RECENT INDIAN FINANCE

BY D. E. WACHA.

NATESAN & CO.
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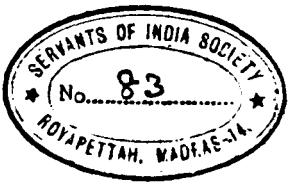
DINSHA EDULJI WACHA.



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NOTE.

This brochure owes its origin to the request made to me by my friend Mr. Natesan of Madras to reprint in their present form the letters on Indian Finance which, thanks to the courtesy of its accomplished Editor, I had lately contributed to the columns of the *Times of India*. In complying with his request I have embraced the opportunity to preface the letters by an article which I contributed to the *Indian Review* on the subject of Indian Financial Reform and by a few supplementary observations called for by the speech which Mr. Montagu, the Under Secretary of State for India, made in the House of Commons on 26th July last. These papers will inform those who take an interest in the finances of the Empire how imperative is the necessity for effectually checking and controlling expenditure which for some years past has been allowed to overrun the normal revenue at a pace which is positively disquieting, if not alarming.

BOMBAY,
15*th* *September*, 1910. } D. E. WACHA.

MR. MONTAGU'S INDIAN BUDGET SPEECH.

It is, indeed, a disappointment to students of Indian Finance that the Under Secretary of State for India, in his recent Budget speech in the House of Commons (26th July), should have confined himself to the barest generalities, without making any serious effort to justify the recent imposition of the enhanced taxation and allay the prevailing uneasiness on account of the overgrown expenditure which is even *now* mounting at a higher ratio than the revenue. As to the increased burden of taxation placed on the shoulders of the taxpayers, Mr. Montagu observed :— "The main cause of this additional taxation is that while the revenue, owing to the remission of taxation under certain heads, has not expanded, *there has been a very large increase in the expenditure under certain heads with which the revenue had not been able to keep pace.*" Further on, he observed that "despite the prosperity of India, the increase in its expenditure on subjects such as I have mentioned, the condition of the revenue, owing to remission of taxes, the prospective loss of revenue from opium, account for new taxation this year." This is rather a different story

from that related by the Finance Minister on the spot, fully conversant with all the details of revenue and expenditure. It is necessary to recall here the words of that authority in reference to the reasons of the enhanced taxation as categorically stated in the Financial Statement of 25th February last. It is observed in paragraph 19th that there were "two plain and adequate reasons" for the imposition of that taxation. "In the first place" observed Sir Fleetwood Wilson, "the reduction of our exports of opium to China will cause a serious fall in our opium revenue. In the second place, we are obliged to abandon to Eastern Bengal and Assam a much larger share of its land revenue than it has hitherto retained. *These two factors dominate the position for* 1910-11. *Apart from them we should have been able to meet the growth of our expenditure from our growing revenues.* Now, it may be admitted that both authorities assign the prospective diminution of opium revenue as one of the reasons which have necessitated the enhanced taxation. But the fallacy of this reason has been so completely and universally exposed that it would be a waste of breath and energy to hang any further comment on the point. Facts themselves have painfully contradicted both authorities; while Sir Sassoon David and his col-

leagues in the Viceregal Council who exposed the hollowness of the reasoning have been amply justified in the criticisms they made touching the underestimates of the opium revenue. The latest figures, as published in the *Gazette of India*, show that the gross opium revenue already received in the Imperial Treasury for the four months of the official year ending with July last amounted to 3·83 crore Rupees against only 1·97 crore Rupees in the corresponding period of last year. Practically, the excess is 1·86 crore Rupees, and there are yet eight months to run. Assuming even that during those months there may be no further windfalls, is it not apparent that the entire deficit, for which the enhanced taxation has been imposed, is already made up?

But the Under Secretary observed in his speech that owing to the last remission of the Salt duty and the very insignificant loss in the amount of the Income-tax by reason of the taxable minimum being somewhat raised, the revenues have not yet overtaken the expenditure. This is unfortunate. Worse still is that the Under Secretary offered no convincing explanation for this growing expenditure. On the other hand, the Finance Minister declared that the normal growth of the expenditure could have been met "from our growing revenues!" The distant, and

least informed authority at Westminster assured the House that the revenue had not yet overtaken the increased expenditure, whereas the nearer and most informed authority declared that but for the larger assignment made to Eastern Bengal and the prospective diminution in the opium revenue, he would have been fully able to meet the growing expenditure from the "growing revenues." Here, then, is to be noticed a wide divergence in the two statements which inform us plainly how far neither the one nor the other authority has been able to justify even by a hair's breadth the imposition of the enhanced taxation. It is a pity that no member of the House of Commons rose in his place to point out this conflict of opinion between the two authorities. He might have well inquired as to which authority it was whose statement the House could most rely upon!

It is superfluous to further comment on that part of Mr. Montagu's speech which has reference to the Budget. He made no attempt whatsoever to justify the immense growth in civil expenditure and railway interest charges. More. It is, indeed, amazing for a responsible Minister to rise in his place and shew no concern whatever for the still alarming pace at which expenditure has been allowed to grow, in face of his own admitted fact that the revenue has not yet over-

taken it. Any honourable member with an economic conscience might have reasonably put the question to Mr. Under Secretary Montagu whether it was a wise and sound policy of public finance to allow expenditure to run at double the speed at which revenue was growing, especially for a country situated like India where the annual revenue was almost wholly dependent on the condition of each year's agricultural prospects, not to say aught about the extremely limited sources of revenue for purposes of taxation. It is superfluous after analysing the figures of net revenue and expenditure in my letters to the *Times of India* to dive further into them. But to me it seems extraordinary that in face of the salutary criticism made by the popular representatives in the Viceregal Council, those responsible for the soundness of Indian finance should still light-heartedly talk of the growing expenditure which, I repeat, imperatively demands a serious curtailment. I have only to adduce the latest figures of net revenue and expenditure, tabulated in the Explanatory Memorandum for 1910-11 issued by the Under Secretary of State for India and presented to both Houses of Parliament on the eve of the Budget debate, and contrast them with those of 1906-07, the very year which Mr.

Montagu specially chose in his speech for pu
poses of a fair comparison of the actual positio
of the finances for the current year, in orde
to emphasise the correctness of my statement.

In Million Sterling.

	Net Revenue.	Net Expenditure.
Accounts 1906-07 ...	48·95	47·36
Budget 1910-11 ...	50·22	49·85
Increase	1·27	2·49
Ratio of Growth	2·60	5·25

It will be seen that, *in spite of enhanced taxa tion*, the net revenue has grown since 1906-07 t the extent of 2·60 per cent. whereas the ne expenditure has grown to the extent of 5·25, c a trifle more than double! What a strange fata ity is here! And yet the Under Secretary c State seemed to think there was nothing unsoun in this position! With such little care and les financial statesmanship is the Indian financi bark steered by those who, under the Parliament ary Statute of 1858, for the better governmer of India, are made completely responsible t Parliament! Evidently, Parliament has relegate its trust back to Providence!

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