500. The Accounts themselves, therefore, show that they are utterly untrustworthy. So much for my first objection to the acceptance by the House of the India Accounts. My second is the want of any report of the progress of taxation annually since the government of India has been assumed by the Crown, and particularly the absence of a comparison between the pressure of taxation upon the people in the last year of the government of India by the East India Company, 1856-7, and the present year, 1870-1, under the Crown. I have listened annually to the exposition of the annual Budgets by the India Minister of State; but have listened in vain for any such comparison. I did hope, however, with my hon. Friend's characteristics of generalization, comparison, and deduction, that he would have supplied the omission; but, as he has refrained from doing so, I will make the comparison for him, by stating the gross Revenue; the deficiencies; the revenue from salt; the debt in India and England; the cost of the Army, in 1856-7, the last year of the government of the Company, and the years 1867-8, 1868-9, 1869-70, and 1870-1, under the Crown, noticing also the recent imposition of the income tax and its effects.

Pressure of
taxation since
assumption of
Government
by the Crown.

Comparative Statement of the pressure of Taxation on India in 1856-7, the last year of the East India Company's government, and the years 1867-8, 1868-9, 1869-70, 1870-71, under the Crown:—

Gross Incomes—1846-7, £26,084,681; 1856-7, £33,303,391; 1867-8, £18,531,412; 1868-9, £49,262,691; 1869-70 Actual, £50,901,281; 1870-71, £51,098,600.

Deficit, including ordinary Public Works—1856-7, £972,791; 1867-8, £1,007,695; 1868-9, £2,774,030.

Deficit, including extraordinary Public Works—1867-8, £1,610,157; 1868-9, £1,111,643; 1869-70 Actual, £2,480,095; 1870-71, £485,181.

Gross amount taxation, including deficits—1856-7, £34,276,182; 1867-8, £50,144,569; 1868-9, £33,407,331; 1869-70 Actual, £33,382,926; 1870-71, £51,583,781.

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Debt in India—1846-7, £44,584,066; 1856-7, £55,546,650; 1870-71, £85,563,694.

Debt in England—1846-7, £2,299,600; 1856-7, £3,894,400; 1870-71, £40,106,083.

Total Debt in India and England—1846-7, £46,883,666; 1856-7, £59,441,050; 1870-71, £125,669,777.

Salt tax, increase 80·2 per cent.—1856-7, £3,368,684; 1870-71, £6,069,500.

Cost of Army, European and Native—1846-7, £9,054,098; 1856-7, £10,641,455; 1870-71, £16,403,206.

Income tax now 7½*d.* in the pound, none under the East India Company. Amount collected not mentioned.

An inspection of the statement shows that in 1846-7 the revenue of the Company was only £26,084,681; but in 1856-7, in consequence of the annexations of territory by Lord Dalhousie, the gross Revenue had risen to £33,303,391, and with the deficit of £972,791 the amount expended was swollen to £34,276,182. Under the Crown, in 1869-70, the actual receipts were £50,901,281, and the deficit £2,480,095, making a total expenditure of £53,382,026. The Regular Estimate for 1870-1—not the Budget—gives the income at £51,098,600, and the deficit at £485,182—total £51,583,781. Comparing the pressure of taxation per head on an estimated number of 148,000,000 of taxpayers under the Company in 1856-7, and deducting from the income the tribute money from feudatory Princes of £504,030, the result is 4*s.* 5½*d.* per head. In 1870-1, deducting the tribute money, which had risen to £737,400, from the income of £51,583,781, the result is 6*s.* 10*d.* per head, or an increased pressure of taxation upon the people of 53·4 per cent.—certainly not contributing to the satisfaction or comfort of the people. The estimated population of 148,000,000 is derived from Parliamentary Paper 308, July 8, 1869. The most important tax affecting the health, the comfort, and satisfaction of the people, is the salt tax—the vegetable diet of the masses making it a necessity of life; and its increase of price necessarily diminishing consumption, inflicts a grievous evil. Nevertheless, the revenue derived from salt, which was £3,368,684 in 1856-7 under the Company, has risen to £6,069,500, an increase of 80·2 per cent. under the Crown; but if the sum of £2,685,574 from an India Office Return of February, 1867, be taken as the basis for comparison between 1856-7 and 1870-1, the increased taxation upon salt would be 124 per cent. The income tax is a recent invention of the Indian Government, hitherto unknown to the people of India, and revolting to their social habits of reticence from its inquisitorial character. It is now 7½*d.* in the pound, nearly double the English income tax, and is levied from classes of the community—particularly

Colonel Sykes.

Increased
taxation on
salt.

Income Tax.

in Bengal, wholly incompetent to pay it, leading, in its exaction by processes of law, in some instances to great oppression and suffering. I have had sent to me from Calcutta a pamphlet, entitled *Cries from the East*, by Mr. James Wilson and John Alfred Parker, proprietors of the *Indian Daily News*, detailing instances of oppression in levying the income tax; many of which they have personally verified, and for the truth of which they hold themselves responsible. A miserable ryot (farmer) of Purneah, holding a bit of land, at 10 rupees rent (£1), and having only one plough, is assessed at an income of 500 rupees (£50), his whole worldly property not being worth £50! The principal investigator of the operations of the income tax is Mr. George Kerry, and the results of his investigations he published in the *Indian Daily News*. At this hour in the morning I cannot go into these cases, and shall limit myself to the detail of one instance, as a type of others—

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Instances of
oppression in
levying
Income Tax.

“ At the village of Nursigdar Chok, about 16 miles south of Calcutta, there lives a man, whom I have known for many years, named Bholanath Dass. He lives in a miserable hut, which is not worth more than 50 rupees (£5); he has not even one beegah of land; so that he is one of the poorest of the poor. He works as a day labourer, when he is so fortunate as to get employment, and I do not believe his monthly earnings average four rupees (8s.) throughout the year. He cannot read, is very ignorant, and of feeble intellect, and is, for a Bengali, an old man; and this poor wretch has been assessed to the income tax by what I must regard as a wicked blunder. Of course, he had no money to pay, and was summoned before the Collector at Alipore, some 16 miles distant.

The letter then gives lengthened details, which I cannot quote at this hour; he was summoned to the Collector's office, got frightened, and came away without seeing the Collector. In the end he was taken in charge by a policeman for non-payment of his income tax—and the writer of the letter applies unsuccessfully to the Collector, explaining the poor man's case. The letter is signed George Kerry. The case is said to have been a blunder. Now, Sir, that any such wicked blunder, as Mr. Kerry calls it, should occur is a disgrace to British administration in India.

I come now to the debt of India in 1856-7. The debt in India was £55,546,650, and in England £3,894,400—total £59,441,050; but in 1870-1 the debt has increased in India to £85,563,694, and in England to £10,106,083—total £125,669,777, an increase of £66,228,727 in 12 years, or 111·5 per cent.; the interest of which the Indian taxpayer has to pay, and ultimately the principal! The distasteful subject of opium I will not enlarge upon; it will be sufficient to say that the profit derived from it has risen from

Increase of
debt since
transfer to the
Crown.

Colonel Sykes.

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£4,689,750 in 1856-7, under the Company, to £8,022,500 in 1870-1, under the Crown. The assessed taxes in the last three years, from 1868-9 to 1870-1, have risen from £508,700 to £1,989,600, or 291 per cent. ; but this, I presume, must include the recently imposed income tax. There are other items of taxation and receipt which would admit of comparison ; but the above figures suffice to show the pressure of taxation under the Company and the Crown.

No doubt, owing to the increased demand for employment arising from public works, the formation of railways, and other demands, wages have risen, from 6s. or 7s. a month without food, to a considerably higher rate ; but the proportionally increased cost of the necessaries of life neutralizes the advantage of increased wages, and the physical and social status of the people is not ameliorated. Sir, under the preceding detailed facts, it would be equally impolitic, unjust, and unsafe—I repeat, *unsafe*—with these facts before us, of increased pressure of taxation upon the 148,000,000 of taxpayers under the British Government, particularly with respect to the cruel salt tax and the hateful income tax, that the people of England should be permitted to live in a fool's paradise, believing that the Government of the Crown, in supersession of that of the East India Company, is one which has either ameliorated the condition of the people, or is promoting their contentment and loyalty.

After a few words from Mr. GRANT DUFF, in reply,
Question put, and *agreed to*.

APPENDIX
TO THE
FINANCIAL STATEMENTS.

INDIAN FINANCE.—MOTION FOR A COMMITTEE OF INQUIRY.

MR. GRANT DUFF: Sir, it may tend to expedite the despatch of business to-night if, with the indulgence of the House, I now state the intention of the Government with regard to a matter in which some hon. Gentlemen take much interest, and about which a great many Questions have been addressed to me within the last week. I have, then, to announce that Her Majesty's Government intends, on the earliest possible day after determining the most convenient mode of proceeding, to move for the appointment of a Committee upon Indian Finance, in the full belief that the appointment of such a Committee will not only give satisfaction to some hon. Members on both sides of the House, who are very desirous for an inquiry into our financial affairs, but also tend to dissipate sundry apprehensions and misapprehensions which have arisen with regard to them.

COLONEL SYKES said, he wished to know whether the inquiry of the Committee would be extended to the administration of Indian affairs generally?

MR. GRANT DUFF said, everything properly coming under Finance.

MR. FAWCETT said, the course that had been adopted by the Government placed him in a position somewhat difficult and embarrassing. On the very first day of the present Session, according to a promise which he made at the end of the last, with, he ventured to say, the approval of all hon. Members on either side of the House who took an interest in India, he gave Notice that he would move that evening for a Select Committee to inquire into the Financial and

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Mr. Grant
Duff.

Proposed
motion for a
committee of
inquiry on
Indian
Finance.

Mr. Fawcett.

Complaint of
course taken
by
Government.

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General Administration of the affairs of India. He had made a communication as to what they intended to do, but until that hour he could not obtain the slightest intimation of their intention. But that evening, without any warning, the Under Secretary for India rose in his place, anticipated his Motion, and gave Notice of his intention to move for a Committee to inquire into Indian Finance. He might be told that, under those circumstances, he had got what he wanted, and ought to be satisfied without going on any further. Well, he could assure the House that if he got what he wanted it would be a matter of perfect indifference to him whether the Committee was moved for by his hon. Friend (Mr. Grant Duff) or by himself. All he cared about was not who carried the Motion, but whether it was carried at all. But there was this difference between the Notice of the Under Secretary of State and his own—that whereas his hon. Friend said curtly and briefly that he would move for a Committee of Inquiry into Indian Finance—which might mean simply an inquiry into Indian financial accounts—the Committee, on the other hand, which all hon. Members taking an interest in India desired to see appointed, should inquire not merely into the accounts, but into the general administration of that country. The opinion to that effect was expressed at the close of last Session by hon. Gentlemen on both sides of the House, who possessed great practical knowledge and official experience of India. The Committee, therefore, which he proposed would not be merely a Finance Committee, but would inquire, among other topics, into the present position and future prospects of the revenue and expenditure of India; into the management of the public works department, and the outlay it incurred; into the question of primary and higher education in India; into army organization and expenditure; into the local Governments of India and their Councils; also into the transport service; and, above all, into the home expenditure of India—that was to say, the expenditure of Indian money in this country, which was increasing, and now absorbed more than one-fourth of the whole Indian revenues. That House was trustee for that expenditure to the people of India, and was bound to render a faithful account of its trusteeship. The Prime Minister himself frankly admitted the necessity of such a Committee, when at the end of last Session he laid down the doctrine that it was most important that the various Departments of the State should be periodically revised by Committees of that House; and more particularly in the case of India, because of

General
Administration
of a subject
for inquiry.

Mr. Fawcett.

the little attention the House was able to give to the affairs of that country. The right hon. Member for North Devon (Sir Stafford Northcote) also virtually promised to agree to such a Committee when Secretary of State. Another cogent reason for granting it was this—In the days of the old East India Company, in consequence of the renewal of its charter, the administration of the Company was subjected to periodical revision and investigation; but there had been no Committee on Indian affairs since the House took upon itself the responsibility of the Government of India; and he had reason to know that if the House was unwilling to grant an inquiry into the way in which it had performed that duty it would cause grave discontent among the people of that country. He feared there existed a misapprehension among some members of the Government as to his motive in bringing forward that Motion. They might suppose that he did so as a censure on the present administration of the affairs of India. Nothing, however, could be further from his wish or intention. He believed that Lord Mayo was one of the most popular, most zealous, and hard-working Governors General that India had ever had, and he had no reason to suppose the present Secretary of State for India and his hon. Friend the Under Secretary were in any respect less able Ministers than any of their predecessors. His object in moving for that inquiry was not in the slightest degree to investigate the conduct of Ministers; it was not to be a personal inquiry; its sole and entire object would be to investigate the system they had to administer. He knew that if the Committee was granted many most able witnesses were anxious to give evidence before it, and that all the competent authorities on Indian matters in that House would be ready to serve upon it. The sketch he had given of the scope of its inquiries would convince the House that the investigation must be long and laborious; the sooner, therefore, the Committee got to work the better, and if its appointment were postponed valuable time would be lost. That was his sole reason for bringing on his Motion at the earliest possible period of the Session. He had no wish to anticipate the debate on the Indian Budget fixed for that day week, and he had determined not to mention a single point that could raise a word of controversy. If his hon. Friend the Under Secretary (Mr. Grant Duff) thought it in the least degree an affront to him that that Committee was moved for before he brought forward his Budget, he deeply regretted it; but, whatever his Budget might be, it could not affect the necessity of that inquiry. The Committee

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Reason for
granting
inquiry.

Motive in
bringing for-
ward the
motion.

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would not inquire into the Budget, but into the system of administration, involving great questions of national policy. He was not anxious to oppose the Government more than he found it necessary; if, therefore, they thought they could gain anything for the people of India, or for their own credit or reputation, by postponing that Committee for a fortnight, he was willing, should the House wish him to do so, to withdraw his Motion—but only on the understanding that the Committee proposed by the Government should be moved for on the earliest possible day after the Indian Budget, and that its inquiry should be at least as wide in its scope as the one he had himself indicated to the House. He hoped that his hon. Friend the Under Secretary would withdraw the Notice he had given, and that after that statement—which he trusted was as conciliatory as it possibly could be—his hon. Friend would see that there was no occasion to have another debate on the subject; that, as the feeling of the House was in favour of the Committee, it might just as well be granted at once, and that it should immediately commence an inquiry which, if instituted, would, they might feel sure, give the utmost satisfaction to the people of India. The hon. Member then moved for the appointment of a Select Committee.

Mr. R. N.
Fowler.

MR. R. N. FOWLER seconded the Motion, and presumed that, after the announcement made that evening by the Under Secretary for India, the hon. Member for Brighton would not press his Motion to a Division. He was interested in three questions—the opium revenue, in regard to which he last Session seconded the Motion of the hon. Baronet the Member for Carlisle (Sir Wilfrid Lawson), the salt duties, and the Hill Tribes. He apprehended that the questions of the opium revenue and the salt duty would come under the head of Indian finance; but he doubted whether the important question of the Hill Tribes of India—on which he knew that some competent gentlemen were anxious to give evidence—would come within the scope of the inquiry if the Committee was appointed in the terms suggested by the Under Secretary of State, because its terms would limit the inquiry to strictly financial subjects; and he thought there was great force in the appeal made to the Government to appoint a Committee embracing as much as possible those Members of the House who took an interest in the affairs of India.

Amendment.

Amendment proposed,

To leave out from the word "That" to the end of the Question in order to add the words "a Select Committee be appointed to inquire

Mr. R. N. Fowler.

into the Financial and General Administration of the affairs of India,"—
—instead thereof.

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Question proposed, "That the words proposed to be left out stand part of the Question."

COLONEL SYKES approved the proposal to postpone the appointment of this Committee until after the Indian Budget had been laid before the House; but, at the same time, he hoped that, when appointed, the Committee would have an unlimited range of inquiry. This had been the case with two previous Committees of the House, and the result had been the collection of a most valuable mass of information.

Colonel Sykes.

MR. GRANT DUFF said, the last thing which the Government wished to do was to keep a promise to the ear and break it to the hope. If the Government had intended to give a Committee only on Indian accounts they would have said so; but the subject of finance covered a very wide field, and involved questions which, if inquired into fully, would provide more work than could be got through in one or even two Sessions. To inquire into all the subjects alluded to by the hon. Member for Brighton would necessitate not one, but half-a-dozen Committees. A few years ago the simple question of the colonization and settlement of India went through more than one Session; and if the House were to examine not only into all that could be properly said to come under the head of finance, but also into army organization in India, into the questions that might arise out of the public works in India, into the large question of primary education in India, and into the relations of the local governments to the central government, they would go on to Doomsday, and the very object aimed at by the appointment of the Committee would be frustrated. Still longer and more difficult would the inquiry be if they were to go into the extremely interesting, but not immediately pressing, question of the Hill Tribes in India. He was quite sure that all persons in India and at home who understood what questions would be opened by the appointment of a Committee on Finance would be perfectly satisfied with the Committee which Her Majesty's Government proposed to give.

Mr. Grant
Duff.

Reasons for
limiting
subjects of
inquiry.

SIR CHARLES WINGFIELD expressed concurrence in the concluding remarks of the Under Secretary of State for India. The question of finance would cover all the ground, and would specially include the difficult and delicate subject of local taxation, which the Government of India was pressing strongly forward at this moment. With regard to the

Sir
C. Wingfield.

C. J. Sykes—Mr. Grant Duff—Sir Charles Wingfield.

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feeling of the people of India, he could confidently say that there was a most earnest desire for an inquiry in the widest sense into the whole financial arrangements of the country. This feeling had been heightened by the financial mismanagement of past years, and the hurried and high-handed way in which an income tax of 3 per cent. had been forced upon the country.

Mr. Fawcett.

MR. FAWCETT said, that in order to meet the views of the Government, he would be content to strike out of his Motion the words "and General," and leave the Committee to deal only with the financial administration of India.

Mr. Gladstone.

MR. GLADSTONE said, he was very glad to hear the hon. Member for Brighton say he was content to take a Committee on the financial administration of India. In saying that, however, he did not intend to convey the impression that all the other subjects connected with the Indian Government were not matters very proper to be considered when the proper time should come; but to overload the present Committee would be to defeat the object of its appointment. If the question of Indian finance, with all the collateral issues necessarily arising out of it, was not sufficient fully to occupy the attention of the most energetic Committee that ever sat, he did not know what would be. With respect to appointing the Committee, the difference in point of time between Her Majesty's Government and the hon. Member for Brighton was so small he did not apprehend any quarrel; and he now simply wished to appeal to his hon. Friend not to press his Motion at present. His hon. Friend the Under Secretary for India had spoken of his intention to move a Committee so soon as the best method of proceeding had been settled; and, in so doing, he did not mean to imply that this would involve a delay of a fortnight. He had very great expectation that his hon. Friend the Under Secretary for India would be able to redeem his promise at the commencement of the coming week. Under the circumstances, therefore, he hoped the hon. Member for Brighton would see his way to the withdrawal of his Motion.

Limitation of
inquiry to
finance with
its collateral
issues.

MR. FAWCETT said, after the satisfactory assurance he had just received, he should not persevere with his Motion.

Amendment
withdrawn.

Amendment, by leave, *withdrawn*.

Question again proposed, "That Mr. Speaker do now leave the Chair."

Mr. Gladstone — Mr. Fawcett.

EAST INDIA FINANCE.

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MOTION FOR A SELECT COMMITTEE.

MR. GLADSTONE, in moving that a Select Committee be appointed "to inquire into the Finance and Financial Administration of India," said: As I have already stated, I will not enter upon the subject of the appointment of this Committee, on which I consider the House to be agreed; but I will state to the House what I conceive to be the exact bearings of the issue with regard to the propositions which the Government intend to make, and which would be carried into effect by steps subsequent to the adoption of this Committee, by a joint Committee of the two Houses. The House, I hope, will clearly understand that that is a proposition which the Committee will deal with upon its merits entirely, without reference to any supposed engagement which would in any manner affect their liberty of action. Neither the House of Commons nor the House of Lords has taken any step, or has in any manner considered the question whether it is expedient that the inquiry should be conducted by a joint Committee, or whether it should be conducted by a Committee of each House separately, or by this House alone, acting on its own responsibility, if the other House should not think fit to follow our example. I do not wish to magnify the question. It is one within a limited scope; and it will only require two or three minutes for me to state the ground of view which the Government take, and the reasons which have induced them to lay the proposal before the House. In the first place, I think the principle of the co-operation of the two Houses in the matters of inquiry conducted before Committees, or even in matters of legislation, at the stage in which measures go before Committees, is a very great principle. In the mass of legislation that comes before the Legislature of this country, it is a very great object to discover the means of economizing time, and I think it is the duty of the Government, where there are any means of economizing the public time with reference to matters proper for inquiry by Committees of the two Houses, to take advantage of those means. The question is whether the present occasion is a suitable occasion for that purpose, because I do not suppose it will be thought by anyone that there is any anomaly or novelty *per se* in conducting an inquiry jointly by Members of this House and by Members of the House of Lords. The first reason for proposing a joint Committee on this subject is that the House of Lords happens to be what may be called particularly strong on the

Mr.
Gladstone.Co-operation
of both
Houses of
Parliament in
matters of
inquiry.Reasons for a
Joint
Committee.

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matter of East Indian experience. I need not refer to the names of the noble Lords, some of whom have been in the face of this country; but there is one in particular who has a most distinguished name in connection with Indian administration. No one, I think, would doubt that he would contribute greatly to the efficiency of an inquiry of this kind, and I need hardly say would promote the object we have in view. Another reason is this—that by a Committee of this kind it is always desirable that what may be called the official element of Parliament should be represented up to a certain point—should be represented in considerable strength, though not in such strength as in any way to interfere with the preponderance of independent opinion on the Committee. But in inquiries of this kind, where any administrative Department is concerned, I think we generally see a fourth, and sometimes as many as a third, not of Members in office, but of Members who are in office or have been some time in office in connection with the particular subject; and the advantage of that is that they can render very considerable assistance to those who prosecute the inquiry from a certain point of view. It so happens that the official element, so to speak, with reference to this particular subject is numerically weak in the present House of Commons. Indeed, the judgment of the Government has been influenced to a considerable extent by a circumstance affecting a particular Member of this House. The right hon. Baronet the Member for North Devon (Sir Stafford Northcote), sitting on the other side of the House, having held, at an anxious period, the office of Secretary of State for India, has, with very great public spirit—and I am very glad to have an opportunity of bearing testimony in my place here to the fact, as I have done before in private—that right hon. Baronet, I say, who would have been a proper and becoming, and, I may add, essential representative of this House in an inquiry of this kind, has given his services in the important Commission sent to the United States, and thereby weakened what I may call the official element in the ranks of the Committee. No doubt it is in the power of the House to appoint the Under Secretary of State for India, and I hope he will be a Member of the Committee; but I do not think it would be entirely satisfactory that the great party which, with those sitting on this side, makes up the House should remain unrepresented in the official class. It appears to me that this is a very good reason, independent of any other, why we should resort to the plan of a joint Committee. Supposing we go forward, as I now propose, there is, I

Mr. G. St. John.

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believe, but one Gentleman—namely, my hon. Friend near me (Mr. Grant Duff), who discharges his duty with so much ability—whom we could appoint as having official experience. My right hon. Friend (Mr. Lowe) did hold office in connection with India, but it was a long time ago; and, besides, his occupation as a Cabinet Minister, and being Chancellor of the Exchequer, would make it impossible for him to give due attention to the inquiry. In the same manner my hon. Friend the Secretary to the Board of Trade, who was, I believe, Under Secretary for a very short time, is in the same predicament, and it would be quite impossible for him to give attention to Indian matters. Now, it may be that there is some jealousy among the independent Members of this House, lest what I may call the officialism of the other House should be too strong. But it will be in their own power to provide against that danger. It appears to me that this Committee, being chosen from the two Houses, should be larger than usual—that it should consist of 11 Members from each House; and if there be but one person connected with office from the House of Commons, the independent element will start with 10 Gentlemen taken from the two sides of the House. If, then, the particular position of the House of Lords should make it desirable that three, four, or even five of its Members who have served in India should be appointed, it will be seen that independent Commoners would form three-fourths, or about three-fourths of the Committee. There is only one other point of importance which touches the question of a joint Committee. It is, I believe, a matter of usage and custom that, in the case of a joint Committee, the Chairman should be a Peer; but that Chairman would be chosen by the free choice of the joint Committee itself. First of all, I believe that the technical rules of the House of Lords have been very much relaxed, of late years, with regard to the choice of the Chairmen of Committees; but it is obvious that the application of those technical rules would never be enforced, in the case of a joint Committee. So far as the Chair is concerned, it would be the choice of the Committee that would determine the matter. I may add, that the only object of the Government is to bring to the consideration of this important subject the most efficient and strongest Committee that we can get. We are of opinion that object will be best attained by a joint Committee of the two Houses. We commend that proposition to the general approval of the House; but, at the same time, it must depend upon that general approval being obtained, because it would be an ill beginning for the

Mr. Gladstone.

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Committee if there should be any great and serious difference of opinion at the outset respecting its constitution. I will conclude by proposing the Motion that stands in my name, and it is not necessary at present to move the question of the joint Committee.

Colonel Sykes.

Subjects of
inquiry.

COLONEL SYKES was of opinion that the Government was doing a great injustice to itself in limiting the scope of the inquiry to the points, how money had been collected in India and how it had been spent. There was a vast number of other subjects which required to be investigated, and to be placed before the public for its judgment. In 1833 that House appointed a Committee of its own Members to take into consideration not only the financial condition of India, but its administration by the East India Company, and the East India Company, so far from objecting, invited the strictest scrutiny into their administration and accounts. They had then a monopoly of trade with India. The result of the inquiry was, that so thoroughly satisfied was the Committee with the administration of the affairs of India by the Company, that a new term of 20 years was granted to them. In 1852 another Committee was appointed. There was at the time a strong feeling growing up in this country against the administration of the Company, though it had been uniformly successful, and had transferred to England an Empire larger than ever existed before. So well satisfied was the Committee with the management of the trust reposed in the East India Company that they recommended the Company should be granted a further term of 20 years from 1852, and nothing but the unhappy mutiny in Bengal, which arose not from any action of the Company, but from the invasion of caste prejudices in the Bengal Army, had prevented the administration of India from being still in the hands of the Company. He was a witness before both of the Committees, and he knew that many important facts had been elicited which would never have been known if their labours had been confined within the narrow range now proposed. He thought he would be able to show when the Under Secretary of State for India should make his annual statement that the administration of the affairs of India would with greater advantage to the people of India, have been in the hands of the Company than of the Crown. He would tell his right hon. Friend at the head of the Government that if the inquiry were limited to the question of money it would not give satisfaction to the Europeans in India, and most decidedly not to the Native population.

Colonel Sykes.

MR. C. B. DENISON said, he regretted to find himself in antagonism with the Prime Minister on this subject of a joint Committee of both Houses; but it would be admitted that, when an unusual and unprecedented course was advocated by the Leader of the House, he was bound to give some special extraordinary and cogent reasons for the proposal. He took exception to the course proposed for several reasons. In the first place, it was unnecessary. Secondly, it involved an aspersion on the intelligence, competence, and discretion of that House. Thirdly, the inquiry into the finance and financial administration of India involved indirectly, if not directly, questions of finance which concerned the taxpayers of this country. And lastly, the composition of the Committee—half of Peers, half of Members of that House—would, of necessity, involve a larger proportion of the official element than was desirable in such an inquiry. He might observe, in passing, that he entirely disagreed with the hon. and gallant Gentleman opposite (Colonel Sykes) in wishing that the scope of the inquiry should be enlarged. It would be utterly impossible, in the course of one Session, to extend the scope of the inquiry with any practical result. The right hon. Gentleman at the head of the Government had given as the first reason for departing from the usual course, that the House of Commons was particularly deficient in Members possessing official knowledge of Indian subjects. Now, he had taken the trouble to refer back to the previous Committees of that House upon Indian affairs. He held in his hand the nominal roll of the Committee appointed in 1852, and he found it was composed of 31 Members drawn from all sides of the House, from men of all shades of opinion and all degrees of experience, and of the whole 31 there were not more than four or five who had any local or official knowledge of India. Indeed, if the argument of the right hon. Gentleman was worth anything, it would go a great deal farther than he seemed to think. Who were the men who had been most frequently appointed Secretaries of State for India or Governors General? Were they men who had any personal knowledge of India? Had Lord Dalhousie, Lord Canning, or Lord Mayo, or most of those who had been most distinguished on the roll of Governors General? To come nearer home, had the four or five men in the House of Lords who had filled the office of Secretary of State for India, or President of the Board of Control, any personal knowledge of India? Well, then, of what force was the argument that official knowledge was required? He did not hesitate to say that

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Mr. C. B.
Denison.Objections to
a Committee
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Houses.Reasons for a
joint Com-
mittee con-
troverted.

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it would be most undesirable to have on this joint Committee four ex-Secretaries and one ex-Governor General, if not sitting in judgment, at least inquiring into official acts with which they had been more or less connected. Since the Government of India had changed hands the interest of the Debt had more than doubled; we had year by year a chaotic mass of accounts both in that country and this, and he, and those who held similar views, wished to know the causes which had led to increased taxation year by year, while the revenues of India were at the same time increasing. He wished, he might add, that the right hon. Gentleman had furnished the House with some precedent for the course which he asked it to adopt, for he had failed to find any case analogous to the present. It was quite true that within the last few years joint Committees of both Houses had been appointed; but they had been appointed with the object of deciding what would be a suitable mode of proceeding in certain technical matters. As to the joint Committee which had been nominated in the reign of William III, it was one which had been appointed under a special Act of Parliament, to make a judicial inquiry into the corrupt distribution of large sums of money by the then Chairman of the East India Company, alleged to have been paid to Members of both Houses to obtain a renewal of the Company's charter, and the inquiry ended in the impeachment of a noble Duke (the Duke of Leeds). When, therefore, on a future occasion, a discussion was held on the composition of the proposed Committee, he hoped some hon. Members of greater experience than himself would give their opinions as to whether it was expedient to change the long-established and recognized course of inquiry without due deliberation, and, as it were, by a side-wind. For, he could not admit that the fortuitous absence of any individual Member of the House, however able or experienced, and he did not deny that the hon. Baronet the Member for North Devon was both able and experienced, was a sufficiently cogent reason for suddenly changing the constitution of the proposed Committee. He must further observe that the financial affairs of India were intimately allied with taxation, and were of great interest as bearing upon the taxpayers of this country. Of the £200,000,000 of public debt in India, including the railway debt, less than 10 per cent. was held by the natives of India, the whole of the rest being held by our fellow-countrymen. What was the security for it? A first charge on the revenues of India, which was worth only as much as the continuance of English dominion; and he

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should like to know whether the high-handed way in which taxation had been imposed on the natives was conducive or not to the prolongation of that dominion? Another objection he had to the Committee was, that it would be composed of too great an extent of official Members of the other House of Parliament. He was aware that those official Members were very distinguished men, who had held the office of Secretary of State for India, and he was opposed to their appointment not in their capacity as individuals, but because they would have, from the very nature of the inquiry, to pass under review their own official conduct, while what was wanted was a free unfettered investigation of Indian financial administration. The right hon. Gentleman had, indeed, observed that there was no fear the official element would override their colleagues in the Committee, inasmuch as they would be only in the proportion of 5 in 23; but he would ask anyone who knew the calibre of those five noble Lords whether they would not, in the nature of things, have a far greater power than was represented merely by their numbers? For his own part, he very much feared that the Committee would be overridden by that select band of brothers. He appealed with confidence, therefore, to the independent Members of the House, to use their influence to secure that the inquiry should be free, for otherwise it would fail to give satisfaction. He could not believe that the present reformed House of Commons was less competent to inquire impartially and effectively into Indian affairs than any of its predecessors, and he therefore hoped that the proposal for a joint Committee would not be pressed.

SIR CHARLES WINGFIELD said, he fully agreed in the opinion that the range of inquiry assigned to the proposed Committee was sufficiently extended; but he felt certain that if a joint Committee were appointed the official element would be most unduly predominant. The financial mismanagement of India—or, if that phrase were considered too strong, he would say the disordered state of the Indian finances—was the subject of inquiry; it would range over the administration of the last eight or nine years, which embraced the tenures of Office of four Indian Secretaries of State, and of one Governor General, who were now Members of the other House. They could scarcely fail to feel that their own administration was called in question, and that they were put upon their defence; but surely it would be inconsistent to place the conduct of the inquiry into the hands of the very officials whose administration was to be inquired into. No doubt, the opinions of so many dis-

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field.Objections to
a joint
Committee.*Sir Charles Wingfield.*

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tinguished men who had held the office of Secretary of State would be most valuable; but those opinions might be given to the Committee as evidence, and he should think that those noble Lords would themselves prefer to take the part of witnesses rather than serve as members of the Committee. He should be sorry to see it composed mainly of men who had been in the service of the State in India. What he desired was that a broad, independent, English view should be brought to bear on Indian affairs, and he was sure nothing could give the people of that country greater satisfaction than to find that the House of Commons manifested an interest in their well-being. A Committee, having upon it a large number of officials, would certainly fail to inspire the same confidence.

Mr. R. N.
Fowler.

Scope of
inquiry to
embrace Hill
Tribes.

Composition
of Committee.

MR. R. N. FOWLER said, he thought that there should be some inquiry into our relations with the Hill Tribes, against whom 21 expeditions had been sent within the period between 1850 and 1868. He should not press this question now, but he begged to give Notice that when the Committee had concluded its labours he should bring it before the House. He was also of opinion that if the Government persisted in their determination to appoint a joint Committee it should consist of 34 Members, 17 from each House. If official experience were deemed of so much value there were several right hon. Gentlemen—such as, for instance, as his right hon. Friend the Member for North Northamptonshire (Mr. Hunt) on the Bench below him—whose services might with great advantage be secured. In a letter, he might add, which he had received that morning from a very intelligent Indian gentleman residing in this country, views similar to those which had just been stated by the hon. Member for Gravesend (Sir Charles Wingfield), as to the composition of the Committee, were put forward, and as they had not the advantage of the presence of any native of India he should venture to read it. He said—

“A joint Committee is proposed. I have no objection to it; but I think, in fairness to the Committee and to the ex-officials themselves, they should not be on the Committee. I mean the ex-Secretaries of State and Governors General since 1860, for it is their own administration that is to be the subject of inquiry; and it would not be satisfactory, I am afraid, to the public that these ex-officials themselves should sit in judgment upon their own conduct. Their true place is in the witness-box, not on the Bench.”

For his part, he was glad to see that the Government had acceded to the wish of the hon. Member for Brighton (Mr. Fawcett) for a Committee of Inquiry; and though that inquiry might not be so extensive or in such a form as some

M. R. N. F. 30

persons might desire, he hoped, nevertheless, that great good would result from it.

MR. GILPIN said, if the Speaker ruled he was in Order, he should move "that there be added to the words of the Resolution of the right hon. Gentleman the following words:—'and that such Committee be solely composed of Members of the House of Commons.'" He had sat in that House for 14 or 15 years, and the greatest dissatisfaction was always expressed about the East India accounts. They had been brought in at the fag-end of the Session to nearly empty Benches, when there were not more than a score of Members present; and the feelings of dissatisfaction—quite justifiable in the circumstances, had spread to the millions of our great Eastern dependency, who were naturally indignant at having been so treated. If they desired that this inquiry should be more than a "sham," if it was really to suggest remedies for some of the evils connected with the finances of India, experts might be called upon with advantage to give evidence; but they should not be judges of a system in the administration of which they had been concerned. The subject of the inquiry was the financial conduct of the Government of India. The Committee would have to discuss all matters connected with the taxation of India, including the extent and pressure of the income tax; and he thought that such questions would be best discussed not by those who had spent the best part of their lives in India or in the India Office, but by Gentlemen acquainted with the principles of sound finance.

MR. KINNAIRD (to whom Mr. Gladstone gave way) observed that this inquiry was demanded by the people of India, but such a Committee as the Government proposed would not have their confidence. They had petitioned again and again for inquiry; there had been none since the government of India came into the hands of that House, and neither they nor the people of this country would be satisfied unless the Committee was composed entirely of Members of that House.

MR. DISRAELI: I give every credit to Her Majesty's Government for the motives which have induced them to make this proposition, and I feel sure they have only made it from a conviction that it was for the public advantage. But there are difficulties in the way which they ought to consider before asking the House to decide upon this course. The right hon. Gentleman regrets the absence of my right hon. Friend Sir Stafford Northcote. I also regret his absence on an occasion like the present, and I have no doubt I shall,

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Mr. Gilpin.

Committee to
comprise
Members of
House of
Commons
only.

Mr. Kinnaird.

Mr. Disraeli.

Absence of Sir
Stafford
Northcote

Mr. Gilpin.—Mr. Kinnaird.—Mr. Disraeli.

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in the course of the Session, have to regret it on other occasions. But, like the right hon. Gentleman, I am partially responsible for this absence, because my right hon. Friend would not have quitted the country at such a period without my assent; but there are occasions on which, when high political questions of Imperial importance arise, a public man, whatever his political party, owes his service to his country. In the course he has taken my right hon. Friend was influenced by motives of the highest character, and his political friends who will suffer by his absence were conscious of the sacrifice he was making, and of the loss they would sustain. But they felt that, under the circumstances of the case, it was his duty to accede to the suggestion of the Government, and give his talents and his experience to the solution of difficulties which I trust will be removed by the Commission which Her Majesty's Government have resolved to appoint. With regard to the question before the House, there is no doubt that to ask for the appointment of a joint Committee of the two Houses is a very unusual course. There have been joint Committees of the two Houses. There was one last year, of which I was a Member. But wherever we have had joint Committees of the two Houses they have been generally on technical points, issues of a limited character, such as arrangements about deposits for railways, and the subject considered by the last joint Committee—namely, to expedite, if possible, the procedure of business between the two Houses. There the object in view was very intelligible, and it was not on the cards that the course taken by the joint Committee would at all interfere with the privileges or the general conduct of business of either House. Even with this limitation, however, the instances of appointment of a joint Committee are rare. Now, in the present case, it must strike us at once that the proposal for a joint Committee is not only on a large subject, but must deal with questions hitherto considered within the peculiar jurisdiction—if I may use the term—of this House—I mean the management of finance. We have all been for many years impressed with the conviction that the management of the finances of India much interests those who live in England. Otherwise, there would be no reason for the statement of those finances made to us every year. The ill-management of Indian finance must recoil ultimately upon the financial resources of this country. Therefore, it seems to me difficult for a joint Committee to enter upon questions as to the present state of Indian finance without the Members of the other House being drawn into the consideration of matters

in which it has always been one of the principal aims of this House to prevent them from interfering. This alone is, I think, a serious objection to the course proposed. The recommendation of the proposition of the right hon. Gentleman has been that it is the only one that would insure the presence of adequate official experience. I would not depreciate the value of the presence of those who possess official experience in the government, and especially in the finances, of India. But the first question we have to decide is, whether it is worth while, in order to obtain the presence of this official experience, to take a course so unusual as the appointment of a joint Committee of the two Houses, especially on a subject as to which, of all others, according to the traditions and principles of this House, concerted action by the two Houses should be avoided. Then, again, great as is the advantage of official experience, it is an advantage not without drawbacks. You may have too much official experience upon any Committee of this character, and therefore I think we should consider whether, out of our own resources, we may not be able to appoint a Committee which shall effectually inquire into this important subject, and furnish the House with the information and conclusions it requires. The right hon. Gentleman has referred particularly to this side of the House as being denuded of official experience by the absence of my right hon. Friend (Sir Stafford Northcote). I will not make any remark upon hon. Members opposite, and I have no doubt the right hon. Gentleman is so well acquainted with them that he will be able to select many Members there whose assistance will be very valuable. But even on this side of the House, without the advantage of my right hon. Friend, or the presence of any who have been officially connected with the government and administration of India at home or abroad, there are several Gentlemen, I think, whose presence on this Committee would be highly valuable and beneficial, and who, in my opinion, would contribute to results which even Members with official experience might be unable to produce. There is my hon. Friend the Member for Huntingdon (Mr. Baring), who was Chairman of the Indian Committee which sat in 1852, and from the experience he acquired in carrying on and controlling that large investigation, as well as from his financial experience, I should say he would be most competent to sit on a Committee for considering Indian finance. I know well that my right hon. Friend the Member for Shoreham (Mr. Stephen Cave) has given great attention to Indian finance, and though he has not had official experience

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Ability of
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nish Members
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in Indian finance, he would form another competent member of the Committee. If such men as these were appointed, I am sure their labours would not be a source of shame to us. On the whole, although I fully appreciate the motives which have influenced the Government in making this suggestion—a fair suggestion for the consideration of the House—I cannot help feeling that the objections to the course proposed are weighty, and as upon a matter of this kind I should be sorry to see anything like a division, I should be glad if the Government were to re-consider the proposition they have brought forward. It is a proposition which I do not think ought to be acceded to unless there were something approaching unanimity, and I hope the Government will find it consistent with their duty not to press its adoption upon the House.

Sir R. Peel.

SIR ROBERT PEEL rose to Order, and inquired whether the Amendment suggested by the hon. Member for Northampton (Mr. Gilpin) could be put from the Chair?

The Speaker.

MR. SPEAKER: The only thing this House can do is to appoint a Committee of this House: it cannot appoint or prevent the appointment of a Committee of the other House; therefore, the Amendment could not properly be put.

Mr. Gladstone.

MR. GLADSTONE said, he had risen with the hon. Member for Perth (Mr. Kinnaird) to shorten the discussion, but knowing the inflexible character of that hon. Gentleman, he had not persevered. The debate had proceeded quite far enough to satisfy, at least negatively, the condition he laid down in his own speech—that it being a proposal in some degree novel in character, he should not be justified in pressing it unless it met with the general approval of the House. He could not honestly say he was convinced by the arguments used against it. He hoped he should not be deemed disrespectful if he said that some of them partook of the nature of superstition; and as regarded the speech of the right hon. Gentleman opposite (Mr. Disraeli), though he (Mr. Gladstone) must acknowledge it to have been conceived in the freest possible spirit, he must express his decided dissent from one important point of principle which the right hon. Gentleman raised as regarded the competency of the House of Lords to deal with Indian finance. He (Mr. Gladstone) had been as ready as any man to defend the privileges of that House in matters of finance in critical and difficult circumstances; but so far as he was capable of forming an opinion, their exclusive rights with respect to finance arose solely out of the circumstance that they represented the people of England, and consequently their rights in no way extended to

Indian finance. He believed the Acts of Parliament for regulating the government of India with reference to the presentation of accounts, &c., concerned the two Houses equally. He did not think it desirable, except on grounds of broad constitutional principle, that they should attempt to narrow the deliberative functions of the House of Lords. He would not, however, argue the point now, and would simply enter his protest against the acceptance of the principle laid down. He was satisfied that his proposal did not meet with that kind of approval which he thought desirable; he quite agreed that it should not be upon the vote of a mere majority that such a step should be taken; and therefore he should not press those subsequent measures which would have been necessary to give effect to the intention of the Government in case it had been thought fit to go forward with it. He assured the hon. and gallant Member for Aberdeen (Colonel Sykes) that the Motion had been framed to make out as large a province of inquiry as under present circumstances it was possible for any Committee to occupy in an efficient manner.

Motion agreed to.

Select Committee appointed, "to inquire into the Finance and Financial Administration of India."

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Resolution
appointing a
Select
Committee.

And, on March 9, Committee *nominated* as follows:—Mr. AYRTON, Mr. CAVE, Mr. CRAWFORD, Mr. BARING, Mr. FAWCETT, Mr. BECKETT DENISON, Sir CHARLES WINGFIELD, Mr. EASTWICK, Mr. DICKINSON, Mr. BURKE, Mr. CANDLISH, Sir JAMES ELPHINSTONE, Mr. LYTTELTON, Mr. BRILEY, Sir DAVID WEDDERBURN, Mr. BEACH, Sir THOMAS BAZLEY, Mr. HERMON, Mr. M'CLURE, Mr. CROSS, Mr. JOHN BENJAMIN SMITH, and Mr. GRANT DUFF:—Power to send for persons, papers, and records; Seven to be the quorum.

EAST INDIA FINANCE.—QUESTION.

LORD LYVEDEN asked the noble Duke the Secretary of State for India, if he intended to move for a Select Committee on East Indian Finance? The noble Lord said that in putting the question he desired to make a few observations on the subject. Last Session, as President of the East India Association, a body composed of gentlemen who had been in India or were in some way connected with it, and had continued to circulate information upon it, he was asked to move for the appointment of a Committee of their Lordships on the subject; but he replied that he did not think

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Lord Lyveden.

Question as to
Secretary of
State's inten-
tion to move
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Reasons for a
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the Lords.

that the best mode of dealing with the subject. He thought that a Commission on India would be better; but that such a step might appear an affront to the Governor General, and Lord Mayo, as far as he had been able to observe, had fulfilled his duties with great ability and public advantage. More recently there had been a rumour that if a Committee were moved for in the House of Commons, the Government would not object, and there was afterwards a proposal from the Government for a Joint Committee of both Houses. This proposition, however, had been abandoned, on the ground that their Lordships were not entitled to inquire into the subject of Indian finance. If not, what were their Lordships to inquire into? He had never heard of a more extraordinary objection. Their Lordships were often reproached with idleness; but this enforced idleness arose from a want of business whereon to exercise industry. Surely there was no question which they were better fitted for dealing with than Indian finance? Indian finance stood upon an entirely different footing from English finance. The objection to their altering Money Bills—namely, that taxes should only be imposed by the representatives of the people—did not apply to Indian finance, which was not regulated by the Imperial Parliament at all. If, moreover, India was indirectly represented in Parliament, it was in this House rather than in the other. The noble Duke (the Duke of Argyll) had on two occasions submitted to their Lordships, with great ability and usefulness, the Indian Budget—a step which obviously was no less open to objection than the consideration of the subject by a Committee. In the House of Commons there was at present a great dearth of Indian authorities—Sir Stafford Northcote being absent, and there being very few Gentlemen Members of that House who had been at the India Office, or who had applied themselves to Indian affairs;—whereas in this House there were on the opposite side two noble Lords who had been Secretaries of State for India,—the Earl of Derby and the Marquess of Salisbury,—as well as two on the Ministerial side,—Viscount Halifax and the noble Duke himself (the Duke of Argyll). Above all, there was Lord Lawrence, than whom no man could be better fitted to deal with such a subject; yet he was to be excluded on account of the fanciful notion that it would infringe the privileges of the House of Commons. That a man could be as useful as a witness as a member of the Committee he denied, for there was a great difference between the presence on the Committee of a well-informed man, who could examine the witnesses, and the

examination of that man as a witness by Gentlemen not conversant with the subject. It cast a ridicule on our institutions that so desirable a measure as the appointment of a Joint Committee should be set aside through political pedantry, on the ground that their Lordships were not to interfere with the finances of any part of the Empire. Considering the number of noble Lords who might usefully apply themselves to a subject of so much difficulty—which even a statesman of such grasp of mind as Lord Ellenborough had confessed his inability to master—he would ask the noble Duke, whether it was not advisable to appoint a separate Committee in this House, a step which need not be regarded as at all antagonistic to the Commons' Committee?

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THE DUKE OF ARGYLL, in reply, said the suggestion of a Committee had not emanated from Her Majesty's Government, for they saw nothing special in the state of Indian finance to call for inquiry; but during last Session, in a discussion on the subject, the Government intimated that if any considerable section of the House desired an inquiry, they would not stand in the way of it. This Session a considerable number of Members, not entirely satisfied by an early day being given to the Indian Financial Statement, still wished for a Committee, and the Government had accordingly to consider how the inquiry could be best carried on. A Joint Committee of both Houses was suggested not by himself, but by the other Members of the Government. He entirely approved it—for it was a mistake to suppose that there was any jealousy on the part of the India Office on the subject—and communicated personally with several Members of both Houses. He was glad to find that the idea met with general approval, and that some of the most distinguished Members of this House acquainted with Indian finance were willing to serve on the Committee. Such a step, however, required the general consent of all parties; and, on the matter being discussed in the House of Commons, it did not appear to meet with general acquiescence. The proposal of a Joint Committee had, consequently, been withdrawn. He did not think an inquiry was very urgent, and thought the appointment of a Committee of their Lordships, contemporaneously with the Commons' Committee, would have an appearance of jealousy and antagonism. He entirely concurred with his noble Friend that it was a total mistake to regard this House as being in the same position with regard to Indian as to Home finance. The House of Commons represented the tax-payers

Duke of
Argyll.

A separate
Committee of
the Lords not
necessary.

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1871. of this country, but not the tax-payers of India, and their Lordships were as much entitled as the House of Commons to deal, if necessary, with Indian finance. Should any suggestion emanate from the Commons' Committee, of which the Government or their Lordships might doubt the propriety, it would be their Lordships' duty to institute a full inquiry before passing any measure founded upon it.

INDIA—INDIAN ADMINISTRATION AND FINANCE.

PETITIONS FOR A ROYAL COMMISSION OF INQUIRY.

11TH MAY
1871.
Marquess of
Salisbury.
Petitions from
Inhabitants of
British India.

THE MARQUESS OF SALISBURY, in presenting Petitions (nine) of Inhabitants of British India praying for the appointment of a Royal Commission to inquire into various grievances mentioned therein, said, that the grievances as to which the Petitioners asked for inquiry pressed both on the English and the Native population. He could have wished that these Petitions had been entrusted to some other noble Lord, because he had the misfortune not to be able to agree with all the wishes which were expressed in them. This Petition—for the Petitions were identical—had three objects, and contained at least 20 paragraphs, and he proposed to conclude with a Motion that it be printed in the Votes. [Lord REDESDALE said, that would not be regular.]

Constitution
of Legislative
Council.

The Petitioners complained first, of the condition of the finances; secondly, of the annual migration of the Government from Calcutta to the Hills; and thirdly, of the Legislative Council not being a really representative body. Now, as to the third point of the Petition he (the Marquess of Salisbury) was unable to agree with it. It was possible that the Council might be selected with more careful attention to the interests of the population. He believed some Native Princes, not under the jurisdiction of the Crown, were members of it; and it might be that those affected by the decisions of the Council might be more adequately represented. This, however, was a question of detail; but he felt confident that any attempt to introduce a representative system into the Legislative Council would be attended only in the first instance with confusion, and in the second instance would have the fatal effect of subjecting the Government of India to the influence of a narrow though influential class.

consisting partly of Englishmen and partly of Natives, but wholly distinct from the vast mass of the people of the country—the responsibility now borne by England in the face of the world as regarded Indian administration being thus seriously diminished without any other responsibility being substituted for it. There had of late years been a considerable pressure with a view of maintaining the existing Native Governments, and limiting the extension of direct British rule. He sympathized with this to a certain extent, not that he believed the Native Governments, judged by any abstract or ideal rule, were superior or equal to the English, but simply because they had the one cardinal virtue of all Governments, that they were in sympathy with the feelings, habits, and traditions of the populations over which they rule. Therefore he believed we had done wisely in maintaining such of the Native Governments as now exist. The same considerations, however, should inspire mistrust of propositions for introducing into India a mode of Government so thoroughly alien to the Asiatic nature as representative Government. It was of vital importance to attend to the nature and traditions of the governed, and representative Government in India would sin against this primary canon. As to the comparatively small matter of the removal of the Government to the Hills, from all the evidence he had been able to collect—but the noble Duke (the Duke of Argyll) would be able to speak with more weight—he gathered that much more real business was performed at Simla than at Calcutta, where there being no influence of public opinion, as we understood the phrase, to control the Government, its migration to the Hills was not a matter of substantial objection. It was a great mistake to substitute the opinion of an official or narrow mercantile class, or of a few educated Indians, for the public opinion of the whole nation which we in England were so proud of.

As to the first part of the Petition—that relating to finance—he did to some extent agree with it. He thought the condition of the finances of India did require serious consideration from the Home Government; and this not merely in the sense of requiring the Governor General to give his best attention to it. Nothing could be further from his wish than to suggest anything which would diminish the authority or prestige of that distinguished officer, for the Viceroy's independence, and the position he occupied in the face of the Princes and people, were of vital importance. Least of all would he do so with Lord Mayo, who, as was now generally acknowledged, had fulfilled the hopes entertained of

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Annual migration of Govt. to the Hills.

Condition of finances.

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General prin-
ciple of
finance.

him on acceding to that high office, and had shown himself not unworthy of the brilliant series of his predecessors in the government of that great dependency. But the position of Governor General is temporary. There was a change every six years, and there might be questions of permanent interest which it was necessary to settle on a definitive basis. 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 *prima 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 on their independence, and increased the difficulty of administration. The local Governments had strongly protested for greater financial decon-

Financial de-
centralization
claimed by
Local Govern-
ments.

tralization, 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.

THE DUKE OF ARGYLL said, that the noble Marquess had treated the matter very fairly, and he was glad—although he had made some rather strong observations on some of the financial questions referred to—that he had not lent the

Duke of Argyll.

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Royal Commission of
inquiry.

Duke of
Argyll.

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Royal
Commission of
inquiry.

sanction of his high authority to the prayer of the Petition, to which he wished to call the attention of the House. He believed that already the Petition had been sent to a great number of the Members both of their Lordships' and of the other House of Parliament; and it would, no doubt, be still further circulated by the very active gentlemen whose complaints were brought forward in it. The prayer of the Petition was, that Her Most Gracious Majesty should appoint a Royal Commission to inquire into and report "on the matters aforesaid"—contained in 19 paragraphs—which went pretty nearly into every question connected with the government of India—its finance, its military administration, the possibility of introducing the representative system of government, the system of promotion in the Army, and every possible subject connected with the government of India. Now, he begged to say the appointment of a Royal Commission to inquire into such a subject as that would be nothing else but a Vote of Censure on the existing Government of India both in India and at home. It had been a cardinal point of our policy at all times to uphold the policy of the Viceroy of India. The noble Marquess was well aware that the present Viceroy did not belong to the party to which he (the Duke of Argyll) was attached, and until he was appointed to that office he really had no personal acquaintance with him. But he had felt it to be his bounden duty to give him that support to which he was entitled, considering the great duties he was called on to perform; and he must give his cordial assent to the eulogy passed by the noble Marquess on the manner in which Lord Mayo had discharged the duties of Governor General. As Secretary of State he (the Duke of Argyll) had been highly gratified with the great ability Lord Mayo had devoted to those duties, and the energy he had displayed in the administration of the Empire, and, he must also add, the great success which had accompanied his exertions to rectify to a great extent the finances of that country. Now, this Petition was full of complaints respecting the manner in which the Government of India was conducted in almost all respects; but he thought it must be quite obvious to those who read the Petition, that the real secret of the discontent it expressed would be found in certain financial measures which had been adopted since Lord Mayo assumed the Government of India, and especially the re-imposition of an income tax. It was not till they came to the 19th paragraph of the memorial that they found the income tax distinctly named; but indirectly it was continually referred to. He had not the

Re-imposition
of Income
Tax the real
grievance.

slightest doubt that the feeling of discontent which prompted this memorial had reference almost exclusively to the re-imposition of the income tax. With reference to the observations of the noble Marquess (the Marquess of Salisbury), he must say he was not aware that they had introduced into India any new tax except the income tax at variance either with the habits or customs of that country. Successive Governments, no doubt, had thought it their duty to try to amend the financial system of the Empire, and in many cases to abolish taxes with which the Natives were perfectly familiar, but which in an economical point of view must be considered in the highest degree objectionable. He did not think it could truly be said that they had introduced, to the grievance of the Natives, any new tax whatever with the exception of the income tax. That tax was first imposed in 1860, when Mr. Wilson was Financial Minister of India. It was imposed on the ground that under the native system of taxation a very large and wealthy class of people almost entirely escaped taxation. He believed that was perfectly true; and Mr. Wilson thought that under the financial exigencies of the Empire it was perfectly legitimate that the income tax should be levied on the English system. It was imposed at first at the rate of 4 per cent.—3 per cent. for imperial purposes, and 1 per cent. for local purposes. It was passed for a period of five years. It was subsequently reduced to 2 per cent. In 1867 there was another pressure of financial exigency, and what was called a licence tax was imposed. In this country a licence tax would be understood to be a tax imposed on persons who sold beer, spirits, and other exciseable articles; but the licence tax passed in India in 1867 had nothing to do with exciseable commodities; it was simply an income tax under another name, including persons exercising trades and professions, and our own officers among the number. They were compelled to take out a licence and at a fixed rate—a certain percentage on their assumed income; therefore it was simply an income tax under another name. But what made this objectionable was, that, in Bengal, many of the great landed proprietors not exercising any profession, paid no licence tax. He could not say that tax was defensible in itself; but he believed it was imposed rather for the purpose of avoiding the necessity of calling it an income tax and getting a fair contribution from the landed proprietors of Bengal. Shortly before the administration of his noble Friend near him (Lord Lawrence) had closed in India, the question was discussed whether the licence tax should be

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License Tax.

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License tax
changed to
Certificate tax.

Certificate tax
converted into
an Income tax.

converted into an income tax. It was strongly debated in his noble Friend's Council, and the result of that deliberation was that some amendments should be made in the licence tax, and that it should be converted into a certificate tax. But the same objection was made as applied to the licence tax—it still was a tax which affected our own officers, all the small dealers, traders, and merchants in the country as an income tax, but did not affect the great landed proprietors in Bengal. That was the state of things when he (the Duke of Argyll) came into office; and one of the first questions which came before him at the instance of Lord Mayo's Government, was whether or not this certificate tax should or should not be converted nominally, as well as really, into an income tax. That being the question before him, he thought there could be no doubt whatever as to the answer that should be given by the Government. If the tax was taken off the total loss could not be estimated at less than £2,000,000, and this could not be afforded. The decision of the Government was that the certificate tax should be converted into an income tax upon all sources of income, with certain exemptions, of course, to the poorer classes, in the same manner as in this country; and an Act was passed by the Government of India, without creating any great dissatisfaction, for establishing a low rate of income tax between 1 and 2 per cent. In the middle of the year 1869 Lord Mayo's Government discovered that there would be at the end of the year a large deficit, and Lord Mayo endeavoured to improve the state of the finances by rigid economy and by increasing existing taxes. The amount of the deficit which Lord Mayo contemplated at that time was £2,700,000—certainly a very alarming deficit. The memorialists, he observed, stated that there had been a long series of deficits from the year 1859-60 to the year 1869-70 :—but that was hardly so, for during that period there had been six years of deficiency and four years of surplus. Lord Mayo, however, very properly determined to use every effort to meet the circumstances, and he therefore proposed to restrict as far as possible the amount expended on public works, to increase the salt tax in certain Provinces, and to double the income tax for the current year. That proposition came to him (the Duke of Argyll) at a time when Sir Richard Temple was visiting this country, and was enabled to give him the benefit of his opinions. It was rather a startling proposal that in the middle of the financial year the income tax should be at once doubled; but looking to the state of the Government, to the existing state

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of affairs, and to the threatened deficit of £2,700,000, he thought it his duty to advise Her Majesty's Government to sanction those proposals. Now, he believed the whole of the dissatisfaction which had occurred in India had arisen from that matter. With reference to the income tax, he (the Duke of Argyll) did not say that the step was one which ought not to have been taken—on the contrary, he thought the income tax was a very fair resource for redressing a matter of this kind, and restoring the balance of finances; but there could not be the least doubt that this had had to a very great extent the unfortunate effect of exciting opposition to the measures of the Government. At the same time there was, however, this to be said, that Lord Mayo's measures completely succeeded in producing the result he desired to obtain. Instead of having a deficit of £2,700,000 at the close of the financial year, the result of the economies Lord Mayo effected, and the taxes he imposed, was a small surplus of about £200,000; and that was a most satisfactory result which reflected great credit on Lord Mayo's Government. But seeing this result, many people in India turned round and said—"This talk of a deficit was a mere panic—it was all nonsense. There was no necessity for these severe measures, and you might have weathered the storm without doubling the income tax." But both Lord Mayo and Sir Richard Temple had given a triumphant answer to this, and had shown conclusively that the financial result of the year was due entirely to the measures taken by Lord Mayo just described. He was also happy to say that Lord Mayo's exertions were not only successful in 1869-70, but they were eminently so in 1870-1; for instead of a small surplus, there was a surplus of very nearly £1,000,000—a most satisfactory surplus, which he should be glad to see repeated. At the same time, while the income tax was doubled, the minimum income to which it would apply was also raised from 500 rupees to 750 rupees; and he believed that that tax, about which so much had been said, would not be felt by more than 480,000 people. It was said—"You levy a large sum from a comparatively small population." But at the same time it should be remembered that we levied it from a small community which was immensely rich, and which would otherwise contribute almost nothing to the financial resources of the Empire. According to the traditional system of finance in India, the rich merchant of Calcutta or Bombay might spend his whole income without contributing anything to the financial resources of the country. A large part of the revenue of

Small number
of
contributors
to Income Tax.

Duke of Argyll.

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India was derived from opium sold to the Chinese, which yielded an income of £8,000,000 per year. Another large portion came from the rent of land, and, of course, fell upon the occupiers of land—and that was the ancient traditional source of the revenues of the country. A very small proportion indeed was derived from Customs, and the Customs duties might be evaded altogether by any one who chose to consume only native articles. A certain portion of the revenue was derived from the tax on salt, which fell with great severity upon the poorer classes of certain parts of India; but the amount contributed to the salt tax was only an infinitesimal fraction of expenditure of the more wealthy. In spite, therefore, of the small number of people who contributed to the income tax in India, he could not think that it was an unjust tax.

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.

Expenditure
on Public
Works.

He (the Duke of Argyll) now desired to touch upon another point on which the course taken by Lord Mayo had been very successful—the course taken with regard to the expenditure on public works. The system adopted either by the noble Marquess opposite (the Marquess of Salisbury) himself, or by Sir Stafford Northcote, was, that the expenditure in India on public works should be divided into two heads, and that those which were considered to be remunerative should be met by loan, while those which were considered unremunerative should be met out of income; the amount expended on the latter class in some years reaching to between £5,000,000 and £6,000,000. No one could doubt that in connection with works of such magnitude, conducted over every part of India, there must be a very great amount of waste. Every Governor General of India had felt that, and had also felt the difficulty of controlling it; but Lord Mayo has succeeded in conducting the ordinary public works at a very large reduction of expense—the reduction he effected two years ago amounting, under that head, to no less a sum than £2,669,000. He had also made retrenchments in the Army, and those retrenchments, though not so great as he (the Duke of Argyll) hoped they might be made, gave us at all events a very large item of reduction. The reduction on the Army Estimates this year, when compared with the Estimates of two years ago, was

Retrenchments in
the Army.

about £346,000, and that saving had been effected without reduction in the number of European troops, and with only a small reduction in the number of guns; the number of European troops, including officers, remaining at 67,000, the Native troops amounting to 122,000, and there being 1,494 guns. He (the Duke of Argyll) had stated these facts only to show that this was clearly an inopportune moment for bringing forward a Motion which was really a general censure upon the Government of Lord Mayo, who during the last three years had exerted themselves successfully in endeavouring to reverse the balances of our finances; the results being that, in the first year Lord Mayo succeeded in converting an alarming deficit into a small surplus; in the second year he raised the small surplus into a surplus of very nearly £1,000,000; while in the present year, with a very large reduction in the income tax, and in the number of persons upon whom it fell, there was every hope of realizing another surplus.

One point which had been referred to as a matter of complaint against the Government of India he ought, perhaps, to notice—he meant, with reference to carrying on the Government service at Simla, instead of Calcutta, during the hot season. That was a complaint which had been echoed to a considerable extent by Members of the Council at home. Many of them were fine specimens of humanity, having served during the whole of their time in India in the very hottest climates, with very little relaxation, and they were of opinion that other men might do as they did; but, as he (the Duke of Argyll) had reminded them, their weaker brethren might have been killed off during the process, and that they were the happy survivors of a large number of European officers, who had succumbed to the severity of the climate and of the service. He could not think it would be well for the Government of India to sacrifice the whole advantages which modern science had given us for the economy of life. It was against reason and against nature that when you had a healthy climate within a few hours' travel by rail you should compel men to serve all the year round in the hot climate of Calcutta; and he could not believe that the public service of the Empire would be at all promoted by such a sacrifice. He agreed with the noble Marquess that although public opinion in Calcutta was an element which every Indian Government ought to consider, it ought to exercise no predominating influence over the action of the Government, and he could not but think that the general interests of the Indian people might be as well consulted when the members of the Gov-

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Migration of
Government
to Simla.

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Relation be-
tween Indian
and Home
Government.

Local taxes
for local
expenditure.

ernment were at Simla as when they were at Calcutta. Measures intimately affecting Indian habits and customs ought not, indeed, to be treated when the Native Members of the Council could not be present; but making that exception, it was for the advantage of the people of India, as well as for the Members of the Government themselves, that they should spend the hot season in the salubrious climate which they could reach so easily. The Petitioners had made an extravagant mistake with regard to the relations existing between the Indian and the Home Government. It was true the Government at home was the supreme Government, and must always continue to be so; but the Indian Government was in the main the government of first instance, as it were, and the Home Government was the government of appeal. Almost all measures affecting the welfare of the people were initiated in India, the appeal only lying to the Secretary of State at home, whose general desire it was to support the Indian Government. 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 favour 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 re-

Duke of Argyll.

sources. 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

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Permanent
settlement of
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Royal Com-
mission of
inquiry.

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. He understood, he might add, that notice had been given in “another place” of a Motion—which was seriously meant—for the appointment of a Royal Commission; but he hoped Parliament would not accede to a proposal which would be most unjust to the Government of Lord Mayo, and which would almost amount to a Vote of Censure upon the Administration of India. Besides, it should be borne in mind that the Government of India was nothing more nor less than a standing Royal Commission for the administration of the affairs of that country. And how was that a Royal Commission composed? Of some of the ablest men, who had worked their way up to important positions in India, and who had distinguished themselves in the administration of various departments of Government; of English statesmen, and of men who were acquainted with legislative work in this country. A more powerful standing Royal Commission he could not conceive; and the appointment of a Royal Commission by Parliament would, in his opinion, derogate most seriously from the authority of Lord Mayo, and would be accepted as a vote of want of confidence in his Government.

Petitions *ordered* to lie on the Table.

INDIA—EAST INDIA ADMINISTRATION.

RESOLUTION.

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1871.

Mr. Fawcett.

MR. FAWCETT rose to call attention to a petition recently presented to this House, numerous and influentially signed by Native and European inhabitants of India, in reference to the Financial and General Administration of the Affairs of that country; and to move—

Motion for
inquiry into
Financial ad-
ministration.

“That, in order to make an inquiry into the finances and financial administration of India as complete and satisfactory as possible, this House is of opinion that it would be expedient to obtain either by the granting of a commission, or by some other means, evidence in India on the subject, both from Native and European inhabitants of that country.”

Mr. Fawcett.

The hon. Member said, that the petitioners directed attention to the fact that in India there had been a succession of deficits, antagonistic to the well-being and credit of the country, and involving an increased and new taxation alien to the feelings and customs of the people, and likely to create in their minds a sentiment of opposition to British rule. They then asserted that these deficits might be avoided if the finances of India were administered with greater statesmanship and economy. They alluded particularly to the Public Works Department, in which they alleged there was great waste, prodigality, and extravagance; and they asserted that many costly public works had been or were in the course of being carried out which were not likely to prove remunerative, and which would throw a heavy burden on the people of India. Further they asserted that there was no proper check on the sums expended on stores in England, they being frequently purchased at extravagant rates. They next referred to the Home charges, complaining that there was no proper control over the Indian money spent in this country, and they asserted that Indian Budgets would continue to be uncertain as long as the Home charges were uncertain. Next, they objected to the vexation and the corruption which they asserted were sometimes caused by the collection of the income tax. They referred likewise to the inadequate representation of the Natives in the administration of the affairs of their country, stating that the unfairness of such inadequate representation was heightened by the fact that the greater portion of the year was spent by the Government at Simla, where it was difficult for the non-official Members to follow them, so that the Administrative were separated from the Executive parts of the Government. They further referred to certain changes which might be carried out in the army, and they alluded particularly to the importance of abolishing the separate military commands in the different Presidencies. Having made these allegations, they went on to pray that a Commission might be appointed to take evidence in India on the subject. When this subject was referred to in "another place," an extraordinary and unprecedented response was made on the part of Her Majesty's Government. They said to the Marquess of Salisbury—"If you press for a Commission to take evidence in India, we shall consider that it is a censure on the Government of India, and, in fact, we shall treat it as a Vote of Want of Confidence in that Government." He entreated the independent Members of that House to put an end to

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Petition.Treatment of
Petition invol-
ving censure
of Govt.

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this system of treating almost every Motion as one involving a Vote of Want of Confidence. If, indeed, they did not make a strong protest against the practice, they would never have any question decided upon its merits, as the Government would constantly resort to a subterfuge that would prove fatal to the independence of the House. There was no ground whatever for treating this Petition from the people of India as though it involved a censure of, or a Vote of Want of Confidence in the Government of India; and he (Mr. Fawcett) thought that the proposal of the Petitioners might be supported on three very distinct grounds of approval. In the first place, the demand of the Petitioners was in itself reasonable; secondly, the argument of the Government that a Vote of Want of Confidence was involved was absolutely indefensible; and, thirdly, it could be easily shown that no investigation into the affairs of India could be complete or satisfactory if evidence on the subject were not taken in India. By consenting to the appointment of a Select Committee, Her Majesty's Government had admitted that Indian finance and financial administration required investigation. Why, then, should there not be an inquiry in India as well as in England? What would be said if Englishmen had to go to India and give evidence respecting the finances of this country? Still, they might go there, although the cost and inconvenience would be very great; but it must not be forgotten that a large proportion of the Natives of India absolutely refused, for reasons connected with their religion and caste, to cross the ocean; and, consequently, their evidence could not be taken except in India. It might, perhaps, be said that he was one of the first to suggest the appointment of the Select Committee, and that he now came forward to ask for something more. Nothing could be further from his intentions than to say a word against that Committee which had now been sitting for three months, the revelations and the results of which would, he believed, be far more important than anyone could have anticipated. Nevertheless, that Committee would not do all that was necessary. The Petition he had referred to alleged that no investigation could be complete and satisfactory unless evidence was taken in India. Among the subscribers to that Petition was Mr. Bullen Smith, the President of the Calcutta Chamber of Commerce, and also a non-official member of the Legislative Council there. In their Petition they distinctly asserted that unless evidence was taken in India, it was impossible for the investigation to be complete, and for all the facts to be

Inquiry in
India as well
as in England.

Mr. Fawcett.

ascertained. If the request to have evidence taken in India was refused, a bad impression would be produced in that country, and much of the good which the investigation would otherwise do would be lost; for the people of India would say we not only refused to give them adequate representation, but we wished to create an impassable gulf between the rulers and the ruled, because we refused those who were most affected by a special investigation an opportunity of expressing their views. Every statesman who had considered Indian affairs had concluded that the greatest problem we had to solve was to create greater communion in India between the rulers and the ruled. Sir Donald M'Leod had said that the people of India had no constitutional method of making their wants known; that the devising such a method was the most important problem which could present itself to Indian statesmen; and that unless it were solved our dominion in India could not be secured, and the continuance of our power there could not work for the good of the people; and he added that the want of sympathy and of understanding between the Government and the people was absolutely lamentable, and if something were not done to remedy the evil our power in India must be most gravely imperilled. Would not this want of sympathy and of understanding be intensified if we held a special inquiry at which those who had the least opportunity of being heard would be the people of India themselves? It might be said that nothing could be elicited in India which could not be gathered by the Select Committee sitting in this House: but no one could express a confident opinion on that point; and, even admitting that a Commission would not elicit a single fact which could not be brought out by the Select Committee upstairs, that assumption would scarcely weaken the force of his argument; for, however, painstaking and exhaustive the inquiry might be, unless the Natives of India were examined, the people of that country would not believe that justice had been done them. No one would be less inclined than himself to join in passing censure upon the Governor General of India; and he maintained that a Commission in India would no more amount to such a censure than the inquiry here implied any censure upon the Secretary of State for India. If the Government opposed a Commission, probably at the bottom of their refusal would be a certain official dread that Natives of India would propagate strange doctrines, make unreasonable proposals, and show that they did not appreciate the so-called blessings of England's rule. If this officialism were to prevail, the

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of refusing a
commission.

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blunders of the past would be repeated in the future, and as long as it continued we should never be able to create more confidence between ourselves and the people of India. Officials were prone to think that what was good for Europeans must be good for Hindoos; and we were too much inclined to the conclusion that, if we sent to India some institution which we worshipped as a political fetish, and if it were not appreciated by the Indian people, this want of appreciation was a proof of their inferiority in civilization. It was said that our rule had conferred many blessings upon India by increasing the safety of life and the security of property; and, certainly, if the blessings we had conferred were to be measured by taxation, life and property ought to be secure. One thing, at all events, they had obtained from us, and that was administrative extravagance; and admitting what we had done for the material well-being of India, we must consider the cost at which it had been purchased. Twelve years ago the annual expenditure in India was £30,000,000; now it was £50,000,000; twelve years ago its debt was £60,000,000; now it was £100,000,000. Conceding all that was said of the material prosperity of India, it could not be maintained that that would satisfy the people, and make them contented, if we continued to treat them as unworthy to be consulted, and unfit to be intrusted with any of the privileges of self-government. If the people of India were like the aborigines of Australia we might continue to treat them in this way; but their traditions of the highest civilization came down from a time anterior to Greek or Latin literature. The people of India ought gradually to be admitted to a greater share in the government of that country; and, as a step in that direction, he hoped the House would support him in the demand he was about to make, that means should be adopted for obtaining evidence on Indian finance and Indian administration. Possibly it might be said that the evil complained of was about to be redressed, and that we were giving the people of India a higher education. But the higher the education they received it only intensified the evil of excluding them from the government of the country. The House had no higher mission to perform than to do everything in its power to increase the sympathies between the English and Indian subjects of the Empire; and he ventured to think if independent Members, either by their votes or the expression of their opinions, should be the means of obtaining the Commission he sought for obtaining evidence in India, they would render no unimportant service.

W. A. G. C.

to that great dependency; for they would at least show that the House was anxious that the people of India should be, as far as possible, taken into counsel—that their feelings should be inquired into, their wants ascertained, and redress given where redress was needed. The hon. Member concluded by moving the Resolution of which he had given Notice.

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Motion made and Question proposed,

“That, in order to make an inquiry into the finances and financial administration of India as complete and satisfactory as possible, this House is of opinion that it would be expedient to obtain, either by the granting of a commission or by some other means, evidence in India on the subject both from Native and European inhabitants of that Country.”

MR. G. B. GREGORY said, that the questions raised by the hon. Gentleman the Member for Brighton (Mr. Fawcett) deserved the careful consideration of the House. To one alone he particularly wished to call attention. There were a number of feudatories whose dominions had from time to time been absorbed by the English Government, and to whom pensions or annuities had been secured by treaty in lieu of the rights which they surrendered. Questions, however, were continually raised as to the duration of a succession to these annuities, and when the heir of one of these feudatories attempted to assert his right against the Government, he was met by the plea that the treaty under which he claimed was an act of State of which no Court of Law could take cognizance. This state of things had been aggravated by sunnuds granted by Lord Canning to the successors of these feudatories after the Indian Mutiny, guaranteeing their rights and the succession to them according to Mohammedan law, or the custom of the country or the family, as the case might be. These sunnuds were, no doubt, most proper in themselves; but the construction of them was in many cases a purely legal question, and the parties interested were stopped from a decision of them by any competent tribunal in the manner he had stated. In one case within his own knowledge the Court of First Instance, notwithstanding the plea in question had been raised by Government, had entertained the case, upon which the Government appealed to the Privy Council, who held that a legal tribunal had no jurisdiction, and that the plea therefore must be maintained; but in giving judgment the Judicial Committee made such strong observations on the conduct of the Government, that the latter compromised the case. He believed if all such questions were referred to the Judicial Committee of the Privy

Mr. Gregory.

Treatment of
feudatories
who have
surrendered
their rights
for annuities.

Mr. G. B. Gregory.

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Council for judgment, a much greater sense of satisfaction and security would be spread among the Natives of India. He trusted the matter would be taken into consideration by the Government.

Mr. Grant
Duff.

MR. GRANT DUFF: Before alluding to the Resolution which is now before us, I wish to point out to the House that that Resolution is not the Resolution which the hon. Member for Brighton (Mr. Fawcett) put upon the Paper, and which he kept on the Paper till within the last two or three days. That Resolution ran as follows:—

Mr. Fawcett's
original
Resolution.

“To call attention to a Petition recently presented to this House, numerously and influentially signed by Native and European Inhabitants of India, in reference to the Financial and General Administration of Affairs in that Country; and to move, That, considering the widespread discontent existing amongst the Native and European Inhabitants of India in reference to the Financial and General Administration of the Affairs of that Country, this House is of opinion that it would be expedient to appoint a Commission, so that evidence might be obtained on the subject in India, both from Natives and Europeans:

“And, to move, That, in the opinion of this House, it is expedient to take steps to obtain more fully and precisely the opinions of the Native and European inhabitants of India, with regard to the finances and financial administration of that Country.

The House will see that that Resolution is conceived in a totally different spirit from the new one. I do not know, Sir, whether you would rule that the hon. Member has exceeded his extreme rights in obtaining a place upon the Paper on behalf of one Resolution, and then replacing it by another so different, both in the reasons on which it is founded, and in the course which it proposes; but of this, Sir, I am quite certain—that not only all hon. Members, but all honourable men will be of opinion that for one in the responsible position of a Member of this great Assembly to attach his name to the proposition, that there is general discontent among the Native and European inhabitants of India, and then after giving as wide publicity to that statement as he could, to run away at the last moment, and to decline to take the judgment of the House upon that question, is not a proceeding calculated to advance the interests of the country. But now for the new Resolution of the hon. Member. If the name attached even to it had not been that of any Member of the House except himself, I should have listened to it with some surprise, for a stranger proposal has not, I think, often been made to us. It will be in the recollection of many that the hon. Member, catching last year some echo of the grumbling with which an income tax of 7½*d.* in the pound was greeted in India by the small but influential class which had to pay it, became, or appeared

Mr. Fawcett's
new
Resolution.

to become, very much alarmed about the state of Indian finance, and informed us that he would move this Session for a Committee on that subject. The Government, believing that nothing but good could come from laying bare the whole state of the finance and financial administration of our great Eastern dependency, met the hon. Member much more than half way, and moved for the appointment of a Committee, which was appointed and immediately entered upon its duties. That Committee, exceptionally large from the first, consists now of 27 Members, many of whom attend most closely and take an active part in the examination of the witnesses. There have already been 17 meetings, though only a moderate portion of the gigantic subject with which we have to deal has been traversed; but I appeal to every hon. Member of that Committee to say whether there has been, either on the part of the Chairman or of myself, the slightest shadow of an attempt to shut out any evidence whatsoever that could reasonably be expected to throw light into the inquiry, or even to suggest that the Committee should not investigate everything which could by any fair interpretation come within our Order of Reference—and it is difficult to say what branch of Government will not come under an Order of Reference which instructs us to deal with the moving power of every branch of Government—with finance and financial administration. These things being so, the hon. Member calmly comes down, and telling the House, in effect, that its Committee is incapable of arriving at the truth and of satisfying opinion in India, proposes to send a Commission to that country. Well, if sending a Commission to India would not be sending coals to Newcastle I do not know what that phrase means. Why, how do you govern India, except by a British Commission perpetually renewed? I have always thought that it is most important, from time to time, to inquire into the affairs of India by Select Committees of this or of the other House of Parliament, because it is most important to keep the necessarily despotic Commission which governs India in harmony with the tone and spirit of our Constitutional and Parliamentary system; but why you should send out another Commission to do a part of the work which is being already done by your standing Commission is more than I can understand. I can, on the other hand, quite understand why the course he adopts should appear a natural one to the hon. Member. It is so very much easier to come down here and to make good, strong, round assertions, than to sit hour after hour upstairs, patiently waiting, till your turn comes, to try

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1871.

Government
of India a
standing
Commission.

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1871.

and prove, by examining or cross-examining a witness, the truth of those strong assertions, and hearing every moment facts and opinions which conflict with dearly cherished theories. I can, I say, quite understand, after sitting on Committee with him, why the hon. Member should be dissatisfied with the tribunal which he himself proposed, and should suggest another method of arriving at what he would describe as the truth. To allude to evidence that has been given before that Committee, which may not have been acceptable to the hon. Member, would, of course, be out of Order, and so I will not do it; but I may say, with regard to the future, that the chief pleasure to which I look forward on this Committee—and at the best there is not very much pleasure to be got out of a Committee in the month of June—is seeing the writhings of the theories of the hon. Member, as witness after witness touches them with the light of fact, just as Ithuriel touched that other hon. Gentleman with his spear.

Allegations of
Petition
especially
regarding
Home
expenditure.

And now a word about the Petition that gives occasion or rather opportunity, for the hon. Member's Motion. It consists of 20 paragraphs. Of these, the first 10 and the 15th relate to matters which may come directly within the cognizance of the Committee on East Indian Finance and Financial Administration. About the points raised in these paragraphs, I will say nothing, for the very simple reason that what the House wants to know with regard to them is not either the opinion of the Government or the opinion of the hon. Member for Brighton. What it wants to know is the opinion of its own Committee, when that Committee has taken the usual means of forming an opinion; but just to show the carelessness, the neglect of the most ordinary methods of arriving at correct conclusions which have inspired the authors of this Petition, I will read one paragraph, and then explain the state of the case with regard to it. Paragraph 8 runs as follows:—

“With reference to the Home charges generally, your Petitioners submit that the people of India have the same right to be furnished with a full account of the expenditure of that portion of their revenue, which is disbursed in England, as of that which is disbursed in India; and that, as regards such of the charges concerned as are not of a fixed and permanent character, a power of practical control should be vested in the Government of India, or in some authority responsible immediately to it.”

Now, here is the answer which is furnished to this, in an extract from the speech made on the 9th of March last by Sir Richard Temple, the very man who would have had

M. Grant D. J.

most reason to complain, if the statements put forward by the Petitioners had had any foundation in fact—

“ Before finally quitting the finances of the year I must ask leave to notice certain remarks which have been made, and, indeed, reiterated, regarding the accounts of the Home Treasury of the Government of India which are kept in England. It has been said that the expenditure in England on account of India is incurred without sufficient reference to the authorities in India, and that the detailed accounts of it are not made known in India. Now, I showed, in my last exposition that by far the greatest part of that expenditure is really incurred either under rules proposed by the Government of India, or upon requisitions made by the Government of India. So far we ourselves must accept a very large share of the responsibility. There are some exceptions to this; but they are not considerable. So much for the expenditure. No doubt the accounts of that expenditure are kept under the direct orders of the Secretary of State for India. But they are rendered to us, month by month, with the greatest regularity and the fullest detail. We again publish the account annually, with all its details, in *The Gazette of India*, and have usually done so for years past; the publication taking place in the summer. In short, the information before the public in India regarding the expenditure in England, is as full as that regarding any portion of the public expenditure whatever.”

That contradiction is, I think, pretty decisive; but if the hon. Member for Brighton thinks that he can substantiate the views of the Petitioners on that or any other point where they pass out of the region of mere truism and commonplace, he has got his tribunal upstairs, and I wish him much joy of his chances of success. There are, however, a few matters noted in the Petition which do not come within even the wide sweeping net of a Committee on Finance and Financial Administration, about which I may be expected to say a little. The 11th and 12th paragraphs complain of the existing constitution of the Viceregal Council; the 13th deprecates the resort of the Supreme Government to the hills; the 14th, against which the Native Petitioners protest, proposes to make the Governor General more independent of the Home authorities—or, in other words, of the Cabinet of the day and of Parliament—and the paragraphs from the 15th to the end complain of the present organization of the Native Army, and pray for a Royal Commission to inquire into the whole circle of subjects to which the Petitioners allude—that is, in effect, as the hon. Gentleman puts it, into the whole financial and general administration of the country.

Now, as to the constitution of the Viceregal Legislative Council, and as to the present organization of the Native Army. These may conceivably become one day legitimate subjects for separate inquiries; but both the Council and

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Other allegations of Petition not coming within range of Select Committee.

Constitution of Legislative Council.

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the Army are quite new institutions, dating from 1861, only 10 years ago; and to inquire into them at present would be to imitate the behaviour of a child who digs up seeds to see how they are growing. These questions, I say, may conceivably some day require examination; but the instrument of that examination will not, I should think, in either case be a Royal Commission. As to the first, a Committee of this House would surely be in every way a fitter tribunal to try the question—how far representative institutions can be extended to our Asiatic possessions. I know no reason in the nature of things why they should not some day or other be so extended; but the time has not arrived for a real representation in India. Even here representative institutions grew very slowly, and although it is natural enough that these Petitioners should ask for the re-modelling of the Legislative Council because they fancy that they will thereby obtain some accession of influence, we must not forget that they are interested parties.

Organization
of Native
Army.

With regard to the present organization of the Native Army, that, too, may be conceivably one day a very legitimate subject for a separate inquiry; but the mode of inquiry which is alone at present applicable is being applied now, for the Native Army is constantly being watched and constantly examined by your great officers in India. If they are incompetent—if Lord Mayo and Lord Napier of Magdala are unfit to advise the Government as to the Native Army—recall them, and send better men, if you can find them, in their place; but do not supersede them by sending a Royal Commission to take off their hands, perhaps, the very gravest and most responsible part of their duty; for, after all that has happened, it would be idle to deny that the good ordering of the Native Army must be always one of the most important portions of the duties to be performed by the great officers of the Queen in India. I need not add, I am sure, that it is one of the most delicate, as well as one of the most important portions of their duty—just about the last to be handed over as part of a bundle of subjects to be inquired into by a Royal Commission, mainly constituted with a view to inquire into finance, for much more than half the Petition relates to that subject, which was evidently uppermost in the minds of the Petitioners.

Independence
of Viceroy.

It remains to say a word as to the proposed independence of the Viceroy, and the resort of the Government to Simla. As to the first, I have already pointed out that the Native Petitioners will have none of it. They know that the Europeans who have signed it merely wish the Viceroy to be independent, because they

think they can act upon him, and they know they cannot act upon the Home Government; but does the Viceroy ask for more independence? Will not every Viceroy tell you that in 99 cases out of 100—in every case, I may say—where the House of Commons does not positively interfere, the tendency of the Home Government under all Administrations is always to strengthen the hands of the Viceroy? When it does not do so, it almost always is because some particular course could not be reconciled with British opinion; and while India remains a dependency of the British Crown it must be governed in the last resort by British opinion, wisely, cautiously, even diffidently expressed—expressed after hearing all that the specialists have to say—but still British opinion.

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As to the annual removal of the Supreme Government to Simla, the opposition to it arises merely from the private interests and quite natural prejudices of the inhabitants of Calcutta; but a very short-sighted opposition it is, for it is pretty clear that if the Government of India had to remain in one place year out and year in, it would not remain in Calcutta. Once let the annual resort to Simla or some other place where the European can work at full power during the hot season, be given up, and Calcutta will cease for ever and a day to be the political capital of India.

Annual resort
to Simla.

And next with reference to the cry that the Natives of India have not sufficient opportunity of expressing their views before this Committee. What is to prevent any Natives of India putting their views directly before the Committee, either in the shape of Petitions to this House—which would, of course, be immediately referred to it—or by sending over any person to be examined whom they may select, or by instructing any of their numerous countrymen here to go before the Committee? Already several Natives of India have been proposed as witnesses before that Committee, and I should fancy that the Committee would be only too happy to hear the evidence of any Natives of India for whom the hon. Member desiring to call them would vouch as having anything to say that would be worth hearing. I am afraid, however, that most persons who know India will tell us that the views of the Natives of India upon finance and financial administration—and, indeed, upon all the problems which occupy us in connection with India—will fall under one of two heads. Either they will be mere reflections of some well-known form of Anglo-Indian opinion upon finance—say of the existing Governmental view, or of the mere sanguine view which I may call

Facilities for
expression of
native
opinion.

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Mr. Laing's view, or of what I may call the irrational view, which can be summed up in these words—"Diminish revenue, and increase expenditure;" or they will be the expression of the good old-fashioned pre-British view—"Make your taxes light, and leave your detestable improvements alone." The hon. Member has held forth to the House at great length upon consultative councils; but does he really think the Committee is so stupid that it will not investigate all the more plausible suggestions for the improvement of Indian Financial Administration? Why, for what other purpose was it appointed? Was it appointed only for the purpose of watching the hon. Member for Brighton engaged in the congenial occupation of finding mares' nests? It was unnecessary to appoint a Committee to do that. The House has been—sufficiently often—a witness to the hon. Member's success in that branch of ornithological research. Let the hon. Member make himself easy. If the Committee, after having used all the ample powers which the House has conferred on it, finds that it cannot execute the task which is committed to it, it will suggest some means for carrying the inquiry further. But it is for the Committee to do that, and not for a single Member—one twenty-seventh part of it. For the House to accede to the Motion of the hon. Member at this stage of the Committee's proceedings will be to pass upon that Committee a severe and quite undeserved censure. And I must therefore give, on the part of the Government, the most unqualified opposition to it.

Mr.
C. B. DENISON.

MR. C. B. DENISON said, by common consent and felicitous usage, all parties in that House discussed Indian questions without reference to party politics. He would not, therefore, yield to the temptation of commenting on the extreme divergence of opinion shown by the speeches of the hon. Member for Brighton (Mr. Fawcett) and of his hon. Friend the Under Secretary of State for India, and on the tone of unusual asperity adopted by his hon'ble Friend to the hon'ble Member for Brighton, but would keep to the question before the House. What was really for the good of India was the question they had to ask themselves. Was it the Committee or the proposed Royal Commission? To fall back on the latter would be to stultify themselves; for the Committee which was now sitting had not concluded one-half of its labours, or even made an interim report to the House. He agreed entirely in the concluding remarks of his hon'ble Friend, that circumstances might arise—he did not apprehend they would arise—which would prevent them getting the required information; and in that case

Inquiry by
Select
Committee
rather than
by Royal
Commission.

Mr. C. B. DENISON.

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it would be their duty to consider what steps should be taken to bring that information under their cognizance. But, as far as they could at present see, there was no reason to apprehend that any difficulty would be thrown in their way. The hon. Member for Brighton alluded to a gentleman who was president of the Chamber of Commerce, and laid great stress on the fact that he had signed the Petition praying for a Royal Commission. But he was coming as a witness before the Committee at his (Mr. C. B. Denison's) suggestion, and he should be much surprised to find that gentleman still adhering to the opinion that a Royal Commission was essential to the object they had in view. He could not agree that the Committee was appointed with a foregone conclusion that there were great abuses to remedy. His view was that there were some things which called for investigation, and others in which there were misapprehensions which the labours of the Committee would remove. And it must not be forgotten that in the Petition which formed the basis of the Motion of the hon. Member for Brighton, there was internal evidence to lead to the belief that the Petitioners themselves were not at the time aware of the appointment of a Committee of that House. Under these circumstances he was strongly opposed to the Motion at the present moment, and preferred to wait the result of the labours of the existing Committee. If in any way thwarted in their inquiry it would be open to them to recommend Commissions to India, but that was a course open to many obvious objections and difficulties, and not to be lightly or hastily determined on.

SIR CHARLES WINGFIELD said, he must agree with his hon. Friend the Under Secretary of State for India in the remarks which he had made on the proposition that the Viceroy should be left more free. The reason why the non-official English in India desired more power for the Viceroy was because they thought they could bring more influence to bear on him than on the Secretary of State. The controlling powers of the Secretary of State were greatly approved of by the Natives, and he was not surprised that they should have dissented from this part of the Petition. There was, however, serious discontent at the present moment in India at the financial measures of the Government, as was proved by the number of Petitions from the four great cities, the unanimous opinion of the Press, and even the speeches in the Council of the Governor General where civil servants high in position testified to the discontent of the people, and the anxiety they themselves experience while watching the

Sir C.
Wingfield.Discontent in
India at
financial
measures of
Government.

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1871.

constant increase in taxation. From the time of Lord Cornwallis to that of Lord Lawrence there was one creed in regard to taxation in India—namely, to trust mainly to the established sources of taxation, and to be most cautious in imposing new imposts. Lord Lawrence said in 1864 that the people were poor, and were impatient of any except the old modes of taxation, while Lord Canning declared he would rather govern India with 50,000 European soldiers and no income tax, than with twice that number with that impost. Although the income tax had now been lowered to 1 per cent., yet the grants from Imperial revenues for local wants having been reduced, the odium of raising further taxes had been thrown upon the local governments. Sir Seymour Fitzgerald stated this distinctly the other day, and actually proposed a tax upon feasts, which would have been an impost on the hospitality exercised at family gatherings and religious ceremonies. That proposition had been withdrawn; but other new taxes were about to be imposed. It would have been better to have reduced expenditure rather than to have resorted to these irritating measures, and he believed that great troubles were in store for us if this policy of increasing taxation at the arbitrary will of the Government was persevered in, for it was sowing broadcast the seeds of disaffection. He did not attach much importance to the objection that a Royal Commission would weaken confidence in the Governor General of India, for authority was not strengthened by refusing to inquire into grievances. But he did not entertain the conviction that a Royal Commission was necessary. There were former members of the service, and of the commercial classes now in this country, as competent to give evidence before the Select Committee as those persons who were now residing in India in the service of the State or in the pursuit of commerce. He admitted that inquiry, without hearing the opinions of the members of the community most affected by the financial administration would be imperfect; but he thought we might reasonably expect that Native gentlemen of education and position would present themselves for examination before the Committee. The difficulties of the journey were not too great to preclude the idea; and the laws of caste were not so stringent as to prevent the adoption of such a course, as was evident from the number of Native gentlemen who now came to this country to pursue their studies. And, besides, he had no doubt that the great associations of wealthy landowners in Bengal and Oude would be ready to defray the expense of sending representatives to expound their views. He

Mischief of
increasing
taxation.

Royal
Commission
not necessary.

Sir Charles Wingfield.

saw no statement in the Petition to the effect that an inquiry could not be properly conducted in this country, and he did not think that those who had accepted the Committee would be acting in good faith towards the Government if they raised their demands to a Royal Commission in India. He was satisfied with the assurance that the portions of the Petition relating to finance should be referred to a Select Committee.

Mr. AYRTON, as Chairman of the Select Committee on Indian Finance, said he must oppose the Motion, which he considered to be unnecessary. Personally, he should be glad to see it carried, if it would relieve him from the duty of presiding over the long and arduous labours of the Committee, which was proceeding with great care, deliberation, and zeal, laying a broad foundation for further investigation, and qualifying its members to give full consideration hereafter to questions connected with Indian finance. That subject, he might observe, was a most difficult one, for, as expenditure had exceeded income, they would have to consider how financial operations could be brought within the resources of the country. It was satisfactory to know that this Petition had evidently been prepared without any knowledge of the fact that an inquiry was already proceeding. Persons who had presented other Petitions, on becoming acquainted with the circumstance that a Select Committee had been appointed, had expressed great satisfaction. An association including the most intelligent and influential persons in Bombay, and another association in London, of which a great many gentlemen connected with India were members, were also satisfied with the step which had been taken in appointing the Committee. It would be observed that the Committee which had been appointed had precisely the same duties and the same purpose as the Royal Commission would have, and that being so, the House would be placing itself in an extraordinary position if it appointed a Commission which was virtually to supersede its own Committee. He asked the House, out of respect to its own Committee, and out of consistency in its own proceedings, not to entertain the motion of his hon. Friend. There could not be a Governor General administering the affairs of India, and at the same time another body roving about the country hearing evidence against the Governor General in Council, and against the Governors of the various Presidencies, without unsettling the minds of the people of the country. He trusted, therefore, seeing that the Committee possessed a capacity that could not belong to a Commission, that the House would not assent to the motion.

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Mr. Ayrton.

Reasons for
refusing a
commission in
India.

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1871.

Sir S. North-
cote.

Decline of
parliamentary
in difference
to Indian
questions.

SIR STAFFORD NORTHCOTE said, he did not feel he was quite the man in that House to make an appeal to the hon. Member for Brighton (Mr. Fawcett); but he did hope that the hon. Member would forgive him, if he asked him not to press his motion to a division. He sympathised very deeply with the motives which had induced the hon. Member to bring forward this motion, and he sympathized also with the persons who had signed the memorial to which he had called attention. The real grievance hitherto had been the great difficulty of calling the attention of the British Parliament, and especially the House of Commons, to Indian questions. When the Indian Budget came on for discussion it had been very difficult often to secure an attendance. At present they were happily in a very different position from that of late years, because that House had shown that it was alive to that difficulty, and they were now investigating, by a Committee, the financial condition of the country, and endeavouring to arrive at the truth as regarded its administration. If this had been a case of smothering inquiry, he should not rise to assist the Government to stop inquiry; but it was because the present investigation had been entered on in a sincere and earnest spirit that he thought it very undesirable to throw any cold water on the new-born zeal of the House of Commons. What was really wanted was, that they should endeavour to understand these questions and investigate them for themselves; and though it might be hereafter found desirable to obtain information in the manner suggested by the motion, yet until that time came, and until that fact was brought before the House by the Committee itself, it was contrary to the spirit in which the Petition had been drawn up that they should leave the Committee in the hands of a Royal Commission. That was the principal ground on which he would wish the hon. Member to withdraw his motion. It would be unfortunate if the motion should be pressed to a division and be defeated, because that result would lead to a misapprehension in India.

Mr. Fawcett.

MR. FAWCETT said he should not have troubled the House further, but for the very unusual tone which had been adopted by the hon. Gentleman the Under Secretary of State for India. Five years' experience in that House had convinced him that an hon. Member had done right in bringing a question forward, if the fact of its having been brought forward caused the Minister in charge of the Department to which the question related to lose his temper. The Under Secretary for India had characterized his line of conduct in altering the terms of his motion as being one which

would not have been taken by any honourable man; but he would remind the House that the Government had, after wasting much of the time of the Session, altered their course in reference to the Bill for the regulation and re-organization of the Army, without giving any previous notice of their intention at all. The Under Secretary for India stated further that he (Mr. Fawcett), last year constituted himself the organ of a small and discontented section in bringing forward a motion for a Select Committee, but as a matter of fact the effect of his motion had been the appointment of the Committee, and the introduction of the Indian Budget early in the Session instead of at the end, as was the case heretofore. He should not, in deference to the appeal of the right hon. Baronet (Sir Stafford Northcote), press his motion to a division at the present moment; but he wished it to be clearly understood that if at any time hereafter the necessity for holding an inquiry in India was urged by witnesses from India to be examined before the Committee now sitting, he should renew his motion.

Motion, by leave *withdrawn*.

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1871.

Motion with-
drawn.

ABBREVIATIONS.

Acct.	for	Account.		Jud.	for	Judicial.
Admin.	"	Administration.		Leg.	"	Legislative.
Auths.	"	Authorities.		Mily.	"	Military.
Co.	"	Company.		Miscells.	"	Miscellaneous.
Com.	"	Commission.		Necy.	"	Necessary.
Comtee.	"	Committee.		N. R. P.	"	Non-Regulation Provinces.
Commr.	"	Commissioner.		N. W. P.	"	North-West Provinces.
Deld.	"	Delivered.		Parlt.	"	Parliament.
Dept.	"	Department.		Permt.	"	Permanent.
E. I.	"	East India.		Pub. Wks.	"	Public Works.
E. I. Co.	"	East India Company.		Rem.	"	Remunerative.
Establ.	"	Establishment.		Reprod.	"	Reproductive.
Expl.	"	Explanation.		Rev.	"	Revenue.
Expend.	"	Expenditure.		Settl.	"	Settlement.
Fin.	"	Financial.		Stt.	"	Statement.
Gen.	"	General.		Unprod.	"	Unproductive.
Gov. Gen.	"	Governor General.		Unrem.	"	Unremunerative.
Govt.	"	Government.		Visct.	"	Viscount.
Int.	"	Interest.		Wks.	"	Works.

ABBREVIATIONS.

Acct.	for	Account.		Jud.	for	Judicial.
Admin.	"	Administration.		Leg.	"	Legislative.
Auths.	"	Authorities.		Mily.	"	Military.
Co.	"	Company.		Miscells.	"	Miscellaneous.
Com.	"	Commission.		Necy.	"	Necessary.
Comtee.	"	Committee.		N. R. P.	"	Non-Regulation Provinces.
Commr.	"	Commissioner.		N. W. P.	"	North-West Provinces.
Deld.	"	Delivered.		Parlt.	"	Parliament.
Dept.	"	Department.		Permt.	"	Permanent.
E. I.	"	East India.		Pub. Wks.	"	Public Works.
E. I. Co.	"	East India Company.		Rem.	"	Remunerative.
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Expend.	"	Expenditure.		Settl.	"	Settlement.
Fin.	"	Financial.		Stt.	"	Statement.
Gen.	"	General.		Unprod.	"	Unproductive.
Gov.-Gen.	"	Governor General.		Unrem.	"	Unremunerative.
Govt.	"	Government.		Visct.	"	Viscount.
Int.	"	Interest.		Wks.	"	Works.

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