

A FEW WORDS

ON

OUR FINANCIAL RELATIONS

WITH

INDIA



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CHAPTER I.

IS INDIA WORTH KEEPING ?

A SATISFACTORY reply to this question would greatly facilitate the formation of correct and enlightened views upon Indian subjects. While the British nation remains in a state of doubt as to the value of India, it is not surprising that Parliament and the Press exhibit feelings of distrust and alarm at whatever tends to bring the two countries of India and Great Britain into closer connection. The necessity of raising money here for the suppression of the Indian mutiny, is gradually arousing the mind of the country to some appreciation of the magnitude of the responsibility which the connection may yet involve ; but the startled public is not as yet reassured by any cheering conviction that the advantages of the connection more than counterbalances its risks. Hence the distrust and hesitation exhibited by our leading statesmen in dealing with Indian finance,

and the feverish caution with which they have avoided any discussion of the principles which ought to govern our financial relations with India. It would evidently, then, clear the way for a candid examination and settlement of these principles, if it could be shewn that the advantages derived by the people of the United Kingdom from their connection with India, are of such importance, as to make it our real interest and truest policy to make great efforts, and even sacrifices to preserve them.

In proceeding to consider these advantages, there is one most important fact, which should ever be present to the mind of the reader, and that is, that these advantages, be they great or small, have cost the nation nothing to acquire. This may sound as a startling assertion in the ears of Englishmen of this generation, who have not yet forgotten the heavy bills which they have had to pay for Canada rebellions, Caffre wars, Ceylon insurrections, and manumission of West Indian slaves; and who are annually reminded of the cost of governing, or protecting our Colonies and Dependencies, by the financial estimates submitted to Parliament; but the assertion, nevertheless, is strictly and literally correct. "Strange," may we wonderingly exclaim, "that we, who have spent so much on our Colonial possessions, and have waged so many costly wars for thankless foreigners, should have laid out no money

“ in the acquisition or improvement of our great
 “ Indian empire! The thing cannot be: it is too
 “ astounding for belief!” Astounding indeed it is ;
 but there is something still more astonishing
 behind ; for not only is it a fact that India has
 been acquired without the expenditure of a single
 shilling on the part of this country, but it is equally
 a fact that, so far from involving outlay, India has
 regularly paid to Great Britain a heavy tribute,
 which there is reason for thinking has not fallen
 far short of the almost incredible sum of a hundred
 millions sterling in the course of the present
 century !

British India, with its hundred and thirty mil-
 lions of inhabitants, to traffic with industrious
 manufacturing England, acquired without cost,
 and paying us a tribute of some millions sterling
 a-year ! Here is indeed a notable advantage,
 which is well worth being deeply pondered by
 Englishmen, for certainly the history of the world
 has nothing more extraordinary to tell us of. The
 British Indian empire has been acquired, extended,
 and consolidated, by means of its own resources,
 and up to this hour, the British treasury has never
 contributed a shilling in aid of any Indian object
 whatsoever. This strangest of facts is notorious ;
 but the subject of the Indian tribute is little
 thought of or understood by the public, and some

explanation may be necessary, in order to make it clearly comprehensible to those who have never considered it with much attention.

Tribute is a payment made by one country to another, in consequence of subjection. It is a transference of a portion of the annual revenue of the subject-country to the ruling-country, without any material equivalent being given in exchange. Its effect is, of course, to impoverish the one country, and to enrich the other ; and wherever these conditions are fulfilled, a tribute exists, whether the annual payment be so styled, or not. The exaction of a tribute from India, as a conquered country, would sound harsh and tyrannical in English ears ; so the real nature of the Indian contribution has been carefully, though possibly unwittingly, concealed from the British public, under the more inoffensive appellation of “ Home charges of the “ Indian Government.”

The aggregate remittances made by the Indian Government for the purpose of providing for the home charges, during the seventeen years from 1834-35 to 1850-51, amounted to the vast sum of £57,610,149, according to a return presented to Parliament in 1852.* Of this amount, upwards of

* House of Commons' Report on Indian Territories, 1842. Appendix, p. 305.

six millions were expended for military and other public stores transmitted to India; but with the exception of this, and a few other unimportant items, that country appears to have received nothing whatever in exchange for the capital withdrawn.* The money was expended here in meeting the liabilities of the Home Government of India for dividends on East India Stock; Bond Debt; furlough and retired pay to the Indian military, marine, and civil services; cost of home establishments and buildings; payments to the army pay office on account of Her Majesty's troops stationed in India; and various other minor charges. † A little reflection will satisfy any candid enquirer, that this expenditure only bene-

* House of Commons' Report on Indian Territories, 1842. Appendix, p. 432.

† Ibid. Ap. p. 294, where the territorial payments in England for the year 1849-50 are stated to have been as follows:—

	£
Dividends to Proprietors of East India Stock.....	629,435
Interest on the Home Bond Debt.....	173,723
Expenses connected with steam communication with India	50,543
Contribution towards contract between Her Majesty's Government and the Peninsular and Oriental Company for steam communication with India and China	70,000
Transport of troops and stores.....	36,418
Furlough and retired pay to military and marine officers, including off-reckonings	614,393

fited the inhabitants of the United Kingdom, among whom the money was spent; but did not benefit at all the inhabitants of India, from whose taxation the money was provided. It was a clear addition to the annual income of this country obtained from the revenues of India, and was, in

	£
Payments on account of Her Majesty's troops serving in India.....	200,000
Retiring pay to Her Majesty's troops (Act 4, Geo. IV., c. 71) including an arrear	75,000
Charges general, comprising a detailed enumeration of the various items of expenditure connected with the home administration of Indian affairs	505,678
Absentee allowances to civil servants of the Indian establishments	32,383
Annuities of the Madras Civil Fund of 1818.....	15,388
Retired pay and pensions of the late St. Helena establishment	5,795
Her Majesty's mission to the Court of Persia (portion paid by the Company)	12,000
Board of Ordnance for arms, accoutrements, supplied to Her Majesty's troops embarked for India	14,581
	<hr/> £2,435,337
DEDUCT :—	
Amount received from Her Majesty's Government on account of expenses connected with steam communication with India (which includes an arrear)	62,500
	<hr/> £2,372,837
Invoice value of political stores exported to India.....	378,100
	<hr/> £2,750,937
	<hr/> <hr/>

fact, a tribute paid by that country to Great Britain. It transferred a portion of the capital of the former to the latter country, and to that extent, impoverished the one, and enriched the other. The economical effect of this tribute is not at all altered by the fact, that the home charges are connected with the government of India. That may well be so, and yet not avail to disprove the consequences of transferring a large portion of the Indian revenues to be spent in supporting the industry of the United Kingdom.

The fifty millions of public remittances which have just been noticed, did not, however, constitute the whole of the tribute paid by India to this country during the seventeen years preceding 1852. Large private remittances were also annually made by the English in India, during this period, for the support of their children or relatives in this country, and for the transference of their fortunes to this country, with a view to their final retirement from India. It is difficult to estimate with any exactness, the amount of these remittances ; but there is reason for thinking that they did not fall much short of a million sterling. There are grounds, indeed, for considering it to be probable, that the transfer of capital from India to England, during the period of seventeen years above referred

to, by means of public and private remittances, did not fall short of seventy millions sterling. The amount of the Indian tribute may be approximately estimated by another mode of calculation. The only way in which capital could be abstracted from India, is by exporting bullion or produce from that country. In reality, India exports almost no bullion, and makes all payments to foreign countries by exports of produce. Now, if India has paid the tribute above stated, if India has really lost so much capital, this should be apparent in the respective values of the exports and imports of India, for the period in question. The value of the exports, bullion included, from India to all foreign countries, should exceed the value of the imports, bullion included, into India from all foreign countries, by the amount of the tribute. For if India has exported produce of a certain value, and imported in return commodities and bullion of a less value, it is evident that a portion of the exports has been totally lost to India, and transferred, without equivalent, to some foreign country. And this is found to have actually occurred. The aggregate value of British Indian exports, inclusive of treasure, for the sixteen years from 1834-35 to 1849-50, exceeded the total value of the imports, treasure included, by the sum of £67,545,777, or,

at the rate of £4,221,611 per annum.* These sums, then, may fairly be considered to represent the tribute for these sixteen years, and adding that for 1850-51, we have a total tribute of upwards of seventy millions sterling, paid by India to Great Britain, during the seventeen years from 1834-35 to 1850-51. If this reasoning be admitted, it will also be evident, that the tribute did not commence with the year 1834-35, but must have grown with the growth of our rule in India; and it will be quite within the mark to conclude, that India cannot have paid less than one hundred millions sterling of tribute to this country, since the commencement of the present century.

This enormous tribute, obtained without sacrifice of any kind, is, then, one great and undeniable advantage derived by this country from its connection with India; but it is, by no means, the sole advantage. The funded debt of the Government of India, borrowed in India, is estimated at nearly sixty millions sterling;† of which three-fifths, or thirty-six millions, is the property of our own

* House of Commons' Report on Indian Territories, 1842. Tables of exports and imports between India and the United Kingdom and foreign countries, in rupees, which have been converted into sterling money, at the rate of 2s. for each rupee. Appendix, pp. 341 and 342.

† Lord Stanley's speech on Indian Loan Bill, see report in "Times" of February 15th, 1859.

countrymen. The whole, or nearly the whole, of these thirty-six millions, consists of investments by Europeans in India out of money made in that country, and constitutes therefore, a clear addition to British property, gained through our connection with India; as does also the property of our fellow countrymen invested in India, in banks; houses; factories; and various other ways; which probably amounts to more than ten millions. And, in addition to British investments made in India, we have, or shortly shall have, no less than eighty-one millions* raised in this country, on account of East India stock; deposits; bond debt; debenture loans; Indian railways and public works; making the aggregate amount of British capital dependent on the preservation of our Indian empire, nearly one-hundred and thirty millions sterling.

Another great advantage of even more impor-

* See Indian Loan Debate, reported in "Times" of February 19, 1859, from which it appears that the sum in question is made up of the following items:—

East India Stock	£12,000,000	—This is partly secured on Consols.
Deposits	7,000,000	
House Bond Debt	7,000,000	
Debenture Loans	15,000,000	
	<u>£41,000,000</u>	
Indian Railways and Public Works Capital	} 40,000,000	
	<u>£81,000,000</u>	

tance than the preceding, is the vast trade carried on by this country with India, which is increasing with almost unparalleled rapidity. Last year, according to the Board of Trade returns, India took more of the manufactures of the United Kingdom than any other country in the world; our exports to India having been £16,782,515, while those to the United States were £14,013,983, to Australia £10,464,198, and to all other our colonies and dependencies £12,978,281. In exchange for these exports, we obtain from India, indigo, cotton, oilseeds, fibres, and many other valuable products suited to our wants, and of the highest importance to our manufactures. The great and increasing India trade, formed the one bright opening amid the dark and threatening clouds that lately overshadowed the field of commercial and manufacturing enterprise, and maintained the industrial population of Lancashire, throughout this gloomy season, in a condition of prosperity, as unexpected, as it was welcome. This trade, which is capable of almost unlimited further development, and is of so much importance to this country, has steadily grown up during the last forty years, and is to be ascribed to the greater security and freedom enjoyed by the vast population of India, under British, than under native rule. For, the late revolt has proved beyond all question, that India could not be held together

as a single empire by any native power ; and that British domination alone, prevents it from being broken up into a multitude of petty states, which would wage incessant war upon each other, amidst which, the country would be laid waste, population would decline, and foreign commerce would almost cease. To the evil of general insecurity, would be superadded transit duties and other burdens upon commerce, through the short-sightedness and cupidity of petty rulers, wholly ignorant of economical science ; and thus, foreign trade would be destroyed, as it would be impossible in such circumstances, for the products of the interior to be profitably transmitted by the merchant to the coast, for export to foreign countries. These considerations make it evident, that the vast and increasing external commerce of India, in the benefits of which we so largely participate, is entirely dependent on the continuance of British rule in that country.

Many other benefits have been conferred on us, through our connection with India. The civil administration, and armies of India, have furnished congenial employment for the more ardent, ambitious, and dangerous of our young men, of the middle and lower classes, who would otherwise, in all probability, have swelled the ranks of discontent at home, instead of expending their energies in acquiring dominion and amassing wealth for their country

abroad. The power, dignity, and fame, which have accrued to our country from its Indian empire, regarded with wonder and jealousy by the rest of the world, are incalculably great. We have there at this moment, an army of upwards of a hundred thousand British soldiers, which upholds the power and influence of Great Britain over the whole of Asia, and adds greatly to the status of our country, even among the nations of Europe. But for India, this large body of men would be thrown upon the labor market at home, to the injury of the whole class of our laboring population; while the very recruiting for the army of India, probably relieves us of poor-rates to the extent of a quarter of a million a year. By means of the army and revenues of India, this country has carried on wars and made conquests in all parts of Asia. Ceylon, Singapor, Hong Kong, Aden, and Rangoon have all been so acquired. The first China war, the Affghan war, the Burmese, and Persian wars, were chiefly fought with the resources of our Indian empire; but, in pursuance of a British policy, with which the interests of India were but remotely concerned.

Let Englishmen, then, consider well the facts which have now been stated, viz., that India has been acquired without cost, and in the present century has paid to this country a tribute of at

least a hundred millions sterling ; that our countrymen have a capital of one hundred and thirty millions invested in public securities and other undertakings connected with India ; that the trade of India is probably of more importance to us than that of any other nation in the world ; that our ambitious youth and a large body of our poor are provided with congenial occupation there ; that the possession of India adds immensely to the power, dignity, and influence of our country in all parts of the world ; and, apart from all higher considerations connected with their duties as civilized and Christian rulers, they will surely on the lower grounds of self-interest, come to the conclusion that India is indeed well worth keeping, and be prepared to submit to heavy sacrifices, rather than imperil their tenure, or mar the prosperity of so valuable a possession.

CHAPTER II.

OUR INDIAN POLICY IN ITS FINANCIAL BEARINGS.

It may be here remarked that the policy of this country towards India presents a twofold aspect. On the one hand, it has regard to the welfare of India, and its object is to govern that country so as to promote the development of its great natural resources, and the civilization of its millions of inhabitants, so wonderfully given over by Divine Providence to our keeping. On the other hand, it has regard to the welfare of England, and its aim is confined to the narrow and selfish consideration of how to govern India, so as to secure the greatest amount of advantages to this country. The one aspect of our Indian policy is noble; the other is mean. Every patriotic and high-minded Englishman would rejoice to learn that the nobler aspect of our policy has been the characteristic one, and that history will have to record that our past treatment of India has been at once just and

generous. There is possibly a hope, and even a belief in the mind of the British public that such is the fact; but this self-satisfying delusion would be rapidly dispelled by the most cursory examination of what we have done; and a searching investigation into the relations of the two countries, would satisfy any candid enquirer that ignoble and selfish considerations have been the ruling characteristics of our Indian policy, up to the present time. We have freely criticised the measures of our countrymen in India, but we are probably little prepared to learn that the worst policy of the worst of our Anglo-Indian rulers, is less blameable than the treatment of India by the Parliament and public at home.

Some of the extraordinary advantages which we enjoy through our connection with India, have been described in the preceding chapter, and the first questions that occur to an enquirer seeking for information as to the financial relations of Great Britain and India, refer to the price at which those advantages have been purchased. What proportion of the public debt of Great Britain, as in the case of our colonial possessions, has been incurred in extending and consolidating our Indian empire? What yearly charges connected with Indian administration, fall upon the British Exchequer? The entire cost of the Colonial Office, or, in other

words, of the Home Government of all British colonies and dependencies except India, as well as of their military and naval defence, is defrayed from the revenues of the United Kingdom; and it seems to be a natural inference, that similar charges should be borne by this country in the case of India. But what is the fact? Not a shilling from the revenues of Great Britain has ever been expended on the military defence of our Indian empire.

At the commencement of the present year, there were, in addition to West India regiments and colonial corps, twenty-seven regiments or battalions of the royal army with artillery and engineers, serving in the various colonies and dependencies of Great Britain.* The cost of these troops is borne upon the army estimates, and cannot be less than £800,000 a year. There are various other military charges connected with our colonial possessions, which are also borne upon the army estimates, and amount in the aggregate, for the year 1859-60, to £1,116,560;† so that the military

* See Hart's Army List, January, 1859.

† See Army Estimates for 1859-60, in which the following items are for foreign stations:—

	£
Military prisons, p. 10 of Estimates	8,402
Movement of troops, p. 11	54,000
Miscellaneous, p. 12	32,941

defence of these possessions, will this year cost nearly two millions sterling. Our trade with the colonies, may be of such value as to afford a full equivalent for this outlay; but if the case be so, one is at a loss to understand why this country does not also contribute towards the military defence of India, with which we have also a most valuable trade. What, then, are the principles or considerations which have guided the British nation in defraying the home administration and military defence of its colonial possessions, and in refusing

	£
Foreign staff, p. 29	180,326
West India regiments, p. 34	96,455
Colonial corps, p. 34	138,236
Royal engineer civil establishments, pp. 55 and 73 ...	25,158
Military store establishment, p. 72.....	24,133
Barrack establishment, p. 73	8,449
Wages of artificers, p. 77	49,102
Clothing, &c., p. 80	22,498
Provisions, p. 81	320,997
Forage, p. 81	56,540
Fuel and lights, p. 81.....	69,828
Fortifications, p. 89.....	42,561
Civil buildings, p. 93	18,445
Barracks, p. 97	70,281
	<hr/>
	1,218,352
DEDUCT.	
Contributions from colonial revenues in aid of military expenditure, p. 148.....	101,850
	<hr/>
Net expenditure	<u>£1,116,502</u>

to contribute in any form towards meeting similar charges in the case of British India?

Some of our foreign possessions are conquered countries, in regard to which our tenure of supremacy rests on the same basis as it does in the case of India. Take, for instance, the island of Ceylon, which is properly a part of India, and was acquired in exactly the same manner as our dominions on the continent of India. In Ceylon we have British troops and local corps, as in India, but the cost of both is defrayed by Great Britain, with the aid of a limited contribution from the revenues of the island.* What, then, are the reasons for this distinction, and why do we help Ceylon and refuse aid to India? No reasonable solution of this enigma, has ever been offered to the British public; and an answer is only to be found in the accident of the home administration of Ceylon having been transferred to the Colonial Office, while that of India remained under the East India Company, which was always treated with jealousy and distrust by Parliament and by the nation.

No inconsiderable portion of the public debt and military expenditure of this country, has been incurred for colonial wars, and other objects con-

* Ceylon contributes £24,000 a year towards the military expenditure incurred by the British Government for the island. Army Estimates for 1859-60, p. 148.

ned with our foreign possessions;* but even the great mutiny and revolt of 1857, which imperilled our Indian empire, and our standing as a first-rate European power, failed to induce us to bear any portion of the cost of restoring our shaken supremacy. If ever there was an occasion which called for great sacrifices on the part of the British people, it was certainly this, when the brightest jewel in the British crown was in danger of being torn from our grasp; but even in this crisis of our history, the selfish traditions of our Indian policy prevailed, and with unparalleled meanness, we have sought to transfer the entire cost of a perilous struggle to uphold our own empire, to the overburdened finances of India. The attempt will fail; but the spirit which dictated it, is not the less evident or blameable on that account. How strange that a nation, ordinarily liberal to extravagance in aiding colonial dependencies and foreign states with money in their time of need, should, with unwonted and incomprehensible penuriousness, refuse to help its own great Indian empire in its extremity of financial distress!

* Some authorities estimate that as much as two hundred millions of our national debt, is traceable to war and other expenditure incurred through our having colonics, besides incalculable sums contributed by the mother-country, through the operation of differential duties imposed on foreign produce for the protection of the colonial producer.

X In order to bring more clearly into view the extent of our national delinquency in this matter, it will be desirable to place before the reader more specific information in regard to the burdens so unscrupulously heaped on the previously overloaded finances of India. It appears from the Army Estimates lately presented to the House of Commons, that there were then, 91,897 men of all ranks of her Majesty's regular army, serving in India, who were all paid by the Indian Exchequer. Of this there may be not much reason to complain, though if stationed in the colonies these troops would all be paid by the British Exchequer ; but, over and above the men serving in India, there were on the 1st of February last, no less than 16,427 men at the various depôts of the Indian regiments, who, though stationed in this country, are also paid by the Indian Exchequer. That is to say, upwards of sixteen thousand men of the garrisons of the United Kingdom, available for any emergency that might occur in this country, are, on the trivial pretence of their belonging to depôts of Indian regiments, transferred to the Indian establishment, and paid from the Indian revenues!* Thus when regiments are transferred

* General Peel, in his speech on the Army Estimates, made in the House of Commons on the 4th of March last, enumerated

to the Indian establishment, the entire disbursements on account of the officers and men of such corps, even when they are serving in the United Kingdom, is charged upon the revenues of India. Nothing of the kind is done in the case of British troops serving in any other dependency, and a regiment stationed at Ceylon, for instance, almost within sight of the shores of India, would be paid by the British Exchequer.

The worst, however, is not yet told, for it would appear that when extra regiments are dispatched to India, as happened during the late disturbances there, the pay of such troops for six months previous to sailing, is charged against the Indian revenues, and recovered as a debt due by the Government of India to the British army pay-office. General Peel stated, in his speech on the Army Estimates, when accounting for a discrepancy of upwards of a million sterling between the total amount to be voted and the real expenditure, that “ the difference of £1,100,000 was made up of the “ sum due from the East Indian Government to the “ Home Government, for the pay of the regiments “ serving in India ; this would be available for the

these 16,427 men, forming the depôts of regiments in India, as part of a total force of 105,685 men, which he took credit for having available for the defence of the country. See General Peel's speech in “ Times ” of March 5th, 1859.

“reduction of the expenses of the present year ;
 “the sum available for the same purpose in the
 “ensuing year would be £700,000. The money
 “due from the Indian Government was the debt
 “incurred for the cost of the drill, rations, and
 “clothing of the extra regiments sent to India,
 “which for six months was charged against the
 “Indian revenue. That cost was for each infantry
 “soldier, £18 : 10 ; for the cavalry of the line,
 “£31 : 13 : 11 per man ; royal horse artillery,
 “£73 : 8 : 9 ; field batteries of the royal artillery,
 “£50 : 5 ; and the royal engineers, £84 : 2 : 5 per
 “man. This large sum of money due from the
 “Indian Government would be deducted from the
 “gross estimates of the present year.” In the
 crisis of the Indian mutiny, then, and with the
 Indian finances reduced to an almost desperate
 condition, Great Britain has not only required
 India to pay for the whole of the extra regiments
 sent to that country, from the date of their leaving
 these shores, but has demanded back the money
 disbursed on account of these regiments for the
 last six months of their service in this country,
 previous to sailing for India. There may be good
 reasons for the adoption of a course that reminds
 one of Brennus throwing his sword into the scale,
 which determined the ransom of the vanquished
 Romans ; but, as we had the services of the men,

and, as their pay for the period in question, was spent in supporting the industrious classes of this kingdom, and could have been of no benefit to India, we are laid under a moral obligation to explain the principles of justice, or of honest dealing, by which we have been guided in throwing this additional heavy charge upon the over-burdened finances of India.

The cost of transporting British troops to India, is also charged upon the Indian revenues ; but, as this outlay is expended upon British shipowners, and is made for the maintenance of British authority in India, it would clearly be reasonable and fair that the charge, as in the case of troops sent to any of our other foreign dependencies, should be borne by the British Exchequer. The same argument applies with even greater force to the charges for the home administration of Indian affairs, which now fall wholly upon the finances of India, and especially, to that portion of them, which consists of salaries to the home establishments, and furlough and retired pay to the civil, military, and marine services of India. These items for the year 1859-60, are estimated at £2,144,160,* and, as the whole of this sum will be disbursed for the preservation of British supremacy over India, and for the sup-

* The items in question are entered in an estimate of receipts

port of our fellow-countrymen who are not in India at all, but here ; and further, as the whole of the money will go to the support of British industry, there does seem to be adequate reasons for concluding, that the whole of this charge, as in the parallel cases of other British dependencies, should be borne by the British Exchequer ; and the assignment of these charges to the Indian Exchequer, furnishes a flagrant example of the ungenerous and selfish character of our Indian policy.

Independent of the home charges, there are other heavy outlays which have been with equal injustice, or, at the best, without due consideration and enquiry, transferred to the Indian revenues. Most of our Asiatic wars with countries beyond the limits of our Indian empire, have been carried on by means of the military and monetary resources of the Government of India, though the objects of

and disbursements of the home treasury, from 1st May, 1859, to 30th April, 1860, presented to Parliament, as follows :—

Civil service annuities payable in England, civil absentee allowances, furlough and retired pay to military and marine officers, and advances on account of the civil, military, and provident funds of India.....	£ 1,439,480
Charges general, being for home establishments, civil, military and marine pensions, recruiting charges, allowances for outfit, &c.	704,680
	<u>£2,144,160</u>

these wars were, in some instances, purely British, and in others but remotely connected with the interests of India. They were undertaken by the Government of India in obedience to instructions received from the British ministries of the time, acting through the Presidents of the Board of Control ; and for all the consequences they have involved, the British nation is clearly responsible. The Affghan war was one of the most notable of these, and it is now well understood that this war was undertaken by the British Government without consulting the Court of Directors, and in opposition to their views. It was, in fact, a purely British war ; but, notwithstanding this, and in defiance of a solemn expression of unanimous opinion on the part of the Court of Directors, and of a resolution of the Court of Proprietors of the East India Company,* that the whole cost of the war should not

* See sixth Report of Commons' Committee on Indian Territories, 1853. Appendix, p. 193, where the following papers are to be found with others on the same subject:—

Copy of a letter from the Chairman and Deputy-Chairman of the East India Company to Lord Fitzgerald.

(Secret and confidential.)

EAST INDIA HOUSE, *6th April*, 1842.

MY LORD,

We are requested by the Court of Directors of the East India Company to call the attention of your lordship and of Her Majesty's ministers, to the intimation lately conveyed to the Court

be thrown upon the Indian finances, the ministry required this to be done. By this injustice, ten millions were added to the debt of India. The late Persian war was proclaimed by the British ministry, in pursuance of a policy with which India had no real concern ; but the war, not the less, was carried on by the troops and resources of India, and one-half only of the total cost was subsequently settled to be borne by the revenues of this country.

by the Government of India, of their intention to discontinue their remittances for the supply of the Home Treasury by means of advances upon goods hypothecated to the Court.

The local government have been compelled to adopt this course by their financial difficulties, which have been wholly caused by the expensive operations in which they have been engaged beyond the Indus.

It is doubtless known to your lordship, that previously to the expedition into Affghanistan, the finances of India were in a highly prosperous condition, yielding a surplus of considerable amount, applicable either to the discharge of debt, or to internal improvement, and that now there is a serious annual deficit, to meet which a loan has been contracted at five per cent., and there is so much ground for apprehending that the local government will be unable to continue to borrow at that rate, as not only to have led to the measure of suspending remittances by advances upon goods, but also to make the Court exceedingly anxious to take further and decided measures for affording relief to the treasury in India.

Under these circumstances, it has become the duty of the Court to claim, on behalf of India, to be relieved from any charges to which, upon a fair and impartial view, she may not justly be liable ; and whilst it is very far from the Court's desire prematurely to raise any question regarding the objects of the expedi-

India, in fact, has been required to furnish men and means for carrying on all our Asiatic wars, and has never, in any instance, been paid a full equivalent for the assistance thus rendered, which furnishes irrefragable proof of the one-sided and selfish character of our Indian policy.

The British Parliament has always claimed and exercised a right of disposing of the Indian revenues. In each successive Act for the regulation

tion beyond the Indus, yet they are constrained to submit that, in no view of the case, can it be just or expedient that the whole charge of these operations, including that of the military reinforcements about to be effected, should be thrown on the finances of India.

The Court, therefore, trust that Her Majesty's ministers will be pleased to make arrangements for paying to the Company, in the course of the present year, a sum on account, upon the assurance of which the Court could afford early and important relief to the Government of India by proportionately restricting the drafts upon it from hence.

We have to add that this letter conveys the unanimous expression of the Court's sentiments.

We have, &c.,
 GEORGE LYALL.
 J. L. LUSHINGTON.

(Signed)

Extract Resolution at a General Court of the East India
 Company, on the 27th June, 1842.

Resolved,—That upon consideration of all the circumstances connected with British intervention in the affairs of Affghanistan, as they appear from the papers already laid before Parliament, it is the opinion of this Court, that the whole expense of that war ought not to be thrown on the people of India, but that a part of it should be borne by the Exchequer of the United Kingdom.

of the Government of India, assignments have been made from the revenues of India. By the Act of 1834, dividends on East India Stock, the interest of the Home Bond Debt, and other liabilities of the united company of merchants trading to the East Indies, together with all charges connected with the home administration of India, were thrown upon the Indian revenues, which were further charged in the same Act, with large salaries for the incumbents of various offices connected with British administration in India. Parliament, in fact, has disposed of the revenues of India with as much freedom, as it deals with the revenues of the United Kingdom. The late Act which transferred the Government of India to the Crown, also fixed salaries for the members of the Council of India as well as for the Secretary of State for India, and decided that these should be paid out of the revenues of India. A still more recent, and perhaps striking example of Parliamentary interference with Indian finance, is to be found in the late India Loan Acts, which have given authority to the Home Government of India to raise loans in this country, to provide funds for meeting the many liabilities of the Indian Government, incurred during the last two years. These enactments virtually prevent the Government of India from resorting to the London market for the supply of its financial necessities, without the sanc-

tion of Parliament. They shut out from the Government of India a resource which is freely open to every other Government in the world. In this very year, Austria, Russia, Sardinia, Turkey, and various other States of Europe and America, with our Colonies of Australia and Canada, have been effecting or contemplating loans in the London market, without ever dreaming of asking for the sanction of the British Parliament. Even the miserable Republics of Central America, can borrow there, and India alone, of all the countries of the world, is debarred in days of extreme financial difficulty, by the fiat of the British Parliament, from resorting to the market where money is to be had on the cheapest terms. The British Parliament and nation compel the Government of India to borrow money at six per cent. in India, when experience has proved that it could borrow more easily in London at four per cent. With what object this truly absurd restriction is maintained, it is hard to say, but it may safely be regarded as a traditional relic of the contracted and selfish policy that has stamped its impress upon all our international transactions with India.

CHAPTER III.

IS BRITAIN RESPONSIBLE FOR THE INDIAN DEBT?

A DEFINITE answer to this all-important question is quite indispensable to the future successful government of India, and is equally required to avert the most frightful disasters to this country. Until the financial relations of India with this country are established on a settled basis, seen and recognized of all men, our statesmen may be expected to stagger on, without principle to guide them, from one financial expedient to another, at the imminent risk of involving both India and Great Britain in irretrievable financial embarrassment. At one time, they will call on the Government of India to spend money, without fear or stint, upon education and public works. At another time, they will spend the revenues of India in Great Britain, or in Persian and Affghan wars. Then, affrighted at the consequences of their own acts, they will call for retrenchment, economy, and the imposition of fresh taxes.

With one breath, they will permit the Indian Government to borrow money here, and, with the next, they will sternly denounce the expedient. When the revenues of India happen to be flourishing, they will freely expend them on British objects; when they become unequal to meet the expenses of the Indian Government, they will call upon the latter to find more money where it can, as it is a matter in which Britain has no concern.

The strange confusion of ideas which exists on the subject of our Indian financial relations, has been exhibited in all the Indian debates in Parliament, in which the subject of British liability has been mooted. One member after another states some reasons that occur to him why Britain should, or should not be responsible for the debt of India; but no one has yet ventured to define the principles which ought to determine the financial relations of the two countries, whether considered in the abstract, or in their practical application. It would perhaps conduce to the formation of clearer conceptions, to determine first, what the Government of India actually is. Is it the government of a distinct state, but with certain relations connecting it with this country, as is the case with many of our colonies? The inhabitants of such colonies have always had a considerable share in their own government, and latterly have been granted Constitutions, under which

they manage their own affairs with the least possible interference on the part of the mother-country. They support their own civil government by the imposition of taxes on themselves, and also raise money by loan for public works and other objects deemed desirable, in any way they may think best. The mother-country undertakes the conduct of their relations with foreign countries, and provides for their military defence. Under such arrangements, it is very clear that the mother-country could not justly be held responsible for the debts or other liabilities of the Governments of these colonies. Such liabilities have been contracted for colonial objects by the colonial Governments, of their own free-will, and without compulsion of any kind on the part of the mother-country. The latter does not interfere at all with the taxation or expenditure of the colonial Governments, or only to the trifling extent of requiring the payment of the salaries allotted to certain colonial officers, under the constitutional compact which binds the colony to the mother-country. Colonial loans, then, are strictly colonial debts, and do not affect the mother-country at all. Great Britain, in these cases, incurs no liability. Is there anything analogous to these colonial Governments in the government of British India? Have the people of India had a voice in the management of their affairs, or have the taxa-

tion and expenditure of the Indian Government been regulated with a view to the welfare of India alone, without intervention or interference on the part of the Government of this country? By no means. The Government of India, whether viewed with reference to its forms or powers, has been, from the first hour of its existence up to the present time, the creation of the British Parliament. The power vested in the Government of India to contract debt, was a delegation of authority from the British Parliament, which, up to this hour, as in the case of the last debenture loan, exerts a right of interference over its exercise. The power of the Indian Government, and even the salaries of the high functionaries both in India and in this country, have been determined by the Parliament of this country, and the Government of India has, at no time, been free to regulate its taxation or expenditure independently of the Government of this country. The East India Company have been declared by Parliament to have been simply trustees for the British nation, which, in accordance with this view, altered the conditions of their trust from time to time, and finally relieved the trustees of its exercise altogether. When the subject is carefully examined, it will be found that the Government of India, so far from being the Government of a distinct state, has been, from the first, simply a

department of the British Government. The British Ministry, acting through the President of the Board of Control, formed the real motive power which decided the policy of successive Indian administrations, and the East India Company was simply a convenient screen, under cover of which the Ministry was enabled to make use of the revenues and resources of India with a less degree of interference on the part of Parliament, than would have been exercised, had the responsibility of the Ministry, for every act of the Indian Government, been openly avowed. If the facts be so, then, and they cannot be gainsayed, we seem to be shut up to the conclusion that the acts of the Government of India, from first to last, have been the acts of the British nation. India has never had even the shadow of a constitution, or of a national government, but has been ruled as a conquered country, according to the views of successive British Parliaments and British administrations. The Indian debt has really been incurred by the Government of this country; and how, then, can we possibly shake ourselves free of Indian liabilities? Good faith and justice alike hold Great Britain accountable for the obligations incurred by the Indian Government, just the same as for the obligations contracted by the Imperial Government. Every million added to the debt of British India, is a

million added to the debt of Great Britain, and it is this consideration which makes the question of Indian finance of vital importance to the public of this country. Since the commencement of the late mutiny, the Indian Government has raised about ten millions in India at an interest of 6 per cent., while the money could have been raised by the same Government in this country at 4 per cent., and by the British nation at $3\frac{1}{4}$ per cent. By this thriftless policy our national obligations cost us half a million a-year more than they might have done, and every day's persistence in such a suicidal course, is running up a heavier score for the day of final reckoning. The British public may avert its gaze; but this day of reckoning is not the less surely coming. The foolish ostrich may bury its head in the sand, and fancy that impending danger is averted, because it is shut out from view; but this is not a becoming attitude for a great and intelligent people. The foremost among our statesmen have already sounded a note of alarm, and it will be well for us and for our children if we do not disregard it. The present Chancellor of the Exchequer has said* "that the relations between English and Indian finance remain to him a source of great

* In his speech made in the House of Commons on March 22, 1858, introducing the second Government of India Bill of last Session.

apprehension and anxiety, and that the time has arrived when this House (of Commons) must give the subject its most serious and attentive consideration." That warning was unheeded; but, more lately, the Secretary of State for India, who has studied the subject with that earnestness of investigation and vigor of understanding for which he is so remarkable, recalled the subject to the attention of the House of Commons in the following memorable words:—"Let me now call attention to a topic which ought to be considered in connexion with this subject—the position of the English Exchequer in regard to the Indian debt. I am aware the uniform policy of the Parliament and the Government of this country has been to decline all responsibility in regard to the debt of India, which has been held to be a charge only on the Indian Exchequer. Dealing with the present state of affairs, I may say at once that I am not going to recommend any change in that policy. I know well the alarm which any such proposition would create, and I know the refusal which it would inevitably receive. But this is a question which will recur again and again, and which will have to be considered in the future as well as in the present. Observing, then, that I do not speak with reference to practical action at present, I would ask the House seriously to consider how far, looking at the

fact that more than £50,000,000 has been contributed by English capitalists, it would be morally possible for this country altogether to repudiate the Indian debt without shaking its own credit? I would likewise ask the House to bear in mind, that if ever the time should come when the established policy in this respect should undergo a change, and when a national guarantee should be given for these liabilities, that guarantee would operate to reduce the interest paid upon the Indian debt by no less than £750,000 or even £1,000,000, which, formed into a sinking fund, would go far to pay off the whole.”* Lord Stanley here speaks in guarded language, apprehensive of alarming, but yet desirous of arousing to investigation an unenlightened public. The plain meaning of his words is, that the British nation is paying £1,000,000 a year for persisting in a policy based upon ignorance. Sir Charles Wood also, in the course of the same debate, while speaking in opposition to Lord Stanley, could not help admitting “that we are in danger enough of being fixed with liability for Indian charges, but if we take away Indian revenue by Imperial legislation, we incur, not merely a moral, but a positive liability. I hope the House therefore will forgive me for taking this opportunity

* East India Loan Debate, see Lord Stanley’s speech, reported in the “Times” of February 15, 1859.

of endeavouring to impress upon it this solemn warning that if we mean to avoid responsibility here, we must be exceedingly cautious in dealing with Indian revenue and expenditure.”* The moral liability of this country for all the acts of the Indian Government, was also clearly and forcibly affirmed by Mr. Bright in the following passage of his speech on the second reading of the Indian Loan Bill:—“ I think that the £40,000,000, which the revolt will cost, is a grievous burden to place upon the people of India. It has come from the mismanagement of the Parliament and people of England. If every man had what was just, no doubt that £40,000,000 would have to be paid out of the taxes levied upon the people of this country.”† It must be admitted, then, that there exist very strong and perhaps quite incontrovertible reasons for concluding that Great Britain is morally, and also legally responsible for the whole of the Indian debt; but, before adopting this conclusion absolutely, it will be desirable to suspend judgment while we examine the reasons which have been put forward on the other hand, for affirming the non-liability of this country for the debt of India.

* East India Loan Debate, see Sir C. Wood's speech, reported in the "Times" of February 19, 1859.

† See Mr. Bright's speech on East Indian Loan, reported in the "Times" of March 8, 1859.

The reasons which have been urged against the principle of British responsibility for Indian liabilities, are few in number, and may be reduced to the three following propositions :—

1st. That we must maintain the entire separateness of the Indian and Imperial Exchequers ; for we could not guarantee a loan to the former without admitting the principle of equal liability in the case of Canada, Australia, and our other colonies.

2nd. That it would be folly to give the Indian fundholder a high rate of interest as for an inferior security, and also the benefit of the Imperial guarantee, which would have enabled us to obtain the money lent by him at a low rate of interest.

3rd. That it would be inexpedient to sanction an Imperial guarantee, because of the difficulty of maintaining an effective control over a distant Government, such as India, and because the check upon that Government undertaking rash wars or other extravagant expenditure that is derived from a knowledge that such acts would be embarrassing to its own resources, would be thereby removed.

It may be remarked of all these reasons, that they refer to considerations of expediency which concern our own interests, and cannot therefore be admitted in determining a question of principle. If a claim be preferred on the score of justice, that claim cannot be disproved on the score of inconvenience. If the

British nation, through supineness, or in pursuance of a selfish policy, has ignored its liabilities for the Government of India, it is no sufficient reason for a persistence in such a discreditable course, that the recognition of such liabilities would be inconvenient. This would be a sufficient answer to the whole of the foregoing objections; but they will admit of easy refutation on other grounds, which are quite reconcilable with a due regard for British interests.

The justness of Imperial responsibility for the liabilities of the Indian Government, depends upon the fact, already clearly established, that the Indian Government has been a mere department of the Imperial Government, and that the natives of India have had no control over their Government, or any power of regulating the amount or expenditure of the taxes of India. This condition is totally inapplicable to the colonies, which regulate the amount and disposal of their own taxation. There is nothing analogous between the local Government of India, and the local Governments of the colonies, and the inference that an Imperial guarantee for an Indian loan, would involve the principle of granting similar guarantees for colonial loans, therefore falls to the ground. But the argument which is derived from considering that the colonies stand in the same position to the mother-country that India does, goes farther, and cuts deeper, than its advocates have

probably considered. Great Britain defrays the cost of British troops stationed in the colonies. If we are prepared to place India on the same footing, and defray the cost of all the British forces stationed there, it is more than probable that the Indian fundholder will be equally prepared to relinquish his lien on the British Exchequer, and to accept the position of the colonial creditor.

The second argument, that the recognition of Imperial responsibility, would unduly raise the value of the property of the Indian creditor, is equally founded on a total misapprehension of his real position. The whole of the funded debt raised in India, has been borrowed at par; that is to say, for every £100 of the funded debt, the Indian Government has received £100, for which it has engaged to pay a certain rate of interest, retaining the option of paying off the principal when so disposed, or at any time after the expiration of a limited term of years. An Imperial guarantee would not then enable the Indian fundholder to obtain a higher rate of interest than he bargained for, nor would it avail him to increase the amount of his claim against the Indian Government by a single shilling. The Government could not be called upon to pay to the public creditor aught beyond the £100 which it had borrowed from him, nor, while the principal remains unpaid, could it be called upon to pay a higher rate of interest than

that at which the debt was contracted. Neither the Indian nor the British Government, could possibly sustain loss by the guarantee. The Imperial guarantee would cause the Indian funds to rise in value in the open market, as regards buyer and seller ; but, were the price to rise considerably above par, the Indian Government would be able to reduce the rate of interest by offering to pay off the principal, and thus readily appropriate to itself the benefit of the higher value of the security resulting from an Imperial guarantee. It is always to be borne in mind that the greater part of the debt of the Indian Government bears only an interest of four per cent., payable in India, and that it is very doubtful whether even the Imperial guarantee would raise the value of four per cent. paper, of which the interest is only payable in India, above par. Much of this paper bore originally five per cent. interest, which the Indian Government succeeded in reducing to four per cent. in 1852, by deluding the fundholders into the belief that the Exchequer was overflowing, and that no more loans would be needed. Before the conversion, this paper readily sold in the markets of Calcutta and Bombay, at a premium of six to eight per cent., and there is not the slightest prospect of the Imperial guarantee again bringing up its value to this standard ; so that the commonly received notion, that the Indian fundholder would

unduly benefit to some unheard of extent, through the operation of an Imperial guarantee, turns out to be the merest hallucination. Nor, would the holder of the English portion of the Indian liabilities, benefit to any extent worthy of national consideration. This portion of the Indian loan has been borrowed in London at about four per cent., in bonds or debentures, terminable within a few years. The loan might have been obtained under an Imperial guarantee at perhaps one-half per cent. lower rate of interest; but that is all; and, as the principal is repayable at an early date, the additional value that would be conferred on the property by a recognition of Imperial responsibility for Indian liabilities, would be a mere bagatelle, which it is certainly not worth the nation's while to trouble itself with at all.

There remains to be considered the third argument, relative to the evil consequences that may be expected to result from the removal of the check upon the Indian Government undertaking rash wars or other extravagant expenditure, that is now derived from a knowledge that such acts would be productive of financial embarrassment. It is argued that if the Indian Government once got hold of the idea that it had the boundless credit of the Imperial Exchequer to fall back upon, this valuable check would be lost. But it has been shown, that the Indian Government is a mere

department of the Imperial Government, and the check in question, to be of any value, must act upon the latter. The value of any theory is best ascertained by its practical application, and we shall be most likely to arrive at a correct appreciation of the check in question, by endeavoring to ascertain how it has operated in times past. The present condition of the Indian finances, is proof that the check so highly lauded, has not availed to save them from deplorable embarrassment, and in a practical point of view, therefore, it appears to have been worth nothing. This check has not saved the Indian Exchequer from accumulating debt and consequent financial embarrassment, and it would be therefore idle to rely on it for doing so in time to come. But when the subject is more closely examined, it will be found that the separation of the Indian from the Imperial Exchequer, so far from checking, has, beyond all other things, encouraged wasteful expenditure. It was this separation, which removed Indian finance from the watchful control of Parliament, and caused every Indian question to be regarded with apathy and distaste by this nation at large. It was this separation, which enabled and tempted British ministers rashly to undertake Affghan and Persian wars, and iniquitously to charge the cost of them to the Indian Exchequer. To this separation, is chargeable the supineness and

indifference of the British Parliament and nation to the application of the Indian revenues; and, in consequence of that supineness and that indifference, British ministers have been able to dispose of the resources of India at their will, without challenge or check on the part of the people of this country, or of India. This check upon Indian expenditure, which has been estimated so highly, proves, upon examination, to be the very opposite of what was imagined, and to have encouraged, more, perhaps, than any other cause whatever, the rash and useless wars in which the resources of India, so much wanted for internal improvement, have been ruinously wasted.

It may be concluded, then, that a moral* responsibility rests upon this nation for Indian liabilities of every description, while it is satisfactory to find also that considerations of self-interest, as well as feelings of duty and of honor, call upon us to

* The question as to the legal responsibility of this country for the debt of India is, in a practical point of view, not worth discussing after the statement made by Lord Stanley to the House of Commons, that "the Indian creditors have the first charge on the Indian revenues. If that revenue, after paying the interest of the debt, were to be found not to suffice for carrying on the civil and military administration, then the question would arise as to who would be responsible." That question the British nation will have to decide for itself, and is, indeed, now called upon to do so. See Lord Stanley's speech on East India Loan, reported in "Times" of March 8th, 1859.

occupy without delay, a position into which we must be forced sooner or later, and which must be attained before we can hope to restore the shaken credit of the Indian Exchequer, or to settle the financial relations of India with Great Britain in a manner calculated to promote the mutual interests and prosperity of both countries.

CHAPTER IV.

HOW ARE THE FINANCES OF INDIA TO BE RESTORED TO A PROSPEROUS CONDITION ?

IF the reasoning contained in the preceding pages has carried conviction to the mind of the reader, he will be prepared to admit that the enquiries of the Indian financier must be turned in some other direction than that of raising new taxes in India. That resource is of very limited efficacy and perilous in the extreme. In fact, the bane of India for many years of British rule, was over-taxation ; and beyond and above this, the transfer of a large portion of the taxes collected, to be spent by foreign rulers in their own country. It would betray the saddest ignorance of the real state of the case, to waste our efforts in seeking for new sources of taxation in India. Taxation at one time seemed about to dry up the stream of Indian industry at its very source, while tribute has removed from India the small annual increments of capital that were indispensable to a rapid development of its resources, and to a large increase of

wealth. Nearly the whole wealth and capital of every part of India, whether the land revenue settlement be the Zemindarree of Bengal; the village system of the North-West; the Talookdarree of Oude; the Ryotwarree of Madras; or the field settlement of Bombay, is the production of the simple cultivators of the soil. Their condition determines whether the national wealth is increasing, stationary, or diminishing, and is itself mainly dependent on the weight of the land tax. The operation of recruiting the finances by collecting or endeavouring to collect the whole land tax, when excessive, which was but too common in the early times of our rule in India, was simply that of killing the goose that laid the golden eggs. It was a breaking up of the very fountains of national prosperity; an overweighting of the springs upon the elasticity of which the augmentation of national wealth depends.* This ruinous action of an op-

* See Major Wingate's Evidence in Fourth Report of Colonization (India) Committee of the House of Commons, pp. 59-61, and an article on "The Silver Question as regards India," in the *Bombay Quarterly Review* for April, 1857, in which the author has endeavoured to shew that the oppressive effect of the Indian land tax during many years of British rule, is ascribable to the peculiar nature of the Anglo-Indian financial system. The chapter on "The Land Revenue," at p. 307 of Ludlow's "Thoughts on the Policy of the Crown towards India," throws light upon the same subject, though that author's argument is more applicable to the state of India as it was thirty years ago, than as it is now.

pressive land tax, became long ago apparent to Indian statesmen, whose efforts for the last thirty years have been directed to the remedy of the evil, by means of revenue surveys and more liberal assessments, the abolition of transit and town duties, and direct taxes of all kinds. The general result of these reforms has established beyond the possibility of question, that the country was previously over-taxed. The relief that has been afforded, is seen in extended cultivation and increasing exports and imports. The industry of India is once more in an elastic and progressive condition. But we have no reason for concluding that the remission of taxation was unnecessarily great; on the contrary, there are reasons for thinking that it was in some cases barely sufficient, while over vast provinces the curse of oppressive taxation exists to this hour. There is need of further liberality, instead of new taxes, and to seek for the means of imposing these in amount sufficient to provide for the financial deficit in the Indian revenues, would be to imperil everything that has been gained, and to retrace our steps in the direction of that selfish and suicidal policy, which well nigh reduced the people of India to a condition of general pauperism; and if reverted to, would infallibly entail an incalculable amount of human suffering, and a fearful embarrassment of the finances of both India and this country.

The problem, then, which the Indian financier, and above all the Parliament and people of England are called upon to solve, is, not how to raise additional revenue from India—for that to an adequate extent, would be found to be at once ruinous and impossible—but, whether it is fair and just that the entire cost of upholding British supremacy over India, should be defrayed by the people of that country. Has our policy in India been determined out of pure, unselfish, and benevolent regard for the welfare of the people of that country, and without the smallest regard for the manner in which it may affect our own country? Was this the principle which guided us in imposing prohibitive duties upon Indian manufactures imported into this country, and merely nominal duties upon British manufactures imported into India? Was it out of pure regard for India that cotton exported to Great Britain from India, is exempt from duty, while it is taxed on exportation to all parts of the world besides? Was it Indian interests which dictated the fixing of import duties upon goods brought to India in British ships, at one-half of the amount levied upon similar goods brought in ships of any other country? Were native interests solely concerned in the exemption of Europeans in India from the jurisdiction of the ordinary courts of criminal justice, by which native redress for British wrong-doing, has been made a

practical impossibility in ninety-nine cases out of a hundred ? Was it out of consideration for the tax-paying Hindoo and Mahomedan, that the official European in India was provided with a costly ecclesiastical establishment before anything was done for their education or enlightenment ? Was it unselfish regard for the natives that dictated the policy of obtaining, upholding, and extending British dominion in the East, by means of taxes raised in India, in opposition to the rule obtaining in all other British dependencies, of providing for the costs of their military defence from the British Exchequer ? And lastly, were the arrangements for defraying what is styled "the home charges," out of the Indian revenues, under which nearly one hundred millions sterling of taxes collected in India, have been transferred to Great Britain in the course of the present century, devised for the purpose of benefiting the people of India alone ? Let the candid reader thoughtfully and conscientiously answer these questions for himself, and then say whether British interests as well as Indian interests have not had a share in determining the course of our Indian policy.

If, then, we have governed India, not merely for the natives of India, but also for ourselves, we are clearly blameable in the sight of God and man for having contributed nothing towards defraying the cost of that Government. Our fair share, repre-

sented by the degree in which British interests have decided our Indian policy, be it great or small, should have been duly paid; but this has never been done, and now there is a heavy debt, which has been running up against us for many years, to be settled. England was powerful and India at her feet, and little chance had the weak of enforcing payment from the strong. So it appeared but two short years ago; but we have since learnt that the eternal principles of truth and justice cannot be safely disregarded. The arm of Providence reaches even to the strongest, and it does seem as if we were now being called upon to redeem our long-neglected obligations to India; and we shall be fortunate if we have not to discharge our debt with interest to the last shilling. However this may be, our clear duty now is to ascertain our true position, and to do our duty in it at whatever cost.

There does not seem to be any insuperable difficulty in the way of discovering the principles upon which the financial relations of India with this country should be settled. With reference to its economical effects upon the condition of India, the tribute paid to Great Britain is by far the most objectionable feature in our existing policy. Taxes spent in the country from which they are raised, are totally different in their effect from taxes raised in one country and spent in another. In the former

case, the taxes collected from the population at large, are paid away to the portion of the population engaged in the service of Government, through whose expenditure they are again returned to the industrious classes. They occasion a different distribution but no loss of national income, and hence it is, that in countries advanced in civilization, in which the productive powers of man are augmented by mechanical contrivances and a judicious use of the powers of nature, an enormous taxation may be realized with singularly little pressure upon the community. But the case is wholly different when the taxes are not spent in the country from which they are raised. In this case, they constitute no mere transfer of a portion of the national income from one set of citizens to another, but an absolute loss and extinction of the whole amount withdrawn from the taxed country. As regards its effects on national production, the whole amount might as well be thrown into the sea as transferred to another country, for no portion of it will return from the latter to the taxed country in any shape whatsoever. Such is the nature of the tribute we have so long exacted from India. And the burden of a tribute is aggravated in proportion as the tributary country is backward in civilization, and possesses few mechanical and scientific aids for augmenting its productive power; for the net income of such a

country, or the surplus of the gross produce of the nation's industry over and above the quantity required to replace the amount consumed in production, must necessarily be small. A country in the high state of industrial development of our own, could probably pay in tribute one half of its whole taxation more easily than India could pay one tenth, which was not far from the proportion that the tribute bore to the gross revenues before the outbreak of the mutiny. From this explanation, some faint conception may be formed of the cruel, crushing effect of the tribute upon India. Let the reader endeavor to picture to himself what the present condition of India would have been, had the eighty or ninety millions of Indian taxes, which have been transferred to this country in the present century, been spent in India upon reproductive public works calculated to augment the producing powers of that country. India would long ago have been penetrated in every direction by roads, canals, and railroads. Agricultural produce would, by means of the facilities of transit thus afforded, have been drawn from the remotest parts of the interior to the seaboard for export to foreign countries, and those regions which now cannot import, because they cannot export, would have become consumers of foreign commodities in exchange for the produce thus sent away. It is

probably a poor and inadequate conception to suppose that the net surplus of Indian industry beyond the cost of production, as distinguished from the gross production, would by these means have been doubled or trebled. And as this net surplus forms the fund by means of which a country obtains its imports of foreign commodities, it is not unreasonable to infer that the exports and imports of India, would have been double or treble what they are now. Let the people, and especially the manufacturers of this country, lay it to heart, that but for this cruel and sordid tribute, by which the total annual income of this country has been augmented by two to three millions, our exports to India, instead of being from ten to sixteen millions, might have been from twenty to fifty millions. For an income of two to three millions, we have sacrificed a trade of ten to twenty-five millions. Let the people of England, and especially the manufacturers of Lancashire, count the cost.

The Indian tribute, whether weighed in the scales of justice, or viewed in the light of our own true interest, will be found to be at variance with humanity, with common sense, and with the received maxims of economical science. It would be true wisdom, then, to provide for the future payment of such of the Home charges of the Indian Government as really form tribute, out of the Imperial Exchequer.

These charges would probably be found to be the dividends on East India stock ; interest on Home debt ; the salaries of officers and establishments and cost of buildings connected with the Home department of the Indian Government ; furlough and retired pay to members of the Indian military and civil services, when at home ; charges of all descriptions paid in this country, connected with British troops serving in India, except for the purchase of stores to be sent to India ; and a portion of the cost of transporting British troops to and from India. In regard to the last item, it would seem to be a fair and most convenient arrangement for the British Government to pay the cost of chartering ships, &c., for the transport of troops to India, and for the Indian Government to bear the cost of sending them home again. In fine, the tribute is made up of such items of charge, connected with the Government of India, as are spent in this country, and for which India receives no material equivalent in any form. In defining the future financial relations of India and Great Britain, it would seem to be a most just and equitable arrangement to require each country to furnish that portion of the total cost of government, which is expended within its own limits and goes to the support of its own industry. Upon this principle, British troops, actually serving in India, would not have to be supported by this country, as

in the case of the colonies, but would be paid by India, and only such officers and men of Indian regiments as might happen to be at home, would be paid from the British Exchequer.

What appears to be most urgently required in the present disastrous condition of the Indian finances, is the appointment of a Royal Commission of first-rate men, thoroughly competent to the investigation of economical, political, and moral questions, for the purpose of enquiring into the present financial relations of Great Britain and India, as compared with those of Great Britain and our other dependencies and colonies; and of ascertaining the various items of the Home charges which may properly be viewed as a tribute paid by India to this country, as well as their total amount since the commencement of the present century; and to report upon the probable effect of this tribute on the condition of India, and the best means of adjusting the financial relations of India and Great Britain for the future, so as to secure the greatest amount of advantage to both countries; and also to propose such measures as might appear to them to be best calculated to rescue the Indian finances from their present state of embarrassment, at the earliest possible date. Such a Commission would have no occasion to proceed to India for the purpose of collecting information, as the whole of the data necessary for the formation of a sound judgment

upon all the questions that would be referred to them for investigation, is already to be found in this country in an available shape. A few months at the utmost would suffice for the prosecution of their enquiries and the preparation of their report, which would go forth to the country with all the weight of authority attached to the conclusions of men selected for eminent ability and familiarity with the questions submitted to their judgment. Their report might be published in time to prepare the public mind for legislation on this all-important subject of Indian finance at the commencement of the next Parliamentary Session. Time is precious, for the Indian Government is busy borrowing for us to pay, at six per cent., while we could obtain the money under an Imperial guarantee for three-and-a-quarter per cent., and we cannot too soon relinquish this truly singular and extraordinary expedient for extricating us from present financial difficulties.

Were this question of the tribute once satisfactorily settled, the finances of India could soon be brought again into a flourishing condition; but if it be not so settled, and that speedily, it needs no prophet to foresee that, like a desperate gamester, we shall be led on to try one hazardous financial experiment after another, until the credit and finances of both India and Great Britain sink into hopeless embarrassment. Were India to be relieved of the cruel burden of the

tribute, and the whole of the taxes raised in India to be spent in India, the revenue of that country would soon acquire a degree of elasticity, of which we have at present little expectation, and certain branches of the existing taxation might even be safely increased, so as to ensure a sufficient surplus revenue for developing the resources of the country by means of reproductive public works.

The revenue and expenditure of India, for the year 1856-57, preceding the mutiny, were nearly balanced, being each about £33,000,000. It is estimated that the mutiny will cost £40,000,000, and add a charge of £2,000,000 for interest to the annual expenditure. But there seems to be little prospect of the military charges of India, being, for many years, if ever, reduced to the standard of 1856-57, when they stood at £11,500,000. We had then only 45,000 British Troops in India, and we have now upwards of 100,000, besides a larger native army than before. It is not probable, that with a due regard to our own safety, we shall be able to reduce the number of European Troops below 80,000, for some years to come; and though we may effect a very large reduction of the native force, by supplying its place with a military police, still, the cost of the latter, would absorb a large portion of the saving. In estimating the future expenditure, connected with India, it would not then be prudent to

assume the military charges, at the standard of 1856-57, or at less, perhaps, than £14,000,000, which is an increase of £2,500,000, as compared with the former amount. This would make the deficit in the Indian revenues, supposing them to remain at the amount they stood in 1856-57, £4,500,000; but we should also allow of a further expenditure, of at least £2,000,000 for public works, which makes a total deficit of £6,500,000, to be provided for. Of this amount, about £3,000,000 would be made up by this country, relieving India of the unrighteous burden of the tribute, and the remaining £3,500,000, would have to be sought for in India, through reductions of the cost of establishments, improved returns from existing sources of revenue, and increased taxation.

The most obvious and available expedient for economising the financial resources of India, is to borrow no more money there at six per cent., when it can be had in London at four, on the very same security, viz :—that of the Indian revenues. It would not be necessary for Parliament to acknowledge the Imperial responsibility for Indian liabilities, before placing this resource at the disposal of the Indian Government. The Secretary of State for India, would only require to increase his debenture loan to such extent, as may be necessary to provide for the deficit in India, as well as for the deficit in

this country. Were this done, the present Indian loans could be closed, until the state of the money market in India should indicate that financial operations could be effected there, on as advantageous terms for the Government of India, all things considered, as in this country.

By the adoption of the course here recommended, increase of expenditure on account of interest for debt, would be kept considerably lower than it must amount to, under the present thriftless plan of paying nearly two per cent. more on a considerable portion of what we borrow, than there is any need for doing.

As to reduction of the cost of the Indian establishments, the great resource is, of course, to diminish the military expenditure, by disbanding native levies, and returning British regiments to this country. The Secretary of State for India has stated to the House of Commons, that with regard to civil salaries the result of an elaborate enquiry has been to recommend an increase rather than a diminution of the total expense, and that if the total amount of retrenchment possible, were greater than it is, a very small saving only would be available for existing purposes, because the salaries of the present possessors of office could not be cut down.* But on

* See Lord Stanley's speech, reported in "Times" of March 8th, 1859.

occasion of great financial disaster, such as has overtaken the Indian finances, and, considering that the efforts which have entailed existing embarrassments, have also saved the empire, and with it the salaries of every European and native servant of the Indian Government, we may fairly call upon all for immediate help in this emergency. There is a rough and ready way of effecting an immediate retrenchment of the cost of the military and civil establishments of India, which seems worth consideration; and that is, to impose a moderate income-tax on every public servant on the Indian establishment, whether in India or at home, and reaching from the Secretary of State for India, and Governor General, down to the lowest police peon, and from the military Commander-in-Chief, through all grades of the army, down to the soldiers and sepoy. If, for instance, a deduction were made from all military and civil salaries, not exceeding five hundred rupees per mensem, to the extent of a half-anna in each rupee, which is slightly over three per cent., and from salaries above five hundred rupees, a deduction of a half-anna upon five hundred rupees, and of one anna in each rupee of the excess of salary beyond five hundred rupees; so small a tax could not seriously inconvenience any one, while the aggregate saving would be very considerable, and probably not fall much short of £500,000. This description of

tax, being a deduction from payments made from the public treasuries, would cost nothing in collection, and as it would not be felt as a heavy burden by the contributors, or make any alteration in the public establishments, it would have no effect one way or another on the efficiency of the public administration. The officers and soldiers of her Majesty's regular army, would have no grounds for objecting to it, as they receive higher pay for serving in India, than they would do, if stationed in any other of our inter-tropical dependencies. The military and civil services of the Indian establishments, would have still less reason for objecting to it, as their future prospects must be dependent on the restoration of the Indian finances to a solvent condition. Its effects on the minds of our native soldiers might be apprehended, but the intentions of the Government could be explained to every native regiment for some months before the date selected for the tax to come into operation; and with this precaution, care being taken to explain fully to the men at the same time, that the measure was of imperious necessity and would affect every one alike, from the Governor-General and Commander-in-Chief downwards, while the tax would be removed as soon as the state of the finances would permit, there would not seem to be just ground for apprehending that serious discontent among our native soldiery would be occasioned by the imposition

of such a tax. The ordinary pay of a native soldier is seven rupees per mensem, and the deduction to be made from that amount through the operation of the tax recommended, would be only three-and-a-half annas ; a sum doubtless of some importance to him, but too trifling in amount to be productive of serious inconvenience. Another plan, and one invariably resorted to by native Governments, on occasion of financial embarrassment, is to withhold a portion of the pay of the native soldiery, under a promise to pay up the arrears, without interest, as soon as the finances would admit of this being done. This would relieve the finances for a time, until they again became sufficient to meet all demands; and the interest, on the portion of the native soldier's pay allowed to fall into arrear, would, of course, be the tax placed upon him by such an arrangement. These suggestions may appear to be rude and coarse financial expedients, but a very little reflection will satisfy any one that retrenchments in the cost of public establishments in India, to be of the slightest importance as measures of finance, must be of general application, and extend to the military as well as civil expenditure.

It has been objected to the present system of Indian taxation, that it leaves untouched the moneyed and mercantile classes, who of all others are the best able to contribute to the necessities of the state.

This is to some extent true; but these classes could only be reached by direct taxation, which experience has proved to be productive of greater evil in India, than is counterbalanced by any gain to the revenue capable of being derived from this source. An income-tax upon money-lenders, traders, and manufacturers, would be exceedingly difficult to impose in the first instance, with any degree of fairness. It would involve inquisitorial investigations into the position of individuals, which would have to be conducted by corrupt native officials of a low class, who would make use of the opportunities to enrich themselves by the practice of every kind of extortion and abuse of authority. The rich would purchase immunity from their fair share of the burden by bribery, but the poor would be the chief sufferers. The Mohturfa taxes, which once prevailed throughout British India, and were direct taxes upon trades and professions, were at length abolished in all the presidencies, except Madras, from a conviction that they entailed an incalculable amount of evil on the community, without being of great importance to the finances. Taxes on native processions and marriage feasts, which have also been suggested, would be liable to the same objections, and be, besides, unjust in themselves, as there is no good reason why this form of expenditure should be taxed more than any other: they would be most oppressive

to the poor, and be likely to occasion much discontent. Of all conceivable means of adding to the revenue of India, that of direct taxation would be the worst. If it were absolutely necessary to tax the commercial classes, this would perhaps be better done by means of an octroi, or town duties, to be levied from large towns; but this source of revenue is already in course of appropriation for the local taxation of such towns for municipal purposes, and on this account, it would be objectionable to draw upon the same resource for national taxation.

The Indian Government, as we have lately learnt, has had under consideration the possibility of raising additional revenue by increased taxation, and seems to have come to a wise decision, in determining to limit its efforts to indirect taxation. It appears that the Governor General in Council has announced his intention of raising additional revenue by an increased taxation of imports, and by extending the system of stamps to towns in the presidencies to which they had not been previously extended, and by excise duties upon home-grown tobacco. By means of these expedients, it is hoped to obtain an additional revenue of £1,500,000.

The Indian Government do not appear to have in contemplation any scheme for obtaining revenue by means of increased duties upon any of the articles of Indian export. It must be admitted that, in general,

export duties are to be avoided; but, when the articles exported cannot be readily produced in any other country, so that the exporting country has virtually a monopoly of the market, an export duty upon such articles would not fall upon the native producer, but be paid by the foreign consumer. In opium, for instance, we have a case in point, upon which an enormous excise, virtually an export duty, is paid by the Chinese consumer, without the slightest pressure upon the industry of India. Indigo is another article of which India almost possesses a monopoly, and an increase of the present export duty, which is very light, might probably be imposed without perceptibly affecting the foreign demand. The usual duty on all articles exported from India, is three per cent. *ad valorem*; but an exception is made of raw cotton, which may be exported free of duty to Europe and to the United States, or any British possession in America. The duty upon the export of cotton wool to other parts of the world, is about $\frac{1}{7}d.$ per lb. The remission of the duty in the case of the export of cotton to Europe and North America, is an example of the fact that our Indian policy has been ruled by a consideration of British, instead of Indian interests. It was through the influence of the cotton manufacturers of this country, that the Indian Government was induced to remit the export duty on cotton, and the object of the measure, was to enable the British

manufacturers to obtain Indian cotton at a lower price, at the expense of the Indian Customs revenue. It was seen that the Customs' duties virtually added to the cost of producing cotton in India for exportation, and it was concluded that the remission of the duty would, to that extent, lower the price of the article in the ports of shipment, and in the markets of Liverpool. This inference was based on the doctrine of political economy, that the price of any article is upon the average, and in the long run, determined by the cost of production. But this doctrine, though true in a general sense, and as regards the total supply of cotton furnished to the markets of Europe and America, is not true, in the particular sense above referred to, as regards the portion of that supply furnished from India. The price of cotton in the market of Bombay, has no reference whatever to the cost of production in India; but is determined by the cost of producing cotton in the United States of America. The American cotton crop furnishing four-fifths of the total supply, regulates the price of cotton in all the export markets of the world. When the American cotton crop is short, the price of the staple in Liverpool rises, and *vice versa*. But the scarcity or abundance of the cotton crop in India, has no perceptible effect on the price of the staple in Liverpool, owing to the relatively small amount of the Indian contribution to the total supply

of that market. The price of Indian cotton in the Liverpool market, rises and falls in correspondence with the fluctuations in the price of American cotton; and the quotation of Liverpool prices brought by each mail to the export markets of India, determines the price of cotton there. Before the abolition of the export duty on cotton, the British merchant at Bombay was able to offer such a price as, allowing for the export duty, would yield him a fair profit on selling the staple at Liverpool. After the abolition of the duty, he was able to offer a higher price, as the export duty did not require to be allowed for at all, and still obtain the same rate of profit on the sale of the staple at Liverpool. The competition of the market necessarily prevented the exporter from appropriating the saving effected by the remission of the duty, and even if he had been able to do so, no portion of the benefit would have been shared by the British manufacturer, as the price of Indian cotton to him is determined by that of American cotton. The effect of the remission of the export duty on cotton in the Indian ports, was simply to raise the price of the staple there, to a corresponding extent; and it could further be shown by the prosecution of the argument, that the whole benefit of the abolition of the duty, must have been appropriated by the growers of the staple, or in other words by the Indian ryots. The abolition of the duty, operated as a

bounty for the production of cotton, rather than other articles suited for export, and by thus interfering with the natural causes that would otherwise have determined the relative quantities of the several agricultural crops raised for export, had a tendency to divert the capital of the agriculturist out of its most productive channel. This effect may have been, and probably was, insignificant, as the export duty on other agricultural products is only three per cent.; but no sound economical reason can be assigned for favoring the production of cotton in India, rather than any other agricultural product suited for export; and the abolition of the duty may be thus seen to have been a complete mistake. The Customs' revenue lost the duty, but the British manufacturers obtained Indian cotton no cheaper in consequence. There can be little doubt then, of the expediency of placing cotton on the same footing as other Indian raw produce, by subjecting it to a similar duty upon export to Europe and America, as well as to other parts of the world. This would bring in a considerable amount of revenue, probably from £100,000 to £200,000, without raising the price of cotton in the slightest degree. On the contrary, the price of cotton in the Bombay and other Indian markets, would inevitably fall by the full amount of the duty levied on exportation. The duty would fall upon the grower, and by diminishing his profits, so far tend to check the growth of cotton; but not to a greater

extent than the growth of other crops suited for export, is affected by the duties levied on them. This is an objection against export duties in general, but is not specially applicable to a duty on the export of cotton. In a practical point of view, the advantage to the revenue from a low rate of export duties on raw produce, would more than counterbalance the disadvantage of its operating as a slight check upon production. Almost all taxes have this effect, and were it to be admitted as a sufficient argument against their imposition, it would be impracticable to raise a public revenue at all.

It is a great advantage of Customs' duties that their effects upon the revenue, as well as upon the imports and exports, are readily seen. If under increased duties, the revenue should improve to the full or nearly the full extent of the increase of duty, the Indian Government would be at once satisfied that the latter was not pressing injuriously upon the productive resources of the country, and was therefore not too high; while, on the other hand, if the revenue should improve very slightly in consequence of a falling off in the quantity of exports or imports, it would be evident that the increase of duty was acting injuriously, and this would indicate the policy of again reducing it. Such an index is of inestimable advantage in taxing a country ruled by foreigners, who have little knowledge of its real condition, and

few opportunities of learning how their measures affect the people.

The measures of the Indian Government, and the expedients which have been suggested, might relieve the finances of India to the extent of two millions per annum; but apart from any financial experiments, there is, on other grounds, reason for anticipating a large increase of revenue in India from a general improvement in the receipts from all sources of taxation. This may be expected to occur through the unavoidable stoppage of the Indian tribute for many years to come; for, until the Indian revenues exceed the disbursements in India, it is clear that no part of the Indian taxes can be transferred to this country. The whole of the home charges must be met by loans raised in this country; for, were it attempted to meet them by loans raised in India, the effect would be to ruin the credit of the Indian Government, without the possibility of obtaining the money on any terms. It may safely be assumed, then, that the money for the home charges for several years to come, will be raised in this country. The effect will be, that for this period the annual accumulations of capital in India, will be wholly retained in that country, and no portion of them will be transferred to this country. In addition to this, India will benefit by a large accession of capital from this country, by means of loans raised

in London to supplement the deficit in the Indian revenue, as compared with the expenditure in India (should this expedient fortunately be adopted), and of money transmitted to India for the construction of railways and other public works, for which the capital is raised here. By these means, the wealth of India for some years to come, will rapidly increase, and the result will be shown in an extension of cultivation, by which the land revenue will to some extent benefit, and in a continual increase of exports and imports. The condition of the masses of the people will greatly improve, and this will be shown by an increase of the Excise, the Salt duties, and the Customs. The manufactures of the United Kingdom will be more largely consumed than ever; and even the extraordinary demand of last year, which was the mainstay of the industry of Lancashire during a time, which otherwise would have been one of deepest gloom to the manufacturing interests and laboring classes of that populous county, will be far exceeded.

It may be useful to refer here, to the causes of the extraordinary demand for our manufactures in India of late years, in spite of the interruption to the ordinary employments of industry, and the destruction of property, caused by the Indian revolt. The fact is most remarkable, and its explanation of deepest import to the future well-being of both

Great Britain and India. To the cessation of tribute, through the transfer of railway capital to India, and the stoppage of the home remittances of the Indian Government in consequence of the mutiny, is clearly attributable the extraordinary development of the foreign trade of India during the last few years. For the first time during the present century, have the average imports of a few years nearly equalled in value the exports of India during the same period. In other words, India has at last received from foreign countries nearly a full equivalent for what she gives them in exchange, and the grievous tribute, which grew out of her connection with foreign rulers, has been stayed for a time. Here are the indubitable facts, as stated to Parliament by the Secretary of State for India:—

IMPORTS AND EXPORTS OF INDIA.

Periods.	Imports.	Exports.	Excess of exports or Tribute.
	£	£	£
Five years ending			
1842	43,500,000	63,200,000	19,700,000
1847	62,500,000	83,378,000	20,873,000
1852	69,500,000	91,000,000	21,500,000
1857	101,500,000	102,700,000	1,200,000

It is thus seen that in each of the three first of these four periods, the excess of exports over imports, or the price paid by India for being ruled by foreigners, was about twenty millions sterling, or at the rate

of four millions a year; while during the last period of five years, it was only £1,200,000, or £240,000 a year. This great reduction of the tribute made India of course richer to that extent, and the effect has become visible in an extraordinary demand for foreign productions. The declared value of the exports of British manufactures to India, was £11,666,714 in 1857, and £16,782,515 in 1858. In a single year, the consumption of British manufactures in India, is thus seen to have increased upwards of forty per cent. So rapid and extraordinary a development of trade, if we except that of Australia and California, consequent on the gold discoveries, is, perhaps, not to be met with in the annals of commerce; and it may teach the people, and especially the manufacturers of this kingdom, what a mine of wealth India might become to us, if we abandon the base and selfish policy of draining off its accumulating capital to pay charges in this country, which, upon every principle of justice and economical science, ought to be borne by ourselves. Let us boldly, but with true wisdom and foresight, acknowledge our responsibility for the debts of the Indian Government, and all financial difficulties will melt away like the fleeting visions of a dream. It will then become apparent that our true policy is not to impoverish India by the abstraction of any of its scanty capital, but liberally to supply it with

capital out of our abundance. India has the will to consume the manufactures of the United Kingdom to an unlimited extent, and would obtain the means of doing so through the adoption of a wise and liberal policy on our part, under which the trade between the two countries would surely go on increasing year by year, and, at no great distance of time, attain proportions that would probably dwindle into insignificance, by comparison, our trade with the rest of our colonial possessions. Capital accumulates in this country far beyond our own means of profitably employing it, and millions are annually swept away and lost for ever in wild speculations, or loans to bankrupt foreign states. Would it not be wiser to apply these extra accumulations in developing the resources of our own great Indian empire, which has two hundred millions of people to bless, and more than repay us through an ever enlarging trade, for whatever assistance we can give them?*

The experience of the last five years,

* "There appears to be no limit—there can be no limit that we can reach for a long time in trading with one hundred and fifty millions or two hundred millions of persons, if you will only give them a chance of reaping the fruits of this industry, and securing the enjoyment of that which they produce." Mr. Bright's speech on India Loan Bill, reported in "Times" of March 8th, 1859.

"The honorable member for Birmingham answered his own

has proved beyond all question, that it was poverty alone which prevented India from sooner becoming the best customer to the manufacturers of this country of all the nations of the world. India has at length attained to this pre-eminence through an accidental stoppage of the tribute which had previously drained away much of the accumulations of capital upon which industrial progress depends. It is for the British Parliament and public now to consider and decide, whether, by the adoption of a just and generous policy, this mutually beneficial condition of the international relations of Great Britain and India shall be maintained; or whether, in compliance with the sordid and selfish suggestions of an ignorant timidity, they shall seek again to clutch that unhallowed tribute, which so long cramped the trade and blighted all the higher interests of the two countries, and would certainly ruin the finances of India, as well as prove destructive to our own national credit. The one policy would be far-sighted, liberal, and just, worthy of the

“argument when he admitted that he saw no limit to the
 “development of the future resources of India. That is what
 “I fully believe, and believing that the trade of India will
 “increase to an incredible extent—looking at what the resources
 “of the country will be when fully developed—I contend,” &c.
 Lord Stanley’s speech on India Loan Bill, reported in “Times”
 of March 8th, 1859.

name and fame of England ; the other, selfish and illiberal, ruinous to our trade, unworthy of our fame, and fatal to the realization of all our lofty aspirations as a God-fearing and Christian people connected with the future of India. Let the nation choose between them.

OUR FINANCES.

In these few pages I shall avoid details, and confine myself to the more immediately pressing matter in hand. I hope that it is not now necessary to go into minute calculations to shew the amount of the deficit. It is enough that it has become matter of notoriety that we have to deal with no ordinary short-coming. Every official statement makes it more and more evident that, none of the calculations of deficit which have been ventured by individuals are extravagant. The immensity of the gulf which lies before us every day becomes better known, and we begin to see that all is not extraordinary expenditure ; that setting aside the temporary expences of the war, we shall still remain with a regular fixed expenditure vastly exceeding the income. Without, therefore, being precise I only claim to assume that the subject with which we have now to deal, is not one to be disposed of by any calculations of lacs or even of one or two millions sterling, but that in fact we have to deal with many millions. It must be remembered that, not only is there the primary increase in size and cost of the European army, but that throughout India during the last two years almost every expenditure has been increased and scarcely any thing decreased. Even the civil expenditure has in many ways increased. Men in high places have openly said that they made hay while the sun shone ; the mutinies insured sanction for any thing. And still there are large schemes of police re-organisation, and other accepted improvements to be carried out.

As regards the number of the European army, we must not lose sight of the fact that, of the total charged against India in the parliamentary Returns, a large proportion is in fact in England. Every regiment leaves two depot companies in

diture on Public Works for which our normal finances left us no margin.

Altogether, then, I cannot calculate that it will be possible to put the finance of India upon a safe and prosperous footing without effecting an improvement in our regular and permanent finance to the extent of about 8 millions sterling per annum, as compared to our present situation.

I do not pretend to exactness. It may be somewhat less, it may be a good deal more, but some such figure is that with which we have now to deal.

It is useless to avoid looking in the face the magnitude of the difficulty. The deficit is a great one and will not be materially touched by any thing but very great measures.

It must also be, I think, accepted that the mutiny will bring no profit in compensation for our losses. The gain by lapse of territory and political pensions is a mere trifle, and will probably be much more than absorbed by rewards and compensations to individuals.

Public gain I fear there will be none, but the contrary.

I will not attempt to go into the finance of the money market. That is, after all, a minor matter of detail.

By skilful management or mismanagement we may get money at a rate $\frac{1}{2}$ per cent cheaper or dearer on the 40 millions which the war has cost. But in some shape or other we must always pay for money, money's worth. I will only say that while no one could wish that India should be permanently supplemented by England, one cannot help remarking that in the very crisis of our necessity we have been placed in a worse situation than any foreign ally.

The mutiny of 1857 is not an every day occurrence. We shall hardly willingly run the risk of such occurrences even if we think that those of us who survive might in such a crisis get some little assistance from England. Parliament only interfere to limit the power of borrowing in England, which Russia possesses without limit, and which Austria would possess if any one would trust her. And in India the present state of the

money market is injurious not only in the enhanced price which we pay for money, but in the destruction of confidence among the natives, which has certainly resulted from the excessive depreciation of the old stocks caused by late measures.

I confess that I am one of those who view with distrust the system of public expenditure on the faith of the future which has arisen, it may be said, within the last two generations. Perhaps that system may not last. A few great examples of failure may destroy it. Probably we are about to see nearly 300 millions sterling of public securities disappear. When Austria has lost Italy, her bankruptcy appears to be inevitable, and when she is bankrupt her artificial empire will no doubt collapse. If we follow the same course in India, we shall probably meet with the same fate. Our position is not very dissimilar. Let us then be warned in time.

Before going further, I would here make one general remark, viz. this that, I believe taxation in so vast an empire to be a matter of experiment and gradual elaboration. I do not think that it is possible successfully to introduce at once a complete and detailed system elaborated by any theorist; and therefore I believe that we shall never succeed in remodelling our taxation and expenditure to the advantage of our finances, till we have in a very large degree something of that localisation of finance which is so extraordinarily wanting in India; till, I mean, every local administration, great and small, is in some degree bound to regulate its expenditure by its receipts. In this particular subject we have obtained a false centralization, which is in fact nothing but anarchy. The Supreme Government is in a most difficult and unsatisfactory position. It checks the finances without really administering the executive administration.

Local finance is a thing unknown. Every thing collected goes to the credit of the Government of India, and every thing expended is expended from the common Treasury of the empire. Officials in this country are to a remarkable extent, local in their prejudices and ambitions. Most public spirited they certainly are. But every man looks to the good of his own province and listens to those around him. Consequently we find that the

better the administration the more he looks to local interests.

No one cares to propose a new tax in his own province, for the proceeds would only go to the Government of India ; and few much care to reduce an expenditure. Every man shews that this, or that expenditure is desirable, and probably shews so with very good reason, but no one weighs the cost. The budget system seems to have been in some degree designed to remedy this evil, but it has been very imperfectly understood, and as yet the only result seems to be to cause additional delay in obtaining sanction for any thing pressingly required. Who has yet heard of propositions for self-taxation volunteered by any local Government. Madras and Bombay have been for years aggrieved about the check upon their expenditure but has any proposition for raising the disproportionately low, salt duties of those presidencies, or equalising the stamp duties, or otherwise improving their finance ever come from Madras or Bombay ? Are not on the contrary such propositions usually strenuously resisted ; and even in these days, is there not a disposition to maintain the claim of those faithful armies in which the mutiny did not occur, and to object to their reduction ?

If we would successfully devise new taxes, we must then so re-arrange the organization of the empire that the local disposition shall be to emulate in financial improvement, not steadily to resist it. In some shape or other every province must have its separate local Exchequer. The financial duties and liabilities of each province must be marked off and improvement on the one hand must be made entirely to depend on increase and new taxation on the other. It is for some such financial mapping out of India, that we want an impartial Royal Commission, not to settle the details of taxation, for that foreigners and strangers must necessarily be unfit. Taxation is not a question of figures, but of social and internal administration. Our real finance belongs to the Home, rather than to what is called in India the Financial Department. A strong fresh mind might guide and control others, but could never devise a system of taxation for India.

If the finance of each province were defined, we might then hope that one administrator would try one new tax or reduction and another would either try something else or put the

same thing in a different shape ; and so gradually with so many able men as the public service undoubtedly possesses emulating, instead of checking one another, a new system of finance would gradually grow up.

With these views then it will be understood that, I am far from confident in the suggestions which I venture to make. In some things I shall doubtless prove wrong, and in all there will certainly be daily room for modification.

But at least my views, such as they are, are the result of considerable experience and reflection, and amid other avocations I roughly note them down, and leave them to be taken for whatever they may be deemed worth.

Before going into particular measures, I would make one or two observations regarding our position with respect to.

1st. Native States, and

2nd. The people of our own territories.

I do not now look to annexation as an immediate means of improving our finances. But at the same time I am very far from admitting that late events prove all recent annexations to have been inexpedient. I do not think it possible that those who hold that language can have for one moment reflected that if in our troubles Oude has proved an incumbrance, the Punjab was beyond all doubt or question the means of reconquering Hindoostan. It not only furnished men, but also the materials through which the European forces were rendered effective in 1857. It is not even a conclusive argument against future annexation, that the existence of Native States was during the mutiny advantageous to us. That the fact was so I believe. The mutiny has proved that the Native Chiefs are men who have every thing to lose and probably little to gain by revolution, and that they are as a body opposed to violent change. That is one very strong argument to be weighed in the balance against the financial or other advantages of annexation, in cases in which there really might be some advantage. The truth is that affairs march under a guidance which often surpasses the plans of human wisdom. If we had not annexed so much, the probability is that we should have had powerful and ambi-

tious Native States ready to take advantage of our prostration. Delhi would not have been retaken, and failing before Delhi, the last remnants of our power in Northern and Central India would have been at once supplanted by organized Native Military Dynasties. As it happened, the teeth of those States had been drawn, and their resources were for the most part in our hands, while at the same time there remained around the scene of the war, native feudatory states without sufficient power to justify ambition, but with so much influence as to be able to maintain that neutrality which best suited our purpose. Socially, too, taking India as a whole, the Native States have their uses, and in any view it would be desirable that our advance towards complete dominion should be gradual. Of late years that advance has been unusually rapid, and we can therefore well afford to pause in accordance with the present turn of public opinion. We cannot regret (speaking generally) that we have annexed so much. We rejoice that we had not annexed more, and we have now little desire to annex. Certainly we shall never annex without perfect justice, added to undoubted expediency.

But if the result of the mutiny has tended to stop the tide of annexation, it has on the other hand shewn us how little military danger is to be apprehended from the Native States, even in our greatest difficulty ; and we may turn the result to a purpose more profitable for all parties than annexation by availing ourselves of this experience to reduce our own Military Force. The Nizam's Territory excepted, it is clear that we have no formidable enemies to fear, but may rather look to assistance from such forces as the Native States possess.

As regards the Government of the country, my impression has long been this, that small Native States governed by a really native ruler, territories which do not exceed the personal rule and supervision of one man unaided by European organization, that such States are frequently very tolerably governed, and on the whole they have such advantages to set against those afforded by our rule, that we cannot confidently assert that a change would be for the happiness of the people.

All the very large Native States on the other hand, have been as a rule most grossly misgoverned, and are an unmitigated-

evil to the people whom they oppress. A congeries of small states is the ancient indigenous native system. The large states are but foreign despotisms emasculated and deprived of every good quality. They are too large for individual rule, and they have not the system and organization of civilized communities.

Let us see what are the Native States, taking them principally in a military point of view. I do not go out of India or allude to Burmah. In India the eastern frontier is quite unassailable. Next we have the Nepaulese, still in some sense a foreign power, but all military men are quite convinced that for aggression they are not formidable. Whatever the discipline of their regular troops, those troops are wholly unfitted for warfare in the irregular native style. They are slow in the extreme in their movements, and require abundance of carriage and aid of all kinds, while the entire want of Cavalry and of efficient Artillery makes them inefficient for regular warfare. The Railway by Patna will render communication easy along the whole line of their frontier, and it is clear that the very ordinary and moderate garrisons of our own stations will at any time suffice to keep the Nepaulese also in check, whatever may happen in Nepal. On the northern frontier the ruler of Cashmere is entirely our feudatory. He is by no means allied with the Seikhs, and in but a small portion of his own territory is he a native and personally influential ruler.

That the Afghans and Beloochees are for offence contemptible, is abundantly proved, and before the events of succeeding generations can bring any more formidable enemy on that frontier, Railways may have made us invulnerable.

Turn then to the interior of India. The whole of the states of Rajpootana form a loose and effete feudatory system only bound together by our superior rule. Experience has shewn that the result of the disappearance of our power in those territories is simply this that, the inferiors set their superiors at defiance. Everywhere it was the same thing, viz that the feudatories threw off the allegiance of their chiefs. We are in Rajpootana but the Police to keep the Peace.

Those worn out dynasties will never be dangerous to us.

Next we have Scindia ; that power is not a truly native, (as regards the part of the country now forming Scindias's territories) and least of all a Mahratta power. The chief himself has done for us the work of extinguishing all nationality. He has systematically set himself to root out the Mahratta element from his camp. Scindia himself seems to be a man of some eccentric energies, but he is Europeanised. He relies for his support on our bayonets. By treaty he undertakes to pay for a subsidiary force which must now be European, and he is not dangerous.

The other states of central India are minor, and events have shewn that none of them need give cause for anxiety.

The great territory of the Nizam alone in southern India presents a difficult political problem which I do not now attempt to solve. Suffice it to say that, with this exception, there is nothing among the native states of India to hinder a great and immediate reduction of our Military Force.

With respect to our own territory, we may hope that we have now seen the limit of what we have to fear from domestic rebellion. I will not argue whether it was the will or the power that was wanting. It is enough for our present purpose that when the whole country was in a flame, in consequence of the military mutiny we have no where experienced formidable popular resistance, Where the mutinous troops congregated there we were opposed, where our power was withdrawn there was anarchy. But in the worst of the crisis of 1857, the people no where successfully resisted the smallest detachments of our troops ; great districts were recovered by mere handfuls of volunteers and held by very petty detachments. The moment the resistance of mutineers was overcome, we re-entered into possession of our districts, and governed them without difficulty as peacefully as ever. It is made perfectly clear beyond all dispute that, so long as we avoid another great mutiny we may maintain our civil administration with an inconceivably small military force. Fifty faithful soldiers may hold any district in India, I may almost say any half dozen districts. It is clear that whether the people like us or not, they do under our present system of government so far tolerate us, that they do not resist us with any courage derived from frenzy or bigotry. We have governed them mildly on non-interference

principles, and have confined ourselves to taxes to which they are accustomed, and they will not run any great risks to get rid of us.

I do not see in the events of the mutiny sufficient grounds for lasting hatred on our part towards the natives. The frightful atrocities of a military mutiny are after all not unprecedented in history, and were not the work of the people in general. But there is one change of feeling in respect to the natives in which I confess that I take part. The events of the crisis have certainly in some respects generated a legitimate contempt for them. My feeling is that they have made such bad rebels at a time when they had every opportunity, that our estimate of what we can expect of them as subjects must be very much lowered. Something is evidently wanting to them. The upper class is altogether deficient. They have wanted, now want, and for long will want leaders in every thing. It has long been noticed that in native armies they often made good soldiers, but almost always bad officers. They also serve us not ill in all the inferior ranks of life, but they have not aided us in superior places. Their inferior classes are not without some social virtues. A creditable native gentleman has been almost unknown. Many sanguine people have supposed that we have deprived them of opportunity and have argued that the door to the higher places should be opened to them. I have myself participated in this feeling. But that is to a great degree passed now. In 1857 they promoted themselves, but invariably they failed miserably. Evidently something more than opportunity is wanting to enable them to fill with credit superior places. Nor is it only the want in the upper classes which has been marked. The absence of individual energy in all classes has been above all things surprising in the mutinies. The whole country presented one mass of occasions on which one man with one spark of energy might have done us infinite mischief; stopped our travellers, plundered our posts and interrupted our communications. But such attempts were throughout almost unknown. Evidently in all our arrangements we cannot look to energy in the lower classes any more than to efficiency, honesty, or influence among the upper classes.

These virtues we may gradually and patiently instil into the country, but it is not to be done in a day.

As to ourselves, when our military power was over-turned

above all things was conspicuous the entire absence of any thing like a social root or place in the country. If we had among the people few very bitter enemies, we also had no partizans ; and every day our isolation becomes more complete. As we communicate more easily with Europe, we become more European. The change in the course of a generation is most marked. Read Lord Hastings journal, and see how much we then approached to social intercourse with the natives of Lucknow, and see again how different it is in these days.

Nothing was more marked during the mutiny than the strength which we derived from very small knots of volunteers at a few stations where the men of our class were gathered together. That sufficiently shews how enormous would be the accession to our strength, if we had but in the country a very small partizan following of our blood, religion or community of interest.

Seeing then the want of any competent upper class among the natives, the want among the lower class of the energy peculiar to Europeans, and the want to ourselves of a root in the country, I am quite convinced that of all things most necessary to strength and improvement is some sort of colonization ; and as pure European colonization to a considerable extent is hardly to be hoped for, I would add to a small nucleus of colonization a considerable accession from amalgamation and mixture with something of what we find in the country. The object should be I think to attain in a very minor degree something of the position which the Mohomedans held. I believe that a Europeanised population as large as that of the Mohomedans would be dangerous to the rule of England, and I hope that we shall never so much as the Mohomedans assimilate to the blood and customs of the country. But I should be glad to see a population of say one tenth of the number of the Mohomedans retaining much European blood and habit, but not altogether holding aloof from the natives, and forming to some extent a dominant and military class.

Believing that colonization under ordinary conditions is impossible, and that European capital will not come in without European labor, nor labor without capital, that in fact the two must go hand in hand, I believe that the only possible mode of colo-

nization is that which would at the same time most strengthen our rule viz. a system of military colonization, and it is with a view to what I have to say regarding the army, that grand item of Finance, that I have entered into these observations.

I now proceed to discuss the different items of expenditure and taxation.

The purely Civil expenditure is in reality smaller in proportion than in most countries, and I think it is almost universally admitted that in this department of finance it is only a question of re-distribution. If the truth must be told we shall have continual increase of expenditure in this department. That result invariably follows reform and organization. Salaries may be reduced, abuses may be remedied, but still at every turn there will be improvements which cost money. In England there was infinitely more room for saving; sinecures and abuses without end have ceased to exist. But still since the reform Bill the Civil expenditure of the British isles has more than doubled. We will hope that it may not be so in this country; doubtless much room for reduction to counterbalance expenses will be found.

I might suggest to those who think the higher offices over paid that they have but to compare the salaries with the market price of labor. It has never been disputed that an educated European must be paid at least three times as high as in England, to induce him to come to India, and few men would accept a sudder judgeship who could get a county court judgeship in England.

Perhaps, then, it may hardly be proper to reduce the salaries of Indian judges, unless it is thought that ability inferior to that of an average county court judge will suffice for the sudder; and it might be asked why an English government, which is so scrupulous of every vested right in every abuse in England, should think that men who have cast their lot in India and incapacitated themselves for any other profession should alone have no claim under the general doctrine of vested interests. But let that pass. I for one am fully convinced that the crisis is so serious that almost any measures which might restore our equilibrium would be justifiable, and I should think that every class must cheerfully submit to any reductions which should form part of a great gene-

ties. All I would argue is this, do not let him be a soldier and a policeman at the same time.

Here then is our situation. We have raised an immense body of native soldiers, many of whom have done our work in our necessity. They have acquired drill and discipline. But their work is now done and we do not want them longer. We only seek to find some means of getting rid of them. On the other hand all over India we want an organised police. Even in the Punjab the Civil Police is the same as elsewhere. The Military Police are there also but Native Regiments which do no police duties. In Oude the Civil Police has been dismissed, but the military force has not yet been really shaped to civil duties.

I would say then again, let us turn our soldiers into Police men. The men will probably by no means dislike the change. An option might, in fact be given them. Those who like police duties might be permitted to volunteer. There will probably be no difficulty whatever in thus disposing of half the Native Army: In fact I feel no doubt that we should be able to exercise some degree of selection and to accept as policemen only men well fitted for that duty.

There are certain duties which can hardly be called police the guarding of treasure and such like, for which armed men are required, and I think that it might be advantageous and tend to the maintenance of the quasi military discipline, and to the personal supervision of the men that these duties should be taken by the police rather than by separate corps. The plan therefore which I have always urged has been this, that there should be supplied for the use of the police of each district, muskets, equal to about $\frac{1}{3}$ d. of the number of men, and that the policemen should take it by turns to come into the Head Quarters, and perform for a time military duty under the eye of their officers.

I propose then that as each province is completely pacified $\frac{2}{3}$ ds of the arms of the Military Police should be returned to the magazine and the regiments should be converted into a Civil constabulary.

In Madras I would turn half the regular army (after it has been weeded under recent orders) to the same purpose. The

Bill for constituting an organized Police in Madras is about to pass the Legislature. The moment it passes, let Government announce the reduction of the Native Army, and invite the Native Soldiers to volunteer for the Police.

It will probably be better not to take over whole regiments, but I believe that a large proportion of the Madras Native Officers are sufficiently young and good active men who would be quite qualified for Police posts. Thus men and Officers might be withdrawn in equal proportion. A large number of European Officers would be taken for the same duties. The remainder of all ranks who prefer or are best fitted for Military service would be brought together into half the former number of Regiments. I propound this plan with deference to local knowledge. But to an outside observer there seems no difficulty about it.

In Bombay there is already so much organized Police that there might be there somewhat more difficulty in disposing of the Sepoys. But many of them might doubtless be provided for in the Civil Force, and the Bombay Army is fortunately the smallest, and in many respects, the best in India, and if it takes the duty of Rajpootana and Central India it may perhaps be sufficiently employed when spread over a much larger surface than heretofore.

Throughout all the divisions of the Bengal Presidency we have but to take the Arms from the Police Regiments already existing, and to put them to Police duties. The rest is mere matter of Police detail, and I need not here dwell upon it. I may mention one duty which would at once absorb with advantage some 10,000 Sepoys. I mean the frontier Custom's line of the North-Western Provinces. There is reason to rejoice that the Custom's Establishments were not armed when the Mutiny broke out, but the service is one which especially requires a quasi Military discipline. Throughout a very long line the smuggling of salt, to which there is the enormous temptation of a duty of from 800 to 1600 per cent, is prevented by the sheer ocular vigilance of a line of Sentries about a thousand miles long. Nothing could be better suited for Soldiers whose arms have been turned into sticks. Here then we may provide for a dozen faithful Regiments. If the North-West Military

Police cannot supply so many in addition to filling the Police we might get the required 10,000 men from Bombay. And I dare say that in other parts of India there are similar services into which our Native soldiers and Officers might be, with great advantage drafted.

The great argument for keeping up the Native Army has always been that their duties of detail give them quite sufficient occupation. A commandant of native Infantry would always tell you that his men were worked to death, and prove it by his returns. But in truth this was the result of a false system. To say nothing of the lax practice of Native Regiments under which the number of men to a guard and to duties of all sorts was unnecessarily large, the truth is that armed Native Guards were employed for purposes in which their arms were only an encumbrance. Keeping up a large Native Army it was just as well to give them something to do. But in reality the duty of guarding an officer's baggage over peaceful roads, and in a peaceful country, and keeping watch over all manner of peaceful things, could always be more efficiently performed by one unencumbered Chowkeedar with a stick than by a whole guard of Native Soldiers. Now as our object is not to keep up, but get rid of, those Soldiers, the whole of these duties may be much more cheaply performed without them.

While most men are agreed that an organized Police is necessary, they are also, I think, agreed that such a Police, must be under European Officers. Real discipline is not to be achieved through natives. We must certainly have European officers, and the disputed question under whose orders they are to act is, as I have already said, one of detail which I do not here touch. In some shape it is quite clear, that a large proportion of the Officers of disbanded Native regiments may be permanently employed in real Police duties. But more than this, it is certain, that the Civil Service is at present in numbers wholly unequal to the work required of it, and the great improvement which I believe to be required in its organisation is to give it a much greater breadth. Let it have much increased numbers, receiving on an average a smaller salary per head, but let there be a much greater selection for the superior appoint-

ments. I think too that not only in its numbers, but in its duties and scenes of action, the Civil service is too confined. There is too little room for a variety of talent of different kinds. Every Civil servant runs too nearly in the same groove, and the rule which restricts particular officers to particular Provinces, and renders Bengal almost unknown to the North-West, and Madras as unknown as Siberia, is in its strictness prejudicial to the service. Local knowledge, and local languages, may be useful to the mass, but some interchange between the officers of different Provinces, as well as different Departments, would be useful. I would amalgamate the whole civil service of India, and would include in the Civil administration, the Police and many other offices. I would supplement the civil service, by practically altogether turning over to it the whole of the officers of the native army, who are fitted for, and are willing to accept, such employment. The vast injury which is done to the army from the constant occasional transfer of officers to Civil employ is I believe beyond dispute, and although selection (modified as it is by patronage) might be in some degree useful to the Civil branch, I do not think, that the retention of Military views, and military ambitions, will be generally advantageous to officers in Civil employ. Especially in the Police, the assumption by the officers of a military character is injurious. They wish to turn their Police into regiments, dislike civil control, and attach secondary importance to mere thief-catching duties. In every way it is advantageous that an officer who takes civil employ should elect it once for all, and that henceforth his interests and aspirations should be Civil. I would therefore have it, that the whole of the officers transferred to civil employ on account of the breaking up of the native army, should be permanently placed as officers unattached on a Civil staff corps. Let the individuals transferred retain their rights to pension, &c. as Military officers, but in future let there be no transfers, and supply the civil service by an increased number of appointments made on modified terms to a broader service which will henceforth supply Officers of Police, as well as Judges and Collectors and Treasury officers.

By the transfer of a large portion of the present officers to civil employ, and of another portion to European Corps, and to

the command of Pensioner colonies, the officers of the native Army will probably be reduced to the number required for the reduced force.

As regards that Force I will only say, that, as the advantages of regular and irregular troops seem pretty nearly balanced, I would prefer Irregular corps, simply because they are by far the cheapest. With respect to the composition of those corps, and the many different plans proposed, variety is *every thing*; therefore try a little of every possible plan. Have one regiment all Afghans, one all Seikhs, one all Hindooostanees, one with companies of each class, one with every class mixed in every company, and so on. In short let no two regiments in the service exactly resemble one another.

I have said that if we only reduce the native army, we may reduce the European Force, to very moderate proportions. The late Mutiny and disbandment of the local European Troops may have gone far to settle the disputed question of locals or no locals. As an argument on the other side it may, however, occur to us that if ever unfortunately when there is but one European Army it should happen (which God forbid) that the men should become dissatisfied on any question effecting them generally, and should learn their power, where then is Government to find the remedy? Military discipline is after all not a matter of reason, but of habit and severe control. I have no doubt whatever, that by far the greater part of our force should come from England, and should be relieved at comparatively short intervals. It has always been almost impossible to maintain a very strict discipline among European Troops permanently located in this country. The company's European Regiments, brave as lions in action, were always disorderly in cantonments.

But apart from the strict question of Military discipline and division, I advocate a certain local European Force of no dangerous magnitude for the purposes of colonization in accordance with the views on that subject which I have already noted. Government already draws from its local European force a large subordinate European agency in many departments, and I believe that it is from a similar source that the subordinate agency of European capitalists and others may be supplied.

The discipline of a regular Regiment, relieved from time to

time from England, would not admit of the temporary withdrawal of men for civil duties, nor would they generally be fitted for such occupations.

My plan, then, would be this. I would have a very small number of local European Regiments. I would give them higher pay than the line, and I would admit into them only men of special qualifications. I would enlist for this special service, skilled artizans and tradesmen, and men of a superior education and receive no unskilled and uneducated recruits. With the opportunities and advantages which would be open to them, men of a very superior class might probably be obtained in England, and volunteers for permanent transfer to these Regiments might be admitted from the general service. To such men I would look eventually to settle in India, not as mere laborers, but as the directors and teachers of native labor, and agents for the employment of capital. I would by all means encourage them to marry, and make their position as desirable as possible. In every local Regiment I would have Schools of art of every kind, and after 3 years' service and proof of good character, and of an acquaintance with the vernacular language, a man should have the option of becoming a candidate for subordinate Government employment, or a military colonist.

A military colonist would be a trained soldier, holding himself in readiness to serve Government, when required, and drilled like a militia man for a certain number of days in every year, but relieved from all ordinary military duties and receiving perhaps half the pay of a regular soldier, by the aid of which he might find colonization profitable. I would mark out circles for military colonists, both in the Hills and in the plains. A province might be occupied by a Regiment, and a District by a company of such colonists, over whom would be Commissioned Officers pensioned on similar terms, and themselves forming a superior class of colonists. To men of this class, I would give every encouragement in the way of a preferential employment for the furnishing of Govt. supplies &c. &c. I would use the power of Government towards obtaining for them the limited quantity of land, which they might require, on the same equitable terms on which land is taken up for public purposes. In short, they would not be ordinary colonists, but colonists aided and pensioned by Government, and who would, in

return, render to Government a military aid in time of need, which would render them for the security of our power almost as efficient as an equal number of regular soldiers. How infinitely stronger would be our position, if all our Hill districts and all our great plains Stations could be at any time held, and our wives and families protected, and the country in some degree kept in check, by an organized military colony, leaving the regular troops free to take the field to a man. I do not venture upon further details of this scheme. I merely throw it out as one by which we might obtain considerable military strength, at a decreased rate of expenditure, while at the same time we greatly promote the advancement and improvement of the country. The saving would be not only in diminished pay; we should chiefly save still more in the Barrack and commissariat, and transport and other expences, which render European troops so ruinous to our finances. A military colonist might probably draw a handsome pension, sufficient to make his position easy, and yet cost but a fraction of the gross expenditure upon a regular soldier.

Public works form a financial point of view I shall very briefly touch. That a large expenditure towards developing the resources of the country is our duty and our necessity, I as much as any one feel. I assume, that we shall spend much upon Public Works, but I do of all things deprecate the disposition which seems to have grown up in England to place a fallacious reliance upon Public Works as means of increasing the revenue. I believe that in truth there will be no such result in this generation, that in fact, we shall obtain very little direct return from by far the greater portion of the money expended upon public works. It is only in the gradual enrichment and improvement of the country that in the course of future generations the effect may be financially felt. Statistics are notoriously fallacious, and most fallacious of all are those of the projectors of Public Works. But even making every allowance for conventional exaggeration, I do not know from whence is expected to come the increase of revenue. We are told, that with the progress of Public Works the revenue must doubtless encrease. But we have no distinct plan shewing where the Revenue is to come from, and no general figures tested by impartial persons; nor are failures set off against successes. In Madras where Government is the landlord of the country,

there may have been some successful local works for the improvement of local estates. But we do not find that irrigation companies will expend their capital to obtain the fabulous profits held out, without a Government guarantee. The Jumna canal is almost a natural water-course, adapted by the Mahomedan emperors, and repaired by us. It may therefore well pay. But the great Ganges canal is, I fear, as a financial speculation a loss and not a gain to Government. The interests of humanity it may some day greatly promote. But my impression is that the Government exchequer it will never benefit. At any rate we have not had figures.

I trust that I may not be misunderstood. I am far from depreciating Public Works. I always have urged them, and always will, in my own sphere especially urge them; but let us not be deceived in the expectation of a large immediate return.

There is one kind of work which if it does not repay in money does amply repay in political strength. I mean the main line of Rail connecting the distant parts of India. The force supplied by southern India was just one year marching to the Jumna in 1857-58. When the Railway on Lord Dalhousie's plan is completed, and those troops can reach the most distant part of India in 3 days, the accession of strength will of course be vast. Government now contributes largely towards the making of Railways, and in undertaking the whole risk it has surely earned a right to demand that the great public interests should be first consulted. It is, therefore, a subject of the most extreme regret if it has been permitted, that imperial, are sacrificed to local, interests. Yet is it not certainly so? Is it not the fact that Calcutta, Madras and Bombay are each working the Rail for local interests and local objects to the entire neglect of the lines of imperial necessity? We know the delay which has occurred, and is likely to occur, in the great Gangetic line. Yet a succession of petty local Railways about Calcutta have obtained a Government guarantee, while the vital line from Delhi to the Punjab, is still entirely neglected. But from Calcutta to Delhi we have tolerable means of communication. It is communication between the gangetic valley and the west and south that is most essentially required for political and military purposes. The Railway from Allahabad to Bombay and from Bombay to Madras, will

not only bring us much nearer to England, but will really unite the empire now dissevered by the vast expanse of roadless Central India. Yet what is the fact? Is there really the least prospect of this great line being made? See how the matter stands. In Madras every thing has been devoted to a local Railway, not running North-West to Bombay, but South-West to the neighbourhood of the Neilgherry Hills, and to the favorite Madras Station. That Railway may be the most convenient for the people of Madras, but it seems to me to conserve no imperial interest. For those who would embark for Europe at the nearest point, Bombay or Kurrachee must always be the point of departure. Those who sailing from Calcutta prefer the ease of an unbroken sea voyage, will hardly care to transship twice and travel across country to avoid steaming round Ceylon. Yet the Madras local Railway may soon be made, while the line from Madras towards Bombay has not been touched. I think I am correct in that assertion.

Again in Bombay what is the state of things? It has suited Bombay to push on the Rail to Poonah and the Bombay sanatoria and the stations beyond, although without any corresponding line from Madras the imperial object is lost. But in the other direction what has been done towards by far the most important line in all India, that from Bombay to Allahabad? Absolutely nothing.

I have seen with extreme disappointment, and regret that even when working in this direction, the available strength has been turned aside from the imperial object to one in which the local commercial interests of Bombay may be more directly concerned; I find that the contract for the line to Oomrawuthee and Nagpoor has been leased out. That local line is to take precedence of the main line to Jubbulpoor, and as rails are only supplied at a certain rate, we may I fear regard the latter as indefinitely postponed. It is exactly the same on the Bengal side of Jubbulpoor. We have seen in the English papers the attempt which was made to use for another purpose the money raised for the Allahabad and Jubbulpoor line. That it is true was negatived by Government, but notwithstanding it is pretty evident that the wishes and energies of the East India Railway Company are not turned in that direction.

I have recently made local enquiries on the subject, and although there was an extreme discrepancy in the belief expressed by officials of different classes, the general inclination seemed to be almost to laugh at the question when the Rail would be ready to Jubbulpore, as if one spoke of a thing which people had not begun practically to think of. I certainly derived the very strong impression that there was no prospect whatever of an early and vigorous prosecution of this line. Sanguine officers of Government may fancy that within a few years something will be done. But in sober earnest I am oppressed with grievous doubt that in reality the Railway communication between Allahabad and the Western coasts is postponed to the Greek Kalends, and I would beseech the attention of Government to the matter. This unlucky line appears to be pushed on by no local interests; it is only the Empire and the general public that are concerned. Without vigorous and peremptory Government action, it will probably be neglected. Why should we have railways to unknown places in Eastern Bengal and Oomrawuthee and Ahmedabad, and Salem, and obscure places on the Madras coast, when the backbone of our communication is utterly neglected?

It is all very well that private enterprise should be devoted to private purposes, but why should the Government guarantee go exclusively to those purposes? Why should the Government which pays the interest, not obtain in this generation the line which would really conserve the public interests?

As a reason for preferring trunk to local and branch lines, I would also urge not only that in England these latter generally ruin the parent line, but also that in the greater part of India; we may have the best metalled roads in the world and absolutely level at an expense of about £ 500 per mile. They are constructed solely of indigenous material, and in no way come into competition with railways in the market. They are for transport, the next best thing to railways witness the Grand Trunk Road from Allahabad to Delhi; and they save the disproportionately large expense of locomotive power. For the cost of one mile of railway, we may have 20 miles of metalled road; I would therefore say let us have in this generation trunk Railways, and metal roads to feed them.

The Land Revenue I only touch to say, that I do not here discuss the great systems of Land Revenue management, because I do not look to this source for material improvement of our finances. I believe that whatever be the system followed, it can only lead to a better distribution of the land revenue for the benefit of the country and the people, and I should hope for such re-adjustment as may make the burden fall lighter. Direct gain to the exchequer is not to be expected. On the contrary, I should consider it to be one of the principle objects of a revised taxation that we might be enabled at some sacrifice, to give to the land a more stable value, and to make it more than now of the nature of fixed private property, and a source of accumulation and wealth and investment. I am one of those who do not believe that a panacea for all the ills of India is to be found in any one system of Land Revenue. I feel that the further we go in this strange country, the more we learn our ignorance, and I sympathise with the ancient officer who after a life spent in the Revenue service said that he did not yet understand it himself, and therefore could not explain it to any one else. We all have our theories, and I believe that India is in most respects one country, and that the same principles are applicable every where. But there is a great difference in local facts and population and history and circumstances. The only conclusion I have come to is this, that we cannot be so confident of any theory whatever as to justify us in attempting to destroy the tenures which we find existing. After all I believe that our duties in connection with the land Revenue should be in the first instance for the most part judicial. I think that we should fairly ascertain the rights which we find to exist, and should maintain them till they are legitimately altered. While the systematic breaking up of the village communities which we found in Madras can never be justified, we may in some places have found a pure ryotwaree system which it was necessary in the first instance to maintain. No one will deny that it was right and necessary to maintain and cherish the pure and perfect village communities which we found in the Punjab, and although there has been much misapprehension in regard to the nature of the extremely varied tenures of the North-Western Provinces, and I believe that nothing has occurred during the rebellion to shew that, the original principles of settlement were wrong, I also quite feel that where we have found the system which is called Talooq-

daree really existing as a permanent and well rooted institution, we were bound to maintain it. I believe that a system of violently and suddenly over-throwing the superior tenures in favor of inferior holders, was in the highest degree unjust. But I think that this injustice will only be exceeded, if without Judicial enquiry, and following an uncontrolled re-action of public opinion, we roughly over-ride the rights of inferior holders and deliver them over to those whom we arbitrarily, with or without right, choose to place as superiors over them. All is not pure and unalloyed gold in the favorite theory of a day.

I have no doubt that in the existing state of the country, the only real improver is the small proprietor or privileged tenant of his own fields when lightly assessed and well to do. The small farmer class exist every where. The only question is through whom Government is to deal with this class, and that I do not now discuss. I will only say that for the purposes of future improvement and colonization it seems absolutely necessary to introduce some greater *simplicity* and security of tenure. I would have it that the privileged ryot, call him by what name you will, and deal with him through whom you will, should be made, subject to prescribed and limited obligations, a *bond fide* beneficiary holder and proprietor of his own fields, and should have every encouragement to invest in them his little saving, and to encrease their value and make the most of them without being liable to be further taxed for the benefit of another. But on the other hand all those tenants who are not adjudged to possess so much right (and such are the cultivators of many estates) I would absolutely and without reserve make tenants at will (of course encouraging leases) of the recognized proprietor so that the proprietor should be (as he very seldom now is) really proprietor of his own land, and it should be possible for capitalists to acquire such land out and out, and to make the most of it. We are bound to afford facility for the new state of things which must arise with colonization and civilization.

But I am departing from my present subject. What I have said of the land only amounts to this, that I look to improved management as the means of improving and enriching the country, but by no means as a source of increased Revenue.

In devising new taxes, I would deprecate *too* much innovation. The natives are strange creatures, we yet hardly know them. But this at least we *do* know, that our Revenue system has not aggrieved them. Hitherto they have borne our imposts contentedly, and whatever real grievances they may have against us, our Revenue administration has probably been a set off in our favor. They have at least tolerated us. In our necessity the people have not risen actively against us. If they had, our situation would have been very different. We have learned by experience with how few soldiers, we can maintain our rule among the people upon our present system. I would then most especially protest against any tendency to urge that the deficit can be safely met by new taxation alone; that in fact we may thus raise the means for maintaining our increased army. Such a plan might be dangerous, and would certainly be injurious. If taxes and soldiers must go together, rather let us dispense with both, and let us reign cheap and inglorious with few soldiers over an unresisting people. I consider that the main measure of finance is the reduction of the Military expences rather than increased taxation, and I would not attempt taxes which would involve the permanent retention of our military force.

In fact, I confess that I view with great apprehension the present apparent disposition to rely principally on direct taxes. In the countries lately re-subdued, such taxes of small amount may probably be collected without very serious opposition. Whether it would be so in other parts of India I should think very doubtful. I make no doubt that we may fairly, and without insuperable difficulty, enforce small direct and considerable indirect taxes, and such as fall on a limited class. But my impression is this that, if we fix direct taxes at a pitch which will make them really remunerative, then although by firmness and severity in the first instance we may perhaps enforce them, it will not be prudent to attempt to do so without maintaining a large army, and that whatever we get by the tax we shall spend on the army, and so after all the result will be negative, except in the odium and burden which will result.

I do not mean to assert that we should require a very large force compared to that used to enforce unpopular contributions on conquered countries in other parts of the world. We could

probably do what is absolutely necessary with our present military force, if we use it unflinchingly and make that force pay itself. But I am deeply convinced of this that so long as we keep mainly to the accustomed revenues, with the addition only of some indirect and special taxes, India may be governed in safety and security by a wonderfully small military force provided that force is so composed that it is not itself a source of danger. And it would be very much better for India, as well as for England, to govern in peace a contented people than, to adopt an Austrian system, and collect by bayonets the revenue that is to pay bayonets. I think that by indirect taxes on tobacco and such luxuries with so small a direct taxation as is not likely to provoke serious opposition, we may obtain funds enough to keep up all the army we require, and to administer the country beneficially besides; while on the other hand I believe, that, if we would raise 3 or 4 millions sterling by direct taxation we cannot spare a man of the 100,000 Europeans necessary to counterbalance the great army of natives which would be more immediately employed, and that even then we shall run a risk in India, besides perpetuating an intolerable drain on England.

If it be proposed to make new taxes local to certain parts in the country, I would observe, that while this would destroy their productiveness, we must also remember that even if we can of any degree blame the people generally for the anarchy resulting from the mutiny of our army, it is certain that the wealthy classes whom we now chiefly desire to tax, have suffered enormously from the anarchy in which we have failed to protect them. I should doubt whether at this moment the upper classes of the most disturbed districts are really in a condition to pay very heavy direct Taxes; while on the other hand those of districts less disturbed fancy that they have not deserved, and may be less than ever inclined to pay odious imposts. I would ask whether if there were local emeutes at Surat or Trichenopoly or Dacca in opposition to such taxes, Government would be prepared to go in at once with military force and put down by prompt and severe example. That would probably be successful; but any thing like merciful compromise would greatly weaken us. I am not sure that it would not be well to avoid the complete suppression of the native press which is now the policy in some

provinces. As it is we know far too little of the native mind, and perhaps during changes it might be well to hear the worst they have to say of us.

So much I have said by way of warning against going too far. But seeing that our normal Revenue (increased Military expenditure apart) is certainly too small for improvement. I have no doubt that some new taxation is necessary, and I think that gradually and tentatively we should introduce the small end of Taxes, such as prevail in civilized and wealthy communities.

There can be no doubt that whatever the effect on the resources of a country of the absorption by Government of the greater part of the rent of the land, that rent, being the property of the state from time immemorial, can scarcely be considered a Tax on any individual member of the Community.

The Opium Revenue also is a peculiar income paid by China, not by India. Consequently the proper taxation of India is undoubtedly very small indeed. It consists in fact of only these four items.

The Salt Tax, nearly universal but quite unequal in different parts in India.

The Excise on Spirituous liquors paid by a very limited Class.

The Sea Customs, confined to the foreign trades while the traffic between all the countries of this Continent is left entirely free.

The Stamp Tax, which is principally a substitute for the fees payable in Courts of Justice.

The whole of these Taxes throughout the whole of our vast Empire have hitherto yielded only about 5 Millions Sterling per Annum, of which sum Salt alone gives upwards of half. That is no doubt a very light taxation, and in some shape or other a considerably larger sum may no doubt be collected without real hardship.

The popular European feeling has run very strong in favor

of what is called taxing the monied Classes. It is said that the accumulators of Capital are those who chiefly benefit by our rule, and who pay least for our protection. Some truth there is no doubt in this, but I think that there is in many of the plans put forth a good deal of fallacy and a great deal of exaggeration; and I especially feel that, however great reason there may be, there are practical difficulties in the way, because the wealthy can only be fully taxed by direct taxation, and our social isolation presents insuperable difficulty to the inquisitorial progress which is necessary to such taxation on a large scale.

I think that the accumulation in the hands of Capitalists of tangible and taxable wealth is exaggerated.

I doubt the policy of taxing traders alone, while we so much study to relieve trade. We have abolished all the transit duties of our predecessors, undoubtedly a large source of income. Will a direct Tax upon traders yield a large income more willingly paid, and less likely to fall on the consumer? I very much doubt it. I think that our income under such a system would probably be small, the odium great, and the incidence upon the consumer as inevitable as ever. A Tax upon Bankers as distinguished from other Traders, I consider to be, under a Civilized Government, unjustifiable and in fact altogether a delusion. We may, if we would return to the finance of Richard the 1st, once for all seize the Bankers and extract their teeth till they pay large sums, but we should certainly kill the goose that lays such golden eggs. Among the Native States although occasional and irregular aids may be obtained from Bankers, any thing like a systematic taxation of this Class is wholly unknown; on the contrary every Native Chief is anxious to attract Bankers to his territory as the distributors of wealth, and they often grant to such men many privileges. In fact what is a Banker? and why should he be especially taxed? He is simply a trader in Money, and he ministers most directly to the necessities and convenience of the community. By all means let him pay taxes in common with every one else. But a special tax upon Bankers I believe to be unjust, inexpedient, and unprofitable.

Still I would certainly as much as possible tax not particular classes of wealthy men, but wealthy men in general. I would have some special taxes on the luxuries of the wealthy.

I would tax their outgoings rather than their incomings, both on grounds of general policy, and because we can in some measure ascertain the degree of expenditure when we can never hope even approximately to estimate income. I would lay upon the luxurious expenditure of the Upper classes such taxes as are paid by the same classes under the name of assessed taxes in England. I would strictly limit these taxes to a small class of wealthy men with whom the mass of the community would not sympathize. Taxes on Servants, equipages, &c. would, therefore, be confined to men who keep large and expensive Establishments. I would not tax the one or two servants of a man of the middle class.

I would, then, impose taxes on the rich somewhat such as the following :—

On servants exceeding three in number.

On all Equipages, Elephants, and horses above a low standard,

On houses worth more than Rs. 5000

On all marriages and festivals exceeding a certain sumptuary scale.

On titles, dignities, and privileges.

On guns and other weapons.

And probably other luxuries proper for taxation may be suggested.

Power might be given to the European Collector to commute the assessed taxes payable by any individual for a fixed sum as in England.

So much taxation of the rich I would then advocate, but of this I am thoroughly convinced that the financial result would be comparatively small. It is so in all countries. A tax never draws well till it reaches the mass of the people. It is so in England, and how much more so will it be the case in India where the rich are comparatively so few, and the poor so many. Something the tax on the rich will no doubt, yield at once, and something we may gain for the future by initiating a taxation which will increase with wealth and civilization. But for

our major revenues we must look to a broader basis.

Turn we, then, to taxes of more universal application. The first and greatest question is this, whether we shall prefer direct or indirect taxation, and I have already alluded to my objections to the former. All history, and all experience show, that direct taxes are unpopular in all countries, and that they are especially unpopular in India, where even in a minute form they have already on some occasions excited a popular resistance usually foreign to the character of the people. That direct taxes levied from a large proportion of the population will be detested is, I think, unquestionable.

Still greater is the difficulty arising from our entire social isolation from the people. Of all things direct taxation most especially requires a thorough knowledge of the affairs of the taxed. He who levies direct taxes must thoroughly know where, and in what proportion, to levy them. In some shape or other, a direct tax is an assessment upon means. An absolutely fair and just assessment falling in equal proportion upon all would be without doubt, however unpopular, the most equitable of all taxes. And among our own people such taxes can be levied, if not fairly, at least without so enormous a scandal of inequality as to make them totally impossible in times of necessity. But in this country, we are socially blind men, walking among the people. We are utterly without the power to attempt an equitable assessment. If we do attempt it, we shall either fail to realize revenue, or we shall assess so unequally, as to provoke hatred and resistance in a very high degree. I am not so confident in my own opinions, or so hopeful about our finance, as to wish to reject experiment even in direct taxation. But I certainly would not at present attempt to raise a great revenue in this shape, since, I believe, that by reduction and indirect taxation, our difficulties may be for the most part met.

I shall now notice briefly the particular direct taxes (besides the special taxes on the rich) which have been most seriously advocated.

1st. A general income and property tax.

Some people would levy a percentage on all income after the recent English fashion. But I think that the objections which I have already urged to direct taxation particularly apply to this its primary form, and that to impose anything like an equal or practicable general income tax, would be simply impossible. Look around ; which of us has the least idea what is really the income of any of the natives around us ? Let him try to find out and see how far he will succeed in the attempt ; and how much less likely will success be when the object is taxatio ? Probably the only result would be, a general concealment of wealth. People would bury their capital in the ground instead of turning it to any profit. Sincerely I believe that an income and annual property tax is out of the question.

2nd. A succession duty.

This I consider to be practically to all intents and purposes, a property tax. It is a tax on property paid, not annually, but once in each generation, or allowing for collateral successions, we might, perhaps say, on an average twice in every generation. The tax is not so objectionable as an annual income tax ; but I think that in common with all schemes of direct taxation of property and income in this country, it labors under this great disadvantage, if imposed at a heavy rate, that while it cannot possibly be carried out on all with any equality, or certainty, it may fall with very exclusive force on all holders of Government securities, and of investments of a European and tangible character. That would be impolitic and unjust in ordinary times. It is most undesirable that those who trust their money to Government, or invest in Railways, or in houses in cantonments, or in Steamers on the Ganges, should be taxed, while wealth sunk in the old native way is exempt. Here in Lucknow the thing has been illustrated. We have had a war amercement : but in practice it has fallen almost wholly upon the holders of Government securities. House property only has in any degree shared the burden. The said-to-be-untold wealth of Bankers we know not where to find. A man may be worth a lac or a crore.

I should have no doubt that we are fully entitled to tax a

permanently settled Zemindar upon his property, in common with all other persons, and all other property; but if in practice the tax only falls on certain special kinds of property, it will be unjust to the permanent zemindar as it is to the fund holder. From temporarily settled estates I do not think that a special tax could be taken with any advantage. I should be glad to see a special tax on maafee lands considered not only as property, but as assignments of revenue.

Upon the whole I do not think that a general succession duty fixed at such a rate as to yield very large financial relief would be at present expedient. But admitting the *principle* of the tax to be fair, and looking to present experiment and future increase, I think, that a succession duty might be, with advantage, imposed at such a rate as might give no great temptation to evade it, and might be not unwillingly paid, as the price of a Certificate of succession, which a Native might look upon as a kind of title to, and security for, the property. Something appreciable would thus be derived to the Revenue. I would fix the tax at say 3 per cent, and strive, as far as possible, to realize it equally from all. The right to property on which the tax is not paid would be forfeited so far as a legal remedy is concerned.

3rd. A House tax.

I have no doubt whatever that this is the fairest of all direct taxes. But unfortunately it is everywhere the most unpopular, and it is particularly so in India, as our experience of the small chowkeedary tax in towns has shewn. A universal house tax is open to this objection, that if imposed on the mass of agriculturists, composing perhaps two-thirds of the whole population, it would be practically felt in little other light than as an addition to the land tax. A ryot considers his house part of that for which he pays his rent, and I hardly think we could lay further direct tax on this class with fairness, or expediency, or consistently with the settlement arrangements, in temporarily settled districts. On the other hand, a tax on the houses of non-agriculturists only, will be very much the same as one on trades and professions, and it would not be desirable to impose two similar taxes. A house tax would certainly be levied on the occupiers rather

than the owners of houses, and it would only be a question whether to assess according to professions and supposed earnings, or according to the house. I think the former would be upon the whole the least unpopular, and I should prefer it. A mere house tax might come hard on decayed needy disaffected people living in large old houses. On the whole, I do not doubt, that by a general house tax unflinchingly carried out throughout all India, a considerable sum, say one million sterling per annum, might be realized. But still the doubt strongly arises to my mind, whether it would be worth our while to assess and collect an odious tax over so vast a surface for such a sum as I have mentioned. I would rather avoid it; I do not think it would pay the soldiers required, and I would prefer a very mild form of

4th. A tax on trades and professions.

This plan seems to be very popular. It is therefore a curious circumstance that it is in fact, I believe, absolutely identical with the much abused "Mutturpha" of Madras. But for my own part, I find in this its chief recommendation, inasmuch as I recognize an old and general native tax, since, as I have said, I am all for small armaments, and not unpopular taxes. Custom is every thing in this country, and the "Mutturpha" is a thoroughly established custom under native rule, and not by any means forgotten in our own territories, where it is frequently levied by Zemindars and others. I should explain, however, that it is in native states a light tax, and not an extremely large source of revenue. "Mutturpha" is an Arabic word derived from "Hirfut" a trade, art, or cunning. "Atraf" or "Itraf" is an artizan or tradesman, and in the Punjab and Cis-Sutledge States the tax is well known as the "Atrafee" tax. According to the Arabic form of derivation we have "Hirfat," "Atraf," "Mutturpha."

Native Rulers with that self-taught, but sound political economy which we so often find in India (where the artificial restrictions of Europe have not had a place) are generally indisposed to tax traders and shop-keepers, and the "Mutturpha" or "Atrafee" is levied more generally from artizans and manufacturers than from shop-keepers. But the latter are also liable to be included in the tax. I have already argued against the too great disposi-

tion very heavily to tax traders alone, but I have no doubt that the shop-keeper class do not pay sufficiently for their protection, and that they should now be included in any general "Mutturpha" tax; while as the richest and making the largest income they should pay the heaviest rate. I have in fact always advocated retention of the old Atrafee tax, with the idea of possibly making it a nucleus of future taxation, and I now do not object to the general trial of a very moderate tax of this kind. But I think that it should be extremely moderate. To make it productive, we must extend it very widely over an immense class. In fact almost all non-agriculturists practising any trade or profession must pay the tax. A heavy tax of this kind will be new to the people, and will provoke very serious dislike and opposition. While on the other hand a tax limited to the class of shop-keepers alone would be less productive, would injure trade, and would eventually fall upon the consumer.

The tax could not be imposed according to any exact calculation of actual income. The only distinction which we could make, would be to divide the payers into 3 or 4 classes.

For the present I would not attempt higher rates than the following :---

Ordinary laboring artizans, Weavers, &c.,	1 Rupee per annum.
Superior artizans and small shop-keepers	2 Rupees ditto.
Superior shop-keepers,	10 Rupees ditto.
Large Bankers, traders and professional men of a high class,	100 Rupees ditto.

I should think that we might with great advantage let out the right to make these collections in rural villages, &c. to the superior zemindars, and would recommend that course, which would bring Government less directly into collision with the people, and would enlist the power of the land-holders to collect the tax. Otherwise it might well be doubted whether the receipts would at first repay us for the trouble and odium of collection. As it is I have considerable misgivings about the expediency of the tax if we would avoid all occasion for the use of force. But opinion is strong for some such taxation, and this,

I think, is the least objectionable form. A Tax on tobacco would fall very much on the same classes, and if a large and productive Tobacco Tax were successfully imposed, I should hesitate to exact the direct tax at the same time. If we place no customs or other tax on internal trade, a small license tax on shop-keepers only, might be tried experimentally.

Before going from direct to indirect taxes, I will touch on the stamp Revenue, which stands somewhere between the two, but is chiefly a direct tax, and to this I may add, as a source of Revenue, *finer*.

My own opinion is against any very large increase of Revenue from Stamps. However proper may be a re-distribution of Judicial fees, I do not think that we can properly enhance the total of the charges upon justice, especially considering the very inferior quality of the article supplied.

On the other hand to Stamps as a tax on commercial and social transactions there is in much force the objection which I have already urged to other direct taxes, viz, that our social isolation is so complete, that we shall be unable to enforce such a tax.

The calculation of deriving a lac or two from the stamps upon Foreign bills, &c. among the European communities of the Presidency towns, is hardly large enough to find a place in Imperial finance. To make the tax pay, we must extend it to the native mass, and if we attempt to do that, I fear that we may not only fail but may cause great injury by invalidating the documents in common use among the people, and inducing evasion or even the disuse of openly attested acknowledgments.

If we are to require a stamp upon Hoondces and receipts all over India, how are we to enforce it? We can only withdraw the legal sanction. But if the Natives choose to carry on their exchange transactions in their own way, trusting to their own indigenous mercantile faith, how can we prevent them?

If one man chooses to give, and another to take, and a third to pay an unstamped Hoondce, by what inquisition can we put a stop to such transactions? And will not such be the common

practice? I suspect that it will. Again, as to receipts, we may declare unstamped receipts invalid, but I should fear that the great majority of the people will still not use stamped receipts, and that the result will be uncertainty and great temptation to breach of faith.

Fines formed one of the recognised and considerable sources of revenue in every Native State. Every offence was punished by fine, and it is probable that by this means, and by "nuzurs," and presents and benevolences, a native ruler in some degree manages to effect that taxation of the rich which he does not systematically attempt, and which we can hardly achieve. We must limit ourselves to judicial fines, and this can never be a very large source of revenue, but still I have no doubt whatever that when a man has the means of paying a fine really proportioned to the offence, it is perhaps the best of all punishments besides being the most profitable to Government. I heartily concur in the recent disposition, especially in the non-Regulation Provinces, to use fine more largely as a punishment, and hope that the system may be in some degree a source of appreciable Revenue.

I next go on to indirect taxes which I have already argued to be from the nature of man the most politic and expedient all over the world, and more particularly so in India. I also here repeat that acknowledged principle of finance that a tax really to pay must touch the masses; we must never lose sight of that. Taxes on the luxuries of the higher classes will always be in theory the favorite with many people, and so far as it is possible, by all means tax those luxuries; but a really Imperial Revenue to meet great imperial necessities can only be derived from a very broad basis. I have already proposed special taxes for the wealthy, and I now assume that the general indirect taxes which we are about to discuss must be those which touch great masses of the population.

Such taxes may, I think, be divided, into three classes :---

1st. Taxes on the primary consumption, the necessities of the mass, which should be extremely moderate if they are imposed at all.

2nd. Taxes upon luxuries in common use, which are pro-

per taxes, and may be fixed at a tolerably high rate.

3rd. Taxes on what I may call, the intemperances of the people, *i. e.*, luxuries which used in any excess are productive of moral and physical injury.

These latter taxes are in every way the most proper of all, and may with advantage be raised to the very highest point which consists with their realization, in fact simply to the point which will raise the highest amount of Revenue ; since by such taxes we not only raise a great Revenue but benefit the people by limiting a deleterious consumption. On this point I do not think that there can be doubt or dispute.

Accordingly we find that in all civilised countries the largest proportion of the Revenue is derived from taxes on the intemperances and luxuries of the population, from spirituous liquors, drugs and tobacco, and from customs duties on articles of luxury. In England 4-5th of the Revenue is drawn from these sources notwithstanding the apparent number and severity of other taxes.

On these principles, then, let us review the indirect taxes levied or proposed to be levied in India.

1st. Opium.

Although this revenue is for the most part not paid by the people of India, I notice it as our greatest source of income after the land revenue. To the principle of an excessive tax upon this luxury of intemperance, I do not think that there can be any possible objection. It may be true that Opium is not more deleterious than spirits ; possibly it may even be that on minute comparison it is less so. But in Asia we all know what an Opium eater is, just as elsewhere we know what a drunkard is, and there can be no dispute that whichever is the worst, opium eating and spirit drinking are things of the same class, constantly tending to excess, and in excess the worst of vices and the most destructive of diseases. We may therefore tax Opium as well as spirits to the highest point of productiveness. That point has probably been reached as regards Bengal Opium, perhaps in some years even surpassed.

The Revenue is a most legitimate one with which we cannot

and will not dispense. The only doubt concerns the form in which it is now collected, and I confess that I regard the Government traffic in the article as under all the circumstances a very great evil. After some enquiry I have never been able to understand why an export duty accompanied by a prohibition of all cultivation, and unlicensed traffic within 3 or 400 miles of the sea, should not bring in the Revenue in Bengal as well as in Bombay. It must be remembered that the cultivation and the traffic is, and always has been, free in Oude, Nepal, Rewa, and other native states ; and that, notwithstanding, there has never been any reason to suppose that illicit Opium from those states has been successfully exported to sea, although there is not on the frontiers of those Native States, any establishment sufficient to prevent Opium from being brought over the frontier. The prohibition of the traffic in Bengal proper, and of the export to sea is found sufficient. If then we can thus prevent the illicit exportation of Nepal or Oude opium, why should we not equally prevent exportation from our own Upper Provinces. Leave the trade free above a certain line, and raise the Revenue by the same system of passes which succeeds in Bombay. I should like to see the system tried. The Government Opium Agencies with their buildings, stock, and good-will might be sold to great mercantile houses, which would find it to be their interest to maintain the quality, and the sterling mark which is said to give the company's Opium its value in the eyes of the Chinese.

I successfully opposed the introduction into Oude of the system of Government cultivation, and mono-purchase of Opium, because I thought that it would not benefit the Revenue, and would only be an extension to another Province of an objectionable system. The cultivation is free but for the benefit of the people and of the revenue, the monopoly of the retail sale of Opium in towns and bazaars is leased out to contractors on exactly the same system which is followed in all the upper provinces with respect to spirits and drugs. In this manner, a considerable income is realized, whereas in our older districts the sale of Government Opium for local consumption is merely nominal, and the revenue nil, illicit Opium being there universally used.

I add an extract from a note on the Oude Opium question.

“I am opposed to the extension into Oude of the system of Government mono-purchase in any shape. I observe that the removal of the restriction on the cultivation of Opium is strongly advocated by Mr. Muir, and the Agra Board of Revenue, on the ground that the cultivators are thereby deprived of a profitable staple. In this view I do not quite concur, but I come to nearly the same conclusion on different grounds. I think that the importance of the staple as an article of agriculture is somewhat over-rated, that it is so important only in places where it is cultivated to an unusally large degree in consequence of its prohibition in other parts: that there is not room for its very great increase generally; that in immensely increased quantities, it could not be sold at the price which yields such a profit to Government; and that the advantage in an agricultural point of view of what increase there might be in Districts from which the restriction was removed, would be counter-balanced by the evils resulting from a cheap and plentiful supply of Opium to our own subjects. As regards, then, the actual merits of the present system of Government monopoly by which a Revenue is raised on the Opium exported from Calcutta, I believe that it has some advantages, and that much may be said on both sides”.

“But it seems to me that the current of public opinion in England is very strongly set against the traffic in Opium on the part of Government, and that the more direct administration of India by Her Majesty's Government, and consequent more direct action of English popular opinion on Indian affairs is not likely to promote the continuance of this unpopular Government traffic. My individual belief, therefore, is that the Government Opium traffic is doomed, and that the sooner we devise some means for realizing the Opium Revenue by a proper tax instead of by Government dealing in the article, the less risk we shall run of losing the Revenue altogether by the force of a dammed up popular opinion at last bursting the barrier. I would, therefore, deprecate the extension to Oude of the old system”.

There is at present an anomaly in the difference in the actual rate of duty realized from Bombay as compared with Bengal Opium. The duty or profit derived from the latter has, I believe, of late years averaged about Rs. 1,000 per chest, while in Bombay it has been but Rs. 400 per chest, and is now to be raised no

higher than Rs. 500. There seems to be no tendency to smuggling in Bombay, and as I have already said, I cannot find that the higher rate in Bengal is really due to the monopoly. Upon the principle, therefore, of realizing the rate most profitable to the Revenue, I should think that due precaution being taken, the Bombay rate might be raised, to the great increase of our Revenue, to say, Rs. 800 per chest, which rate may probably be in ordinary times a fair standard for Bengal also.

2nd. Indirect tax. Abkarry.

I have already said that the excise on spirits is one of the most proper of all taxes, and should be raised to the highest profitable point. That I imagine is not disputed. All will be agreed upon that. The smallness of our Abkarry revenue is not due to any moderation of rate. In fact usually Government does not fix a rate, but lets out the Abkarry contract of each district to a contractor who makes the most of it, and fixes the rate simply at the point which he finds to pay best. If spirits are cheap, it is only because the contractors find, upon free trade principles, that small profits on large sales really pay best. Higher rates may benefit the morals of the people, but it may be doubted whether they will increase the revenue. The fact is that the Abkarry revenue is for the most part derived from a very limited class of the lower population.

The great mass of the people of India do not consume spirituous liquors.

Our largest Abkarry Revenue is realized from our own large cantonments and Stations. Hence it is that the income is not large in proportion to the general population and size of the country. I do not think, then, that we can here find any great financial relief. It is a matter of administration, not of finance. We are all already agreed to levy the greatest possible Revenue from liquors. Improvements in administration may very probably be made, and if higher rates and repression of drunkenness are attainable without great loss of income, the benefit will be great. But speaking financially, I do not think that more can be said upon the subject.

3rd Customs.

To the general principle of increase of the sea customs on account of our financial difficulties, I do not think that objection can be made. But till it is seen that the special rate imposed upon articles of European consumption, and for the most part upon them alone, is balanced by corresponding taxes upon the natives, the European community will certainly complain. It has struck me that perhaps some articles of native luxury which would bear an excessive tax are imported by sea; for instance spices or what are called "Keranah;" perhaps a duty of 100 or 200 per cent on such articles might bring in a considerable and not unfair Revenue.

On the subject of Customs this must be borne in mind, that the present Sea Customs are a very partial and limited tax in no degree corresponding to the customs levied in other countries. As compared to European countries, India is a continent, not a single country. Now we have abolished all internal customs lines, and made the coasting trade quite free. The traffic between the different countries, and provinces of India in so far as we are concerned is absolutely untaxed. It is as if in a European country all trade with Europe were free, and duty were only levied on the trade with other continents. India is, too, a simple and self supporting country; the imports from other continents are very small compared to the population. Hence the smallness of the customs receipts and the circumstance that so large a proportion of these receipts are derived from the consumption of the Europeans.

Whatever, then, be the advantages of free trade, it is, I think, to be borne in mind as a financial resource that it is always possible to realize a large revenue from internal customs lines. Probably this might be done without any very excessive hardship. Evils and great evils there certainly would be. But under a well managed system they need not be insuperable. Internal Customs formed a large source of Revenue of every native state. The people are thoroughly accustomed to the impost, and there would not be the least chance of the slightest resistance to a tax of this kind. In the disordered and divided state of India, these transit taxes were levied in so minute, vexatious, and intolerable a way that

they were odious in our eyes, and were consequently abolished altogether. I do not now absolutely advocate their re-imposition, but I have no doubt that a re-imposition is, if we are driven to it, practicable, easy, and profitable. We should no doubt reform the old system. We should establish well organised lines, forming convenient divisions between the different countries of India, and should make the inquisition and hindrance to trade as little felt as possible. The old ill-managed transit Customs were a very large source of Revenue, and I feel no doubt whatever that by a well managed system we might realize from the internal and coasting trade by very moderate duties, at least as much as is now derived, or will be derived from the Sea Customs. I should certainly prefer a system of this kind to any heavy and general direct taxation. I also deem it preferable to a severe tax upon traders. If the thing must be done I should think a receipt of $1\frac{1}{2}$ to 2 millions sterling per annum from internal Customs not an excessive estimate. At any rate it is only in this shape that a tax on the commonest articles of consumption could be levied; a more direct tax on consumption would be impossible.

Of this I have no doubt that the local taxation of towns should be increased, and that it should be in the option of each town, according to local preferences and circumstances, to raise either by the house tax, or by the more popular town duty, enough to pay for, not only as now one portion of the Police, but the whole of the Police, and to maintain a sufficient conservancy, and pay the local establishments entertained for local benefit.

4th Duty on Salt.

There can be no doubt that this tax as now levied in all parts of the Bengal presidency sins against principle, inasmuch as it is a tax not upon a luxury, but upon a necessity, and is excessive in amount, being on an average about 800. per cent on the value of the article taxed.

On the other side it is only to be said, that the fact of the article being a necessity to all, makes the duty pay; that the natives have become accustomed to it; that it is the only tax of the kind; and lastly and principally that at present we cannot possibly do without the money. There is room for redistribution

and equalization of the tax, but its gross increase would be as unjustifiable, as its decrease is impossible. I have, therefore, heard with great surprise and regret, that it has been suggested to increase this tax, and to increase it in those very provinces where it is already highest. I have heard nothing of its increase in the provinces in which it is disproportionately low, which would I think, be the only justifiable increase. I consider an increase of the highest rates of salt duty impolitic and unjust, and would earnestly protest against any such proposition.

There is a point at which any tax ceases to be remunerative by either killing the consumption or inducing smuggling, and it is this last view of the matter which in addition to other reasons, we must especially keep in mind when considering salt financially. My own belief is, that we have already past the most profitable point in the saline countries of the north west, and that the incorporation in our territories of Oude (which is a great salt producing Country divided from our older districts by no natural boundary) has rendered a high duty much more impracticable than before. Under the circumstances an increase would be, I believe, a suicidal policy. The actual consumption is not materially affected. Practically salt seems to be even more a necessary than bread, if we may judge from the extraordinary uniformity of its consumption in all populations, whatever the poverty, sex or age, and from the singular fact that it is in no degree diminished by a taxation of several hundred per cent. This might seem an argument for a salt tax. But in truth resource is had to an illicit supply principally of the unwholesome earth salt. I have had considerable opportunity of investigating the subject as affecting the N. W. P. These Provinces are throughout more or less saline. There is an enormous salt frontier, far more embarrassing than a sea coast where the manufacture can be prevented. Throughout our whole frontier the manufacture of salt is unrestricted, and importation is only prevented by a most difficult land line and *enormous* establishment. The salt on which a 2 Rupees duty is charged, being immediately beyond the line throughout a great part of its length, is of no higher value than 2 to 4 annas. So much for the frontier. But also salt may be, and is, manufactured from the soil to some extent in almost every Pergunnah. In many districts, and especially those in which the imported salt is dear.

est and the population are densest and poorest, (particularly the Benares Division) an inferior alimentary salt is extracted from the earth by the simplest domestic process. In a great part of the country, this illicit salt is the staple, I may say, sole consumption of all the lower orders. In consequence it is clearly proved that at present in the N. W. P. not one-half the natural and actual consumption of salt per head pays duty. That is an ascertained statistical fact. So strongly has the inutility, injuriousness, and demoralization of this state of things been felt, that in the late arrangements for taxing the salt consumption of Oude the Government of India has thought fit to direct that the domestic manufacture of the inferior salt is to be "not even nominally prevented". The production of Oude is much larger than that of the N. W. P. and it is impossible to prevent smuggling across the border.

It is, then, I think certain that any objections to a very high salt duty, which may exist in Madras and Bombay, have much greater force in the N. W. P. And it is matter of history that till quite a recent date the duty was adjusted on the same principle as in those Presidencies.

Up to the year 1844 while the Bengal salt duty was high, that of the N. W. P. on the contrary was fixed at different times at different rates on a scale about equal to that in Madras and Bombay, being for a long period from 4 to 12 annas per maund and never exceeding 1 Rupee. In 1844 the frontier customs duties were abolished, and *as a compensation* the salt duty was doubled and made 2 Rs. per maund. In Madras and Bombay on the other hand, the land customs were maintained till, in accordance with the advance of public opinion, they were swept away *without any compensation*. I have always thought that historically, physically, and geographically the N. W. P. salt question must be considered with that of Madras and Bombay, not of Bengal, and that the present rate is, as compared to those Presidencies, a great injustice. Much more would a further increase be an extreme injustice. I am convinced that an increase would be futile. I think that the tax is already at a point which makes its expediency more than doubtful. The increased salt receipts since 1844 are more due to the increased preventive arrangements than to the increase of duty, and prevention cannot be further increased without terrible domestic tyranny and inquisition.

I would therefore say, increase experimentally to a moderate

extent the duty in Madras and Bombay. If that succeeds (and a moderate duty will no doubt succeed) a very large addition will be made to the Revenue. If it fails, the rate should be revised throughout those Presidencies, the N. W. P. and the Punjab simultaneously, till we find the maximum point to which the duty can be advantageously carried in saline countries. Bengal is not saline, the manufacture there is under control, it has from time immemorial paid a duty higher than at present, and most important of all the high duty *pays*. The consumption of duty paid salt reaches the full natural rate per head. The Bengal duty is, therefore, a separate question, and as Bengal under the permanent settlement does not pay its full share of land Revenue, it makes up in salt Revenue as a financial compensation. The consumption of salt per head of the population is usually estimated at about 13 lbs or 6½ seers per annum, but it seems to be probably even larger.

I add some extracts from papers on the subject.

“With reference to the grounds (excessive price) on which the increased salt duty of Madras and Bombay was lowered while ours remained, I subjoin a *comparison* of the *Bazar* selling price of salt in different districts, (according to distance from place of production) in the North-Western Provinces, and in Madras.

N. W. PROVINCES.			MADRAS.	
District.	Price per Maund.		District.	Price per Maund Sea salt.
	Well salt.	Lake salt.		
Agra lowest price,	2 11 0	4 3 0	All places on coast,	1 0 0
Cawnpoor,	3 5 0	4 12 0	Tanjore,	1 4 0
Allahabad,	3 9 0	5 0 0	Arcot,	1 5 6
Mirzapoor,	4 3 0	5 11 0	Salem,	3 13 0
Azimgurh,	4 9 0	6 11 0	Bellary,	
Goruckpoor,	5 2 0	8 0 0	(highest price)	2 1 6

TABLE OF THE ANNUAL CONSUMPTION OF
TAXED SALT.

Government.	Salt consuming population.	Rate of duty.	Consumption average quantity in maunds per annum.	Quantity per head per annum in seers.
Bengal,	41, 848, 941	Rs. 2-8	65, 05, 604	6- $\frac{1}{4}$
Madras,	31, 798, 287	12 as	51, 01, 276	6- $\frac{2}{5}$
Bombay,	19, 815, 630	12 as.,	32, 04, 427	6- $\frac{2}{3}$
Punjaub,	13, 000, 000	Rs. 2-0	9, 54, 801	2- $\frac{4}{5}$
N. W. P.	33, 071, 885	Rs. 2 and 2-8	22, 48, 234	2- $\frac{2}{3}$
Total,	139, 534, 743		180, 14, 342	

It thus appears that in Bengal, Madras, and Bombay 148,11,307 maunds or about 541, 873 tons of taxed salt is consumed annually by a population of 93, 462, 858 souls, giving an actual average consumption of about 6- $\frac{2}{5}$ seers or about 13 pounds per head per annum ; an estimate which *cannot* be lessened unless we suppose the population of India to be really *very much larger* than the high number at which I have stated it, although my calculation is numerically high giving a total of no less than 178 millions (untaxed consumers included,); *and* we find that the consumption is not materially less in highly taxed Bengal, than in lightly taxed Madras and Bombay.

On the other hand in the North-Western Provinces, the consumption of taxed salt is no more than about 2- $\frac{2}{3}$ seers per head, a good deal less than half, not quite 3-7ths of the quantity actually consumed, and paid for in every other part of India. Any one who knows the Hindoostanees will not suppose that they are

less given to salt than other people. They eat nothing without it, and they have at least as large (probably a larger) proportion of animals also salt consumers. Surely, then, the figures which I have just stated are conclusive as to the fact that the taxed salt is but one part of their consumption, the luxury of those who are better off.

I have not been prepared to assume a higher rate of actual consumption than the 13 lb per head already stated, but when we consider the admitted very large consumption of untaxed and lightly taxed earth salt in Madras, the known large, and unimpeded manufacture of saltpetre salt in Behar, and the consumption of earth salt in the Bombay Deccan districts, and make allowance for smuggling, &c., &c., I *do* think that the Madras estimate of 18 pounds gross consumption per head is borne out by facts. On this calculation the consumption of taxed salt in these provinces is less than one-third the full rate of salt consumption

Besides independent of figures, this general fact is patent and well known. Inquire in Futtehpour, in Jounpore, and in many others parts of the country what salt the common villagers and lower classes usually eat, whether our dear salt is a common article. It will be found to be notorious that it is *not*, that the inferior and illicit local salts are the main staple of consumption, and that our preventive measures, though they may be attended with harshness and demoralization are *not* successful.

I think, then, that I may now assume the fact of consumption to be as I have stated it, that but a part of the salt consumed in these provinces is taxed, and that as regard the remainder the only effect of the tax is to drive the lower classes from good salt to a bad substitute."

"The whole salt consumption of Oude with very little exception is supplied by the native production. The Hills to the north are also supplied from the same source as are a large proportion of the inhabitants of the adjoining districts of the North-Western Provinces to whom it is smuggled across. This exceptional state of things is the more objectionable because the Oude salt principally owes its value to the high duty imposed by us on the salts which would otherwise compete with it. The

cost of production in Oude is very much greater than that of the salt imported across our Western frontier line. Nature here supplies but diluted salt springs very different from the great supplies of salt, west of the Jumna. The quality of the Oude salt is also very variable. Some good salt is certainly produced, but the great mass is undoubtedly of inferior quality, bitter and believed by the native to be more or less unwholesome."

Upon the whole, then, I think that in our present financial necessities it is justifiable to add to the salt duty of 12 annas per maund now paid in the Madras and Bombay Presidencies an additional eight or twelve annas per maund thus raising the duty to half or little more than half the Bengal rate and adding to the Revenue 40 or 50 lacs. But I would not raise, the rate beyond 1-4 or at most 1-8 and at the same time the equity and advantage of an early reduction in Northern India should be borne in mind, and the establishment of an equal and not immoderate salt tax should be our object.

5th. I come to the tax, on which I confess that I am more inclined to rely than on any other. We have examined the conditions of a productive and justifiable tax. We have argued that to be productive it must be derived from a very broad basis; and that to be in the highest degree justifiable, and at the same time easy of collection it should be, if we may judge from the experience of all other countries, an indirect tax on the consumption of a luxury, and especially of a luxury which is in itself in no degree beneficial, morally or physically, and which in excess becomes an intemperance. Tea and Coffee are harmless, and in many respects beneficial beverages, and they are little used in India. Spirits and Opium are both in this country articles of limited consumption. But what is emphatically of all things the luxury of the natives? what is that on which the whole of the classes which are in any degree raised above that which can barely procure the necessaries of life, spend each according to its means, a large proportion of its surplus income? The answer must at once, be tobacco. Tobacco is to the natives what spirits and beer and tobacco all combined are to an Englishman. The weed is doubtless not in so high a degree deleterious as opium or spirits, but it certainly does no good and a good deal of harm. The character of the natives is sufficiently dilatory, and apathetic as it is, and they in

no way require the continual hookah to waste their time, and render the confirmed smoker more careless and lazy than his race. If one's servant is out of the way, and neglecting his duty, he is pretty certain to be smoking his hookah, and careless and indifferent. Individuals of the upper classes male and female smoke every day and all day. Surely, then, there can be no fairer subject for taxation.

I believe that with the exception of India there is scarcely any country in the world in which tobacco is not taxed, and heavily taxed. It is a source of large revenue in every country of Europe great and small without I believe any exception. I have lost my library, and I cannot get together detailed statistics. I had in my mind a strong impression that the tobacco revenue in France yields between 7 and 8 millions sterling per annum, but I could not turn up the figures. I have, however, found in McCulloch's geographical dictionary a French budget for 1848 accompanied by a lament for the ruin caused by the revolution as exhibited in this financial statement. Even in this exceptionally bad year, I find among the receipts, "sale of tobacco, francs 120,000,000" that is nearly 5,000,000 sterling; so that the proceeds in prosperous years may be not much less than I supposed. In Italy, Holland, German and other countries a large revenue is raised from the same source by all the states; and we must not forget that in those countries as in India tobacco is largely grown, and yet that circumstance is not found to interfere with its taxation. I think, then, we may assume that such a tax is practicable in India also.

It has been suggested that the tax on tobacco would fall with disproportionate force on the lowest of the people and that its incidence is identical with that of the salt tax. I believe these two positions to be entirely erroneous. Salt is of all things a necessary, and the Salt Tax is as nearly as possible a poll-tax falling on the whole population universally and alike. Tobacco on the contrary is no degree a necessity, and I think that far from its consumption being equally spread over all classes it is most unequally used according to the means of each class. I believe that Tobacco is not used at all by people in the extreme of poverty or by those who by their labor can only give to their families the lowest grains

and the indispensable Salt. Doubtless as soon as a man has a few Annas to spare he will have his hookah on a small scale. The man who has a few Rupees to spare has it on a much larger scale. And the rich man spends much money on a large consumption of superior Tobacco. It is the extraordinary largeness of the consumption and the circumstance that it is a luxury paid from the surplus income of each individual (in excess the price of necessaries and in a great degree proportioned to that excess) that makes Tobacco so advantageous and proper an object of taxation. It is apprehended by some that the tax would be unpopular and lead to resistance. Every Tax must be at first unpopular and to some extent *cæteris paribus* a large and productive tax may be more unpopular than a petty and unproductive one. But if we may trust all the standards of political experience, an indirect tax of this kind will certainly provoke much less opposition than a much smaller direct tax. I thoroughly believe that we could in no way (inland Customs excepted) raise one half so much money with so little opposition. The great advantage of the tax is this that once established it would very soon cease to be felt as a grievance. There will not be the continual knocking of the tax gatherer at the door. Tobacco will simply be an article sold in the market at a higher price than at present. No one will be constrained to buy it and no one will really suffer from the more moderate use of it. Every one will please himself and once the tax is established among the customs of the country it will be a sure revenue collected without difficulty and paid without injury. Every thing is comparative. We must have money. Let us take it, then, in the fairest and easiest way. We are strong now to hold the country with all the strength derived from a great rebellion suppressed. Let us impose now this fairest of taxes, and we shall have a great means of improvement which once imposed will require no Soldiers to support it whereas every direct tax will in all time more or less require the support of a Military Force.

I am told that the Tobacco Tax is opposed by some men for whose opinions we must always entertain the greatest respect. But I have unfortunately been quite unable to ascertain the special grounds of that opposition. Nor can I imagine them. I have already noticed all the objections which have occurred

to me. If the tax is said to affect too many it is for that very reason that it will pay. If it is said to go too low in the scale of society, I say that it does not go nearly so low as the salt tax, that it does not touch the very lowest class, and that it is compulsory upon no one. To the allegation of unpopularity I say that all taxes must be at first unpopular, but that we can devise no tax of which it can be less said that it must be unpopular, while none would be so productive, and that in this case the unpopularity will be but temporary.

I am, then, for a Tax on Tobacco and in the same category with Tobacco I would class betel and any other such luxuries generally used in any part of India.

I am not confidently prepared with the details of a system of Tobacco taxation; that must be matter of experiment and probably different methods might be tried with advantage in different Provinces. The French and other systems might be studied. When they succeed so well in tobacco-growing countries doubtless we need not fail; and if so large a Revenue is derived from the Weed in France, surely from a population 4 times larger we may hope to derive one half or one third of the Revenue levied in France.

The French system appears to be a Government monopoly and probably we may in the first instance commence with some monopoly system; but I would avoid a direct monopoly in the hands of Government and would for the present simply let out to the highest bidder the monopoly of retail sale in each district in exactly the same way as the sale of spirits is now leased.

I do not think that a special tax on the cultivation could be imposed without a revision of settlement arrangements, and our inability to tax the cultivation in native states would (in the absence of internal customs lines) be fatal to any such system.

A great advantage of the sale of monopolies would be this, that most of the detailed rules of the Abkaree system would come into play and the same machinery might be used. It is not always so in all countries but in India the natives seem to prefer to deal with a monopolist of their own race to direct dealing with Government, and the monopolist appears to be a good natural

Political economist It is so in regard to spirits. He sells cheap and gives sub-leases on easy terms. The complaint is not that he raises the price too high but that he promotes drunkenness by selling cheap. It would be the same in respect to tobacco, would probably sell an inferior article cheap to the lower classes He and would heavily tax the better article used by those who can afford to pay high for it. Hereafter we might well improve, but for the present I think that we might obtain a large Revenue much exceeding the Abkaree receipts by simply adding tobacco to the drugs which are already included with spirits in the Abkaree management.

Tobacco is almost as much a manufactured article as spirits and much more so than some of the other drugs. We need not interfere with the cultivation or try to check the petty consumption of unmanufactured tobacco by the agriculturalists in their own fields. It is the consumption of non-agriculturalists who buy from the retail shops in towns and bazars, that we would chiefly touch. The tobacco leaf is first dried: it is then carried into the towns, where it is regularly manufactured, pounded up, mixed with goor and made into the great black masses which form so conspicuous an object in so many of the shops of every bazar. We have only to see its predominance in the shops to be satisfied how large an income its taxation must bring in.

Under the rough monopoly system suggested I have not attempted to propose any rates of tax. But I will say this that as our system is worked out by experiment I should think that we might with advantage carry the taxation of tobacco to that point that the present price of the article should be doubled. Considering that the tax is exclusively upon a pure luxury, that in England France and other countries it is much more heavily taxed, and that in this country the necessary of salt is taxed 800 per cent, I do not think that the rate which I have suggested is excessive. And looking to the enormous consumption of the weed throughout every part of India, I am convinced that if we obtain a tax equal to the value of the present annual consumption we shall gain several Millions sterling. Supposing that but one sixth of the population uses tobacco to the extent of from one to two Rupees per head per annum that alone would give about 3 Millions sterling.

It may be an argument in favor of a Tobacco tax that the weed is specially forbidden to and not used by the Seikhs who now form so large a proportion of the best soldiers in our army

If a high taxation and monopoly system be considered too venturesome at first, we might begin by charging an annual fee on every shop in which Tobacco is sold, Rupees 20 for instance.

6th. I venture to suggest an income or rather a saving of which I speak with diffidence as it involves a subject with which my practical acquaintance is very small. It is on all hands agreed that some convenient currency for large sums is very much required, silver being so bulky and inconvenient. To the introduction of gold there are great practical objections and the mutiny has taught us that of all things it is desirable to avoid the accumulation of bullion in numerous treasuries all over the country guarded by native soldiers. Some sort of paper money seems therefore most desirable and neither are there in the country sufficiently large and secure banking Establishments nor does it seem desirable to sacrifice a profit which might fairly belong to Government. The plan, therefore, at which I hint is this. Issue Government Bank notes; do not make them payable on demand, nor even a legal tender, under all circumstances. Not only however, make them a legal tender in payment of Government revenue but absolutely require that the revenue shall be paid in Government notes and nothing else. I would issue the notes only from the largest and most central Treasuries. The necessity of paying them in for Revenue would at once put them in circulation all over the country and would give them as certain a standard value as if they were payable in cash and a general legal tender. Their value being thus ensured convenience alone would lead to their large use in private transactions. People do not take Bank Notes as a permanent investment. If they would invest on the faith of Government they would buy notes bearing interest. Therefore in taking a note payable as Revenue a man would not consider the chances of the destruction of the Government 50 years hence. On the other hand in the event of a panic the notes could not suddenly come in, they would only be paid in as revenue, at the same rate as usual, and as long as Revenue is paid a certain amount of notes must always be kept in circulation. The expense and risk of the

whole of the minor Treasuries would be at once got rid of. Any native Banker would then do all the Government banking required in each rural district. Supposing that but one years revenue was thus kept in circulation, say thirty millions that, would at once save to the Treasury interest exceeding one and a half million sterling per annum ; while at the same time by throwing into the market 30 million worth of silver displaced from the currency we should probably render money cheap, raise the value of Government stocks and recover the Government credit. I may be wholly wrong but that is my plan.

The following is a very rough estimate of the financial gain on which I calculate.

Reduction of the Army,	£.	4,000,000
Special Taxes on the wealthy,	£,	400,000
Succession duty, ... ..	...	400,000
Tax on trades and professions, ... ..	...	400,000
Equalisation of Stamps, and fines, ... ..	...	200,000
Local taxes to pay Local Police, ... ..	...	200,000
Equalisation of the Opium Tax, ... ..	...	500,000
Madras and Bombay Salt increase, ... ..	...	400,000
Tax on Tobacco Betel etc., ... ..	...	2,000,000
Saving of interest on Government Bank Notes		1,000,000
Sea customs increase, ... ..	...	800,000
		<hr/>
	Total £.	10,300,000
And if necessary add Land customs.		1,500,000
		<hr/>
	Grand total £.	11800,000

This would give a good margin on the deficiency which I have estimated and enable us to make important improvements.

POSTSCRIPT. Since writing the above I have received the army organisation Blue Book. In the appendix I find every conceivable information except that which I want viz. the sum total of the military force. The fact seems to be that no one knew the number of the Native troops in the Bengal Presidency. But from the details I clearly make out this that the whole force in India is very much larger than any thing yet stated. We

have heard it put as high as 320,000. But it is certain that in fact it exceeds 400,000.

The following gives, as nearly as I can find it, the Native army.

The Madras Native force is clearly enough stated at page 123.

We have of the regular army,	66,042
Local and irregular corps including the Hyderabad, and Nagpore forces,	16929
Total,	<u>82971</u>

The Bombay return at page 161 is somewhat embarrassing inasmuch as Lord Elphinstone seems to have given us rather too much including (as possessed of some military organisation) a very large body of police the whole of whom I cannot suppose to be regularly equipped as soldiers. I will deduct the 1093, policemen of the island of Bombay and part of the 16000 "Main body of the police." But in comparing the list at page 161 with the list of corps at pages 25,26 I find in the latter several as "1st Kandeish Bheel corps" "2nd Kandeish Bheel corps" "Rutnaghury Rangers" "Ghaut Police corps" and several other police corps which must in the former be included in the "main Body of the police." I will therefore assume half of that body to be musket bearing soldiers. Making then deduction of 9093 men from the 80,959 returned from Bombay we have for that presidency 71,866 soldiers. Of the Bengal Native army there is no general return but Lord Canning (page 258) states it at about 80,000 exclusive of disarmed corps and military Police, and Colonel Mayhew (page 181) gives us the castes and countries of 80,053 men, so there are not less than that, and as several disarmed corps have since been armed, I think we may take 85,000 as a minimum, although when all the returns are received the number may probably be considerably increased. Included in the Bengal return is the Punjab army. I have a paper giving the numbers of that force. There are in the regular Punjab army 32,307 men, exclusive of 10722 "levies." Adding to 24 recognised Regiments of Irregular Cavalry several bodies of these not named,

there must be in the Bengal army exclusive of that of the Punjab fully 15,000 Irregular Cavalry. Then there are now the faithful and rearmed Sepoy Regiments the Seikhs and Goorkha corps the Irregular Regiments in Mhairwarah, Arracan, Assam, Pegu, Maneepore, Sylhet and other places, Malwa Bheels, Meywar do. Kookey corps, and many others; and lastly the levies " or new Sepoy Regiments raised under the orders of the Commander-in-Chief at every principal station in the Bengal presidency. The whole of these added to the Punjab army may reach a highery number than that stated. *

Then we come to the military Police Regiments of the various provinces of the Bengal Presidency and Supreme Government, and which are purely military in every way, and which now certainly much exceed the 50,000 men roughly stated by the Governor General.

The military police of the North-Western Provinces are,	...	...	...	...	...	27,016 men
Of Oude,	...	...	...	...	...	15,000 "
Of Punjab exclusive of Levies,	...	...	...	...	...	16,533 "
Total from Benares upwards,	...	...	...	...	...	<u>58,549</u> "

Of which a very large proportion are Irregular Cavalry all paid at the much enhanced rate now given in the army corps.

I have no return of the Police corps in Bengal proper but I believe there are about 8 Battalions besides Cavalry. say at least 8000 men.

At page 171 of Appendix to report I find mention of 2185 Hill rangers and police corps in the Nizams assigned District not included in the military Madras returns. Also at page 172 Pegu police Regiments 1600 men, besides which it is stated that 4 police corps for Pegu were then being raised in Madras. Altogether it is certain that the Regiments called police exclusive of the Bombay and Madras returns must exceed 70,000 men. The Commission has drawn attention to the fact that these Regiments

* Note, In the garrison of Cawnpore there are at this moment no less than six Native Regiments besides Military Police.

“differ in no essential respect from the regular Sepoy. Army.” And there is no doubt of the fact. In the North-Western Provinces, as I have already said the military police do no police duties, they are a clear addition to previous establishments. In Oude the organisation is purely military and in appearance and &c. the Regiments are perfectly military corps. In the Punjab they are the same and they do no police duties. In Bengal I believe that it is the same.

The Native army then exclusive of any unreturned stands according to the official statements thus.

Madras,	...	...	...	...	82
Bombay,	...	...	...	...	71,
Bengal Army,	...	...	...	...	85,000
Bengal Military Police,	...	...	...	...	70,000
Total					309,837 Men.

Of Europeans we have at the date of the Commission's return, of Her Majesty's regular Forces including the Depots, ... 103,389
Local European Corps in India, ... 18,085
Total Europeans 122,474

Which makes the total Army for which we pay—432,311 Men.

The Army of the Commission is	Europeans	80,000
	Natives.	190,000
Total		270,000

which the Prime Minister officially stated to cost 15 Millions sterling per annum. It will then I think be conceded that there is much room for reduction in the first instance to bring us down to the 15 Millions standard. In all my calculations I assume the gradual reduction of all the Regiments to peace establishments under the late orders of Government to be carried out. But so much will certainly still leave the army higher than the Commission scale. And it is from the peace army after the first reductions that I insist on the necessity of saving 4 Millions by abolishing Regiments and turning soldiers into real Police so as to recur to the army expenditure of 11 Millions per annum.

THE INDIAN EMPIRE,

AND

OUR FINANCIAL RELATIONS THEREWITH.

A Paper Read before the London Indian Society,

MAY 25, 1866,

BY ROBERT KNIGHT,

(“TIMES OF INDIA.”)

There are many persons who sincerely insist upon it that a writer ought always to contrive to put his country in the right : and that it is a proof of his not being a friend of it, if he ever puts it in the wrong. . . . This is the way not to be a friend to one's country, but an enemy. It is to bring upon it the disgrace of falsehood and misrepresentation in the first instance; and next, to afford it all the inducement in the writer's power to persevere in mischief or in disgraceful courses.—MILL.

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THE INDIAN EMPIRE,
AND
OUR FINANCIAL RELATIONS THEREWITH.

It is right and becoming, gentlemen, I think, that we should preface all such inquiries as that we enter upon to-night, with a full acknowledgment of the benefits conferred upon India by the British rule; and I shall speak without reserve to you my convictions upon this head. I am not blind to the defects of English rule in India. Many of you know how severely I have often commented upon those defects, and I am here to-night for the very purpose of insisting upon them. But my judgment is clear that whether we have regard to the comparative, or positive, defects or merits of our rule, it is entitled, upon the whole, to a favourable verdict.

India, I am persuaded, is better off in the hands of Englishmen, than she would be in those of any other people. She is governed with more conscience, with more consideration, and with more sense of responsibility, by my country than she would be by any other. Considering the character of this assembly, and the reflections I shall by-and-by have to make upon English rule in India, I think it right to premise those reflections by the assertion of my belief that,

upon the whole, your country has been governed by mine with less injustice, and with more consideration, than any other nation would have shown in the same circumstances. And this is owing, gentlemen, I am persuaded, to the fact that the religion which this country professes, has taken a deeper hold upon its life, than has that religion upon any other nation in Europe. You must not construe this language into boasting. Many circumstances, and many centuries, have concurred to make the English nation what it now is. That the all-wise Ruler of the world should have prepared the English people, through a long and favoured history, for the guardianship and rule of nearly 200,000,000 of the human race, is a reflection more fitted to awaken a sense of responsibility, than feelings of boasting self-complacency. When, therefore, I state my conviction that it is happier for your country that it should be ruled by England than by France, or by any other European Power, it is not national self-love that prompts me to make the statement, but a deep persuasion that England is better fitted for the trust than they. It is not, gentlemen, a fortuitous circumstance, a mere thing of chance, that the charge of so large a portion of the human family, has fallen into the hands of England rather than those of France. I say this without the slightest intention of reflecting upon the gallant people of that country, or ministering to the vulgar and offensive assumption of superiority, which Englishmen are so apt to betray.

But I am far from being satisfied, gentlemen,

with what I may call the *comparative* excellence of our rule. It is not enough for the man who feels aright upon this subject, to be told that we have shown more consideration for, and perpetrated less injustice against, the people of India, than the Portuguese, the Dutch, or the French would have done in our circumstances. I believe this to be true; but if Englishmen feel aright upon the subject, they will be far from resting in this persuasion. It is better to inquire wherein we ourselves come short of the standard, than to reflect upon the low attainments of others. Moreover, I cannot doubt that our responsibilities as a people are greater than those of any other nation. India has a right, I think, to look for better government from us than from any other people, on the ground that we make ourselves the Censors of mankind. Well, I believe, upon the whole, that our rule is deserving of this praise.

If we look generally at the facts, what do we find? We see first of all, then, a strong and settled government in the country, maintained with a military establishment of no very great strength, when the size of the territory, and the population of the empire are remembered. We see that army, English as well as native, kept in the strictest discipline. The poorest native of the bazaar has instant remedy at law against aggression, or insult, on the part of the soldiery; and that before a magistracy which, it is constantly complained, shows undue favour to the native. It is matter of fact, as you know, that although India is peopled by a feeble and long-enduring race, and garrisoned by an army of foreign,

rough, self-assertive soldiery, so strict is military discipline, and so impartial the administration of the law, that we never by any chance hear of military oppression of the people, or interference with them in any way. Well, I think the world has never before seen a spectacle like that ; and I believe honestly that under any other rule but that of England, it is very doubtful if it would be possible. You must not, of course, confound the personal discourtesies which men of vulgar nature—albeit Englishmen—sometimes show to natives of the country, with defective laws. No law can transmute the narrow-minded, vulgar man into a tolerant and courteous gentleman, and such men are unhappily too common amongst Englishmen as amongst all other people. But the broad fact remains that, though your country is garrisoned by an army of foreign soldiers, and your people have been subjected, through long centuries of oppression, to submit too readily to insult and to wrong, the occupation of your country by the English army is marked by as complete a freedom from outrage, as is the occupation of this. Now this is good government.

While, moreover, the army of India is thus innocuous to the citizen, it is an instrument of perfect efficiency in maintaining peace throughout the country. From Peshawur to Cape Comorin, peace and settled government reign throughout your borders. The present generation of your countrymen are unable to appreciate what this means. A century ago, all India was in a chronic state of war. The country was one vast battle-field of contending

freebooters. The harvests were reaped, if at all, by men with a sword in the one hand, and the sickle in the other. Gaunt famine followed in the red track of war, and the internal history of India at the period of our advent, had long been but a sad chronicle of war, pestilence, and famine. How profound is the peace which the country now enjoys, you are well aware. War has become but a tradition throughout a vast part of the empire, and it is right that the people of India should be reminded sometimes of the great deliverance which English rule has wrought for them in this respect.

Let me invite you next, to contemplate the perfect freedom secured to you under English rule. It is a fact that the people of India are at this moment secured by law, in the enjoyment of rights and liberties, which in England have been attained only after long centuries of suffering and of contest. To begin with, you have perfect religious freedom. No interference whatever is allowed, on the part of any one, with your religious creeds, practices, or endowments. The conscience of every man in India is left as free as it is possible for human institutions to leave it. Disabilities on the ground of a man's religion are unknown; and the Mohammedan, the Hindoo, the Parsee, the Sikh, and the Christian, stand upon a footing of absolute equality before the law. Well, that is good government, I think; such government, gentlemen, as is almost unknown even in Europe.

You have, next, complete personal freedom. It is true you are not as yet governed, and taxed, by representatives elected by yourselves—India being,

as you will readily, I believe, admit, incapable of such government—but it is not the less true that you have complete personal freedom. You can do whatever men may rightly do, in any part of the world. You have, in the next place, unrestricted freedom of the press; and are not only permitted, but are invited and urged, to criticise, as freely as you please, every act of the Government. Nor is this permission accorded in contempt of the power of your press. It is loyally and honestly accorded, as you know, from a sincere desire that the Government may ascertain the real mind of the people, their wants, their wishes, and their grievances. It is impossible, I think, to overlook the testimony which this perfect freedom of your press gives to the conscious integrity of our rule.

Again, you have all the benefits arising from perfect freedom of trade. While many enlightened nations of the world still cling to the policy of Protection, India, under English rule, is deriving the full benefits of an unrestricted commerce with other lands. We levy no protective duties in India—let our sins against her manufactures on this side have been what they may in the past; and the time is not distant, probably, when we shall have free ports throughout the country, and the Custom-house with you will have become a tradition.

In the next place, I would direct your attention to the earnest effort which the Government is making to introduce the highest education into the country. You, gentlemen, who surround me, are living witnesses to the fact. You know well that

there is an honest desire on the part of the Government to see your countrymen educated as highly as our own. The belief that such education would be dangerous to our rule, has been deliberately repudiated by English statesmen as unworthy of Christian men, from its selfishness; and let what may come of your attainments in this respect, you are to have all the help we can give you to attain the highest level we have reached ourselves. Now this is honest, and good, and unselfish government.

And lastly, I may direct your attention to the fact that with all these advantages, your country is one of the lightest taxed countries in the world. This is not the time to enter upon the causes of this happy phenomenon, or any disquisition upon the sources of Indian revenue. Suffice it to say, that the only *taxes* proper which are known in India are the Salt Tax, the Stamp Duty, the Customs, and the Abkarree, producing between them about 12,000,000*l.* a-year, spread over a population of 130,000,000—which shows a pressure of less than 2*s.* per head per annum. Now there is certainly no other civilised country in the world so lightly taxed as that.

I have now glanced rapidly, gentlemen, at the benefits conferred upon India by English rule, and they are plainly very great. But these benefits give us no right whatever to exact a money compensation for them. We have done no more than it was our duty to do, in giving you the advantages which I have enumerated; and we cannot claim any pecuniary recompense for them whatever, except such as

may come to us indirectly in some of the ways I shall presently point out.

Having thus glanced at the advantages which India enjoys under English rule, it is proper, in the next place, to consider the advantages which England herself derives from her position in your country. And this is the more necessary, because of the prevalent belief that England has very little interest in the maintenance of the connexion. In the first place, then, our administration of the country enables our merchants and manufacturers to secure the advantages which flow from unrestricted commerce therewith. Were India under French or Dutch dominion, it is certain that the East India trade of this country, instead of its present vast dimensions, would have been very restricted in extent. With what ease, for instance, might the French, had they been the rulers of India, have excluded the manufactures of Lancashire from the Indian market altogether, in favour of their own mills. The astonishing growth which the commerce and the manufactures of England have attained, has been so largely the result of our political ascendancy in Asia, that they stand to each other almost in the relation of effect and cause. This consideration alone, when carefully weighed, is sufficient to show how great an interest the people of England have in the maintenance of their Indian empire. The loss of that empire, or its transference to other Powers, would deal a blow at the commerce of England, from which we may reasonably doubt if it would recover. At all events, it is

certain that our political supremacy in Asia has been one of the chief causes of that truly amazing development which the century has witnessed in English trade and English manufactures.

But the beneficial influence exerted by the possession of the empire upon the nation, far from being confined to the mercantile, is shared by all, classes, from the peer to the peasant. Take a rapid survey of the *personnel* required for the administration itself. We have first the Vice-royalty and the subordinate Governorships of the presidencies, the ambition of the peers of the realm, as the chief prizes the Crown possesses in the whole breadth of its colonial dominions. Two Lieutenant-Governorships of territories equal in population and extent to the French Empire; half-a-dozen commissionerships of provinces hardly less important, a host of councillorships, embassies, collectorships, magistracies, and judgeships with incomes of princely amount, and a thousand civil appointments subordinate to these. Again, if we turn to the field which India offers to the learned professions, with a prospect of its indefinite extension in the future, we find English lawyers filling the highest judgment seats of the country, with jurisdiction over territories the half of Europe in extent; English lawyers filling the positions of Administrators-General, Advocates-General, Masters in Equity, Legal Remembrancers, Judges of the Small Causes Courts, and crowding the Bar of each presidency for the administration of English law. Without intending any disrespect for a moment to these

gentlemen, the fact is well known that to the majority of English barristers and solicitors who find their way to India, little hope of professional advancement existed at home; while we are all familiar enough with the fact, that a very few years suffice, in general, for them to make their fortunes and retire.

Now, it is the English rule of India that makes this possible, and that rule only. Were the country under French dominion, and were the Code Napoleon the law administered therein, how many of the hundreds of English lawyers who have retired from India with fortunes, or upon handsome pensions, would ever have risen from obscurity and poverty? So again with the medical profession. Of the thousand to twelve hundred physicians and surgeons in the country, each labouring with a prospect more or less sure of a competency, not ten would have been found in India but for the fact of the empire being in our hands. Nor may we avoid mention of the Church, and even the missionary body, which absorb between them and provide for a large body of educated gentlemen; and not only so, but for the education of their families. A consideration of very great importance to the nation, is this family one. The classes we have been enumerating are marrying classes, and it is a matter of national consequence that the families of these gentlemen, as a rule, receive the highest culture and education which money can secure for them. The value of the accession which the nation is receiving, year by year, from its schools

and colleges, in the sons and daughters of the thousands of gentlemen, whose fortunes are linked with the existence of our rule in India, it would be difficult to rate too highly. No other country can reckon upon such an addition year by year to its intellectual classes ; and they know little of the elements of national greatness who overlook its value.

To a very considerable extent, again, all we have asserted of the above classes may be affirmed of the body of 10,000 gentlemen who constitute the officers of the united Indian Army. The incomes of a large proportion of these gentlemen permit them not only to marry, but to maintain their families in a rank equal to their own, and to give their children the highest culture they can obtain at home. In its degree, the same may be said of the Education Department of the country now in its infancy, of the department of Public Works, and others. Thus how vast a field is the Indian empire opening to our engineering and railway enterprise, from the humblest skilled workman it is necessary to import, to the scientific head that organizes it! The consideration I would press upon my own countrymen, is the fact that it is the possession of India that makes all this possible. Were the administration of the country to become French or Russian, the field which we now monopolize would pass into the hands of our successors. Not to pursue this part of the subject further, I notice, finally, the large and growing class of English planters, shopkeepers, and tradesmen in India. The point of all

these illustrations is this, that it is our dominion of the country that opens this vast field of lucrative enterprise to English energy, skill, learning, and philanthropy ; and the advantages I have enumerated are legitimately our own.

Let it be remembered also, that of the thousands of our countrymen earning their living in India under the protection of English institutions, the benefits of English law, and large classes of them under circumstances calculated to develop the national character in its fairest and best attributes, all but the soldiery, whose term of exile is short, have a prospect more or less sure of retiring to spend the evening of their days in comparative affluence in England. Year after year a ceaseless stream of retirements takes place from the country, with the transfer of the fortunes, or the attainment of the pensions, that have been earned therein. It is not easy to estimate the material benefits derived by England from this source. The Pension List in the Home charges affords but an imperfect index to the extent of that stream of wealth which is constantly being poured by India upon this country, in this unobtrusive manner. The civilian retires to spend for the remainder of his days 1,000*l.* a-year in the country from which he first came, the Indian treasury furnishing him with the means. But few civilians probably leave India who are wholly dependent upon their pensions for support. In the majority of cases, these gentlemen have acquired some fortune, through a long course of economy, and they carry with them its fruits to

enrich the land of their birth. The same transfer takes place with all other classes upon the attainment of the appointed rank or sum, at which they have determined to retire.* What the amount of this transfer annually may be, it is difficult to estimate, but if we add thereto the payment of dividends upon Government stock, the sum total is probably not far short of eight millions sterling a-year, annually raised in India and distilled in a fertilising shower upon English soil.

Thus important as are the direct material benefits which the empire confers upon the home country, we must not overlook the moral and political advantages attending it. The fashion of sneering at old Indians is happily dying out ;

* The extent of the material advantages which this country reaps in this way from its great dependency is too little appreciated. As an illustration of its working, I may instance the village of T——, in Hampshire, where I myself am residing. Our *society*—as it is conventionally called—consists of but six or eight families ; maintaining establishments of importance in the neighbourhood. Of these establishments one is that of a retired officer of the Indian army, who has been residing there nearly thirty years, and spending an income of “off reckonings” and pension of not less, I suppose, than 2,000*l.* a-year. Other two of the establishments are also those of gentlemen whose income is all, I believe, derived from India ; a fourth family of this small society has a very near connexion in high position in the Bengal Civil Service ; a fifth has a relative of considerable rank in the army of India ; while the boys’ school of the place—a somewhat expensive establishment—has several Indian boys, I believe, upon its roll-call. I doubt if the annual expenditure of Indian income in that village falls short of 3,000*l.* to 4,000*l.* a-year ; and to a greater or less extent this fertilising expenditure of Indian wealth is taking place all over the kingdom.

and men who watch the tendencies of modern times will notice the annual recruiting of the intelligence of England, with classes peculiarly and highly educated from India, with equal satisfaction and interest. India not only furnishes the means by which thousands of English families are educated to the highest point of refinement and culture, with great political and moral benefit to the State, but in the very maturity of their powers and of their age, sends the wisest of her statesmen and administrators, the foremost of her soldiers, the most successful of her lawyers and merchants, and the most experienced of the professions to recruit English society in its upper ranks. Contrast with this constant stream of wealth, intellect, and character noiselessly forcing its way into the upper strata of English society, the recruiting of which the United States is the subject, from the very dregs of Europe. The room which the Indian empire presents for the enterprise of the classes who have their fortunes to make, and the influence which the return of these classes in mature age and with acquired fortunes exerts, are of considerable influence upon the country, and that influence will by-and-by be more clearly felt. The prominence with which Indian affairs have stood forward in this country within the last few years, is not wholly attributable to the mutiny, but is largely owing to the working of this Indian leaven in English society. Compared with the considerations I have imperfectly attempted to sketch, the mere addition or loss of a few millions of that

trade which we are flippantly told is the "end-all" of our empire in India is, perhaps, a subordinate consideration. The future will more rapidly, and with growing distinctness, show how vitally this Indian empire has grown, and is growing, into the very being of the mother country.

You have seen—and are, I know, ready to acknowledge—how important are the advantages which you derive from English rule, and I have attempted, on the other hand, to show how great are the advantages which my own country reaps therefrom. The next thing that strikes us, then, in this inquiry, is the fact that while both nations thus derive great advantages from the connexion, the entire cost of maintaining that connexion is devolved upon the poorer one. It is the fact, that while India has to pay a heavy penalty for the advantages which she derives from English rule, we, on the other hand, who encounter no such penalties, refuse to pay anything whatever for the great advantages which we derive therefrom. I say that India pays a heavy penalty for the advantages of foreign rule. In the first place, there is the unavoidable exclusion of her own children from the highest administrative posts in the country, and the substitution to so great an extent of a foreign, for an indigenous executive, in all departments of the State. And this exclusion is, to a large extent, unavoidable. It is part of the penalty which India incurs for her proved inability to govern herself effectively. Every right-minded person, however, will be anxious to see this evil mitigated as far as possible, and a jealous and sus-

tained effort made to substitute native for European agency in every department of the State, where it can be employed with safety. I think we should even be prepared to risk something in effecting this substitution. The exclusion of the people from all the higher offices of the State carries with it a sense of inferiority destructive to their self-respect, and demoralising in its effects; but after all, this exclusion, to a considerable extent, is unavoidable, and forms part of that penalty which India pays for the advantages of foreign rule. Then, again, I am afraid we must include therein the defective administration of justice in the country. English judges administer the laws under difficulties almost insuperable, from their want of insight into native life and character, and defective sympathy therewith. I am glad to believe that this is an evil in process of amelioration, and that, however slow that process may be, it is well defined. A defective administration of justice, however, for a long course of years, is a terrible penalty for any people to pay, and it is a penalty which India has been long paying.

To these unhappy incidents of foreign rule must be added the giant system of absenteeism which it entails upon the country. The fact that India is not our home, that we cannot colonise it, leads to a steady and enormous abstraction of capital annually therefrom, the effects of which have been very disastrous in the past, while they have been very imperfectly, if at all, discerned by English statesmen. My own conviction is absolute, that you may trace the terrible depression of the country throughout the

first half of the present century chiefly to this cause—the steady and enormous abstraction of capital from the country, which followed the substitution of foreign rule therein for native. Now it will be with the consideration of this evil that our chief business will lie to-night—in other words, with the tribute which India annually pays to this country for the privilege of being ruled thereby. I want to point out to you how far I consider that tribute to be right and unavoidable, and to state the grounds on which much of it, as I believe, should be remitted, as inequitably exacted.

We start with the broad fact that while both nations are deriving important advantages from the connexion, the cost of maintaining that connexion is devolved wholly upon India. Well, is that just? Is it right that England should derive the important advantages she does from her rule in India, while she contributes nothing whatever to the cost of maintaining that rule?

In this inquiry, I want the company of no man who is not desirous of making a just award between the two countries. If it be right and just that the Indian revenues should bear the whole cost of the connexion, then let those revenues continue to bear it. But if it is neither right nor just that Indian industry should be thus taxed, and if the exaction is maintained only because the one country is subject to the other, then let the practice be discontinued. That man is no lover of his country who, with a clear conviction that his countrymen are committing injustice, idly or perversely refuses to exert his influence to set them right.

It is desirable, perhaps, before proceeding further, to notice the old notion that conquest conveys with it certain rights. Conquest, in the history of the world, has been a crime ninety-nine times out of a hundred, and can convey no rights whatever in such cases ; while it entails upon the nation that achieves it, guilt of no ordinary dye, and responsibilities of no ordinary magnitude. But if we allow that every territory we acquired in India was a conquest—which is far from being the case—and that every conquest made was necessary or justifiable, the fact gives us a right to do no more than reimburse ourselves its cost ; and in what respect soever beyond that, we use our position to the injury or loss of the subject people, we are guilty of violence of the very same order that is practised, upon a meaner scale, by the highwayman. That England is stronger than India, gives England no right to use the property of India as though it were her own. And yet, who that knows the history of our financial relations therewith, but knows that, had the might of the two countries been equal, a widely different apportionment of the liabilities incurred in maintaining the connexion, would have taken place ? Although India is subject to us, we are bound to deal with her as scrupulously as though she treated with us upon an equality ; and, distasteful as these sentiments may be to a class of Englishmen, I shall not mince their statement. Common decency has been wanting in our dealing with the Indian Treasury ; and we look in vain even to-day for a spirit of strict integrity, much more a very nice sense of honour,

in the management of our financial relations therewith.

The principle upon which all those relations have hitherto been settled is the assumption that England never had any interest in the acquisition of the empire, and has none whatever in its maintenance. It is this mischievous falsehood that lies at the root of all our relations with that empire, and taints them all with injustice. The boast of the old East India Company, that the empire of India had been won for the English Crown and maintained without the cost of a shilling to the English nation, was as true as it was discreditable. The Company had unlimited control of the revenues of India, as the Crown has now. It did with those revenues what it pleased, as the Crown does now. No question is ever raised as to the equity or the justice of the vast appropriations which we are making year by year from the Indian taxes; and the consequence is that every charge we can connect, however remotely, with the *name* of India, is cast upon the Indian Treasury. Instead of a scrupulous regard to what equity and good faith suggest—a careful attempt to apportion the cost of maintaining the connexion of the two countries between them, upon the principle *that each should pay according to the benefits* it derives therefrom—India is made to pay the whole, and a fierce impatience is shown by the English press of all efforts to get the relations of the two countries placed upon an equitable basis.

The notion is ingrained in this country that India

is a trust to be administered, as well as we can, out of what revenue may remain, *after* all our demands thereon are satisfied. That for the benefits which England derives therefrom, she should pay anything, is an idea that belongs to a purer national morality than we have yet attained. The English press is impatient even of hearing that we derive any advantages whatever from our Indian empire. Thus, although Ireland is being depopulated by emigration, it professes to regard the necessity of recruiting the Indian army with 5,000 or 6,000 men a-year as of itself a grievance so intolerable, that it will rather "cut the Indian empire adrift than allow it to cost us one shilling." Now all this is bad and unworthy. I do not stay to suggest that five or six thousand loyal soldiers in India, are an improvement upon five or six thousand Fenians in America; but it is strange that writers of even such a stamp as these, can overlook the prestige which the Indian empire gives us in the world. England would, doubtless, have been a powerful kingdom though she had never possessed a foot of ground in India; but it is the supremacy she wields in Asia which is, after all, the secret of her ascendancy in Europe. Not a political movement can take place on the Continent, but its bearing upon our Eastern empire has to be considered by its authors, and its results weighed in connexion therewith. Do you think this country would speak with the authority she does, but that she speaks with the prestige of a people holding the destinies of half Asia in their hands, and wielding its resources at their will?

It is marvellous that national selfishness should blind us to such considerations. And there is a remarkable fact behind this; there is something more, I believe, than a mere acquiescence, on the part of Europe, in the strange dominion we have established in Asia. There is the consciousness, if I mistake not, that it is *well* for the world, that England should hold that dominion. In the great rebellion of 1857, so fitted to awaken them, the jealousies of Europe were laid to sleep in the presence of the calamity which had stricken us. Not a hand moved throughout the Continent, to embarrass our effort to reassert our tottering supremacy. The truth I believe to be that the *conscience* of Europe acquiesces in, and approves, the maintenance of England's rule in India. It was felt everywhere, that upon the whole, the rule of England was a wise and elevating rule, and that to assist in its overthrow would be a treason against the human family. Now the prestige of occupying such a position in the opinion of mankind is very great and ennobling, and furnishes a powerful argument for effort on the part of every lover of his country to purge its relations with India from all taint of selfishness, much more of injustice.

That Indian empire of ours has become in these days a subject of interest in the remotest corners of Europe. There is not a railway, nor a river, nor a valley, nor a mountain track, on the great lines of communication with the East, where the Anglo-Indians and their strange empire, are not now subjects of wonder with the people. With the

Switzer, the Tyrolese, the Italian, the modern Greek, the Turk, the Egyptian, and the Arab, as well as the Frenchman and the Russian, the Anglo-Indian and the Anglo-Indian empire are ever present as great and unaccountable phenomena. The moral effects of this prestige upon the national character are not easily measured, and the man who overlooks them has little pretensions to insight or to statesmanship. Shorn of her Indian empire, England would be deprived, not merely of the direct material advantages she derives therefrom, but of indirect influences of the most important kind in the formation of the national character.

In the course of the discussion raised some two or three years ago in this country by Mr. Goldwin Smith, as to the advantages derived by England from her colonies, one of the leading journals of the country, the *Economist*, told us that the proportion in which each party should contribute towards the cost of defending these possessions should be determined, amongst other considerations, by "the respective interest which each has in maintaining the connexion," and "the respective capacity of the two parties." Let us, now, apply these considerations to the case of India. The first is—

The respective interest which each party has in maintaining the connexion.

Now, as England does not contribute anything to the defence of India, we must conclude that she has either no interest in maintaining the con-

nexion, or that she is unjustly evading her share of the cost. There is no escape from the alternative, if the *Economist* be right; and that it is right no honest man, I think, can doubt. If we were asked, for instance, to state the reasons why England maintains so large an army in India, I suppose the answer must be somewhat as follows:—

1. For the maintenance of good order and quiet in the country.
2. For repelling outward aggressions upon the people.
3. For the maintenance of our monopoly of the chief administrative posts therein.
4. For the safety of our millions sunk therein.
5. For the control of all the commercial relations of India with other countries.
6. For the supremacy of England throughout the East.
7. For the national *prestige*.

Can any candid person review this answer—and I believe it is a strictly correct one—and yet contend that, vast as are the interests we thus have in the maintenance of the Indian army, we ought not to be called upon to defray any part of its cost? Why not?—but upon some such notion as I have attempted to explode, that conquest gives us the right to exact from India the payment of the whole. I admit at once that it may be contended, upon the other hand, that India has an interest in the maintenance of England's independence, and might, therefore, be called upon to defray part of the cost of defending this country: and it is barely

possible that a careful inquiry into the just liabilities of the two countries would lead to but a slight amelioration of India's burden. The high-handed refusal of this country, however, to submit the question to the arbitrament of justice, and the assumption of a right to dispose of the revenues of India at pleasure, is most unworthy.

That the rule laid down by the *Economist* is not allowed to guide our course, is well illustrated by the fact that we have devolved upon the people of India, the whole cost of suppressing the rebellion of 1857. Now that rebellion was no more justly chargeable upon the people of Central and Southern India, of Sind and the Punjab, than upon South Australia. If any people were strictly answerable for the event, it was the English people, who have nevertheless devolved the whole cost of suppressing it upon India. Allow that the British provinces of India had a deep interest in its suppression—had not the Nizam, Holkar, Sindia, Rajpootana, and the Travancore states an equal interest therein? And if we cannot decently make these states responsible for the disgraceful mutiny of *our* soldiers, does the fact give England a right to fasten the cost of its suppression upon the loyal people of Madras and Bombay; while as much interested herself therein as they, she refuses to touch the burden with her little finger.

If we turn to the other principle laid down by the *Economist*—viz.:—

The respective capacities of the parties to sustain the cost,

we must admit at once that as England is the wealthiest of all countries, while India is amongst the poorest, judgment must be pronounced against the course we are following, without hesitation. The truth is that, at present, no law but that of "the stronger" regulates the matter. We are stronger than India, and we refuse to discuss with her the grounds upon which we deal with her treasury; and we have ever done so.

Throughout the early period of British rule in India, the notion was openly avowed, and acted upon, that the surplus revenues of India—if there were any—belonged of right to the English people. It is cause of astonishment to us in these days to find even Mr. Mill, in his efforts to depreciate the East India Company and the value of their possessions, maintaining that unless "India affords a surplus revenue which can be sent to England," she is a severe burden and a drain to England.

In conformity with these views were all the early Acts of Parliament, regulating the relations of the nation with the East India Company, drafted. When the East India Company were first invested with the Dewanee, or Civil Government of Bengal, Bahar, and Orissa, in 1765, the Parliament consented to guarantee them in the possession of the territories and revenues, they were thus called to administer, only upon their undertaking to pay 400,000*l.* per annum into the English Treasury! In other words, the Parliament consented to their governing, or misgoverning, the territories conferred upon them by the Mogul, only upon the condition that they wrung

from the miserable people of those provinces, a contribution of 400,000*l.* a-year for the English Treasury. Many of you are familiar, I dare say, with the result. Under the combined pressure of private and Governmental exactions, so vast an abstraction of capital marked the first twenty years of our rule in Bengal, that the province was reduced to a condition of almost hopeless misery. The amount of capital thus abstracted from India during the first forty years of our rule therein, from 1765 to 1805, was enormous. I have looked somewhat carefully into the subject, and I avow my conviction that if we calculate the annual increase of that capital at 5 per cent. only (the current rate of this country), England is to-day richer by 1,000,000,000*l.* sterling, and India poorer by the same amount, than either country would have been but for that abstraction.

Political writers in this country systematically depreciate the value of our Indian empire, simply that they have no notion of the extent to which India has ministered to the wealth of England. Five millions of capital wrongly abstracted from India under the rule of Clive and Hastings, and brought to a land of industrial activities so great as ours, represents to-day a sum almost fabulous; while it is impossible to measure the disastrous effects of such a loss upon a country so wretchedly poor as the India of those days; a country in which the common rate of interest is from 15 to 25 per cent.

I wish, gentlemen, for the honour of my own country, and of the pure and holy religion which it

professes, that I could point to this wrongful abstraction of Indian capital as purely a thing of the past. In the coarse but expressive language of Mr. Laing, India has too long been "the milch cow of England." She unhappily continues to be so to this day; and there is no hope, I fear, of the financial relations between the two countries being settled upon an equitable basis, until the people of India themselves wake up to the wrong that is being committed, and speak their determination that it shall cease. It is to incite you to discharge this duty that I have chosen this subject to-night, and if Englishmen have been guilty of injustice to your country in the past, let an Englishman do something to redeem the national character by calling your attention to the wrong, which, in your want of political knowledge, you and your countrymen overlook.

The period is approaching when the Indian accounts for the year will be laid upon the table of the House of Commons. No question will be raised concerning them; for there is almost no one within the walls of Parliament who has a sufficiently exact acquaintance with the subject of the Indian finances, to make an effective criticism of the balance-sheet that will be presented. Now I want you to address yourselves to the task of examining that balance-sheet in earnest. Your first efforts will be feeble, and may seem almost in vain; but if you persevere in the patient and determined effort to enlighten the public mind of my countrymen upon the subject, you will at last succeed. You will find a Member here and there willing to listen to your

representations, and ready to enforce them upon the attention of the House. You will find by degrees political writers in the country coming to your assistance, men in whose hearts a love of justice has been implanted from on High ; and happy is it for England that it is these men who, in the long run, guide the counsels of their country.

The first step to be taken is to get the accounts themselves presented in a more effective shape. At present they are far too general to admit of effective and close revision. What is wanted is that the Indian accounts should be presented in the shape in which the Home Budget and Estimates are laid before the House. In particular, I would have you direct close attention to what are called the Home Charges of the Indian Government. In round figures, the revenues of India are about 46,000,000*l.* a-year, and they are administered through two treasuries—the Indian Treasury and the Treasury of the India-office in London. And it is with the accounts of the latter that your Society should occupy itself in the first place. And for this reason : that whatever improper expenditure may take place in India, is made upon Indian soil and Indian industry. The expenditure of the London Treasury—the Treasury of the Secretary of State for India—is of a very different character. The receipts of that Treasury, amounting to 8,000,000*l.*, I suppose, a-year, represent so much capital drawn from India by means of taxes, and there is a very wide difference, gentlemen, between the effect of taxes spent within the country in which they are raised, and taxes spent without it.

Taxes spent within the country in which they are raised are an evil, but taxes spent without a country mean the total loss of so much national capital as they amount to; and it is for this reason that I would urge you to concentrate your attention at first upon the expenditure of the Westminster Treasury.

It is not my intention to discuss minutely in this paper the charges which the Home Treasury sustains. I express to you my full conviction, however, that many of those charges are inequitable, and ought not to be borne by India at all; and in setting you upon the task of investigating them, it will be as well, perhaps, to give you a hint or two as to some of the principal of them. Take, then, the very first item that figures in the list. You will find it is a payment of 630,000*l.* a-year for what are called "Dividends upon East India Stock." Now that charge has been figuring in the Indian balance-sheet for more than thirty years, and its history is as follows.

The paid-up capital of the old East India Company amounted to the sum of 6,000,000*l.* sterling, and with this capital they carried on the somewhat incongruous occupations of East India merchants and rulers of India. Well, it was found impossible to keep the accounts of the two separate; and in 1834, when Parliament put an end to the trade of the Company altogether, the capital of the Company had disappeared, and a debt of fifty or sixty millions sterling was owing by them. Whether the revenues of India had gained or lost, upon the whole,

by the trade of the Company, no man could tell. Some said one thing ; some another. The only thing that was certain was, that the financial result of the joint business of trading and ruling, was an enormous debt. The Company and India were ever treated, by this country, as partners ; and under that partnership the former was empowered, by Act of Parliament—let the net result of their trading and governing be what it might—to declare a dividend every year of 10 per cent. upon their 6,000,000*l.* of capital called East India Stock, even though they had to borrow the money to pay it. The result was that the price of that Stock ruled constantly somewhat above 200. Well, in 1834, the nation determined to put a stop to the trade of the Company altogether, and to confine them to the business of administration. It was affirmed that the interests of English merchants demanded that the trade should henceforth be open in their favour. The Company itself protested that great profits had accrued to the Indian revenues from the trade, and that their debt would have been much heavier but for these profits. I believe it was impossible to determine, with any reasonable certainty, what the net result of the trade had been, except for the last few years of its continuance.

Parliament resolved, however, and wisely, that the trade of the Company, whether it were profitable or otherwise, should cease, in the interests of the private merchants of Great Britain. In other words, the partnership between the East India Company and the people of India was declared dissolved,

and, as there were little assets to divide, but enormous liabilities to meet, it was generously determined that the East India Company should be let out of the partnership, and the people of India required to pay the Company *just twice the amount* of their paid-up capital, or a sum of 12,000,000*l.* sterling, on the ground, forsooth, that they had for very many years been empowered by the same Parliament to declare an annual dividend out of Indian revenues of 10 per cent. upon their 6,000,000*l.* of Stock!

It is truly amazing that such a transaction should have been possible. Upon the supposition that the trade was profitable, surely it was reasonable, when transferring that trade to the merchants of this country, that *they* should have indemnified the East India Company for its loss. On the other hand, if the trade was not profitable, it was monstrous to require the people of India to recoup the Company twofold for the capital it had lost therein.

If we even assume that the Company's capital had been sunk on territorial account, the replacement of that capital out of the revenues of India, was all that could be justly exacted therefrom: while to require that India should pay a forfeit of 6,000,000*l.* sterling beyond that capital, that the merchants of Great Britain might obtain the advantages of an open trade with China, does seem the very acme of injustice.

However, so it was determined, and the result is, that you will find a charge of 630,000*l.* entered year by year in the Indian balance-sheet as the first

item of the Home charges. Well, it depends largely upon you whether that item shall remain there. This item alone represents (without interest) an abstraction of capital from India since 1834 of no less a sum than 19,000,000*l.* sterling! With interest at five per cent. only, it would represent, I suppose, two-thirds of the present debt of India.

With a show of great magnanimity you have sometimes been told that though India should eventually prove a losing speculation to us, it is our plain duty to continue the administration of its affairs: "There [India] we have established our
 "supremacy over nations naturally hostile, and
 "with a civilisation as elaborate as our own, but
 "degrading and noxious. We have by degrees
 "made every other rule except ours impossible.
 "We have taken possession of the most magnifi-
 "cent field for doing good ever presented to any
 "people. It would be simple infamy to give it up,
 "because we had suddenly discovered that it was
 "not also a field for making money; or that we
 "could make the money without the trouble or
 "responsibility of governing it. Whatever India
 "may hereafter cost us, we must retain our empire
 "there; because it is not a nation that we have
 "conquered, but a crowd of warring races whose hos-
 "tilities we have repressed; and because our rule
 "is a blessing which we have succeeded, in pursuit
 "of our own selfish aims, in making indispensable."

This is all excellent and true, and my only objection to it is the claim put forward to any *magnanimity* for the resolution to hold India. The value of the

Indian empire to ourselves, is systematically and dishonourably ignored. The vast material advantages we reap from its possession, the mine of wealth it has proved to us, are thrown into the background, and never even alluded to. While India costs us nothing—or, more truthfully, while she is willing to remain the milch cow of England—it is our solemn duty, it seems, to retain the empire in the interests of India itself. But advance the least claim upon the English Treasury, however equitable it may be, and the national temper is at once expressed in the threat to “cut us adrift.” Now we do not want any assistance from the Home Treasury. England is at liberty to squander what money she pleases upon Canada, Ceylon, the Cape, or the Mauritius. But what we do want, and what you must insist upon, is that she will cease indenting upon *your* treasury for charges you ought not to bear. Were the apportionment of the so-called Indian debt brought into any court of equity in the world, I am sure that two-thirds of it, if not the whole, would be promptly declared an English, and not an Indian, liability at all. It is hypocrisy in these circumstances to talk about “our solemn duty” to retain the sovereignty of India. We retain it for our own advantage, as we made its conquest for our own advantage. And before we can rightly talk of its being our duty to retain it, we must purge ourselves of the selfishness that vitiates all our relations.

We wrested Mauritius from the French, the Cape from the Dutch, Canada from the invasion of the Americans, and later from its own rebellion—but in none

of these cases did we venture to impose the cost of the expeditions which achieved these successes upon the people of those dependencies. But not content with empire as the reward of victory in India, we have made its people pay to the last farthing the cost of the wars in which that empire was gained ; and then used their resources as we pleased to maintain our supremacy in other parts of Asia.

Thus there is a demand annually made upon the Indian Treasury for the sum of 3,000,000*l.*, in payment of interest on the debts incurred in the prosecution of the Affghan War, and in the suppression of the Indian Mutiny. Now I speak within the hearing of men who are quite able to verify what I say, when I affirm that the large sum of money thus claimed is taken from India every year, by no law but that of might. Will it be contended seriously that the Affghan War was entered upon in the interests of India, or that India had any voice whatever, either in its prosecution or its close ? It was a purely English war, undertaken by English statesmen in the teeth of the rulers of India, and in purely English interests ; and so mistaken and so guilty was that war, that it has come to be called proverbially “the *iniquitous* Affghan War.”

And yet, though India had nothing whatever to do either with its inception, its responsibility, or its prosecution ; and though the East India Company protested earnestly against the whole affair ; this country has fastened the whole cost of it, namely, 1,000,000*l.* a-year in perpetuity, upon the people of India. Already the sum abstracted from them

on account of that war does not fall short of the whole amount of our boasted expenditure upon Indian railways. We are at the present moment taking 1,000,000*l.* sterling a-year from India for the cost of that iniquitous war; and we mean to take it still. I do not stay to notice the miserable pretences upon which the interests of India were sought to be linked with that war, which cost, directly or indirectly, 20,000,000*l.* to 30,000,000*l.* before its last traces disappeared from the Indian balance-sheet.

Once more I point your attention to the fact that England is also exacting 2,000,000*l.* every year from India, and means, unless you forbid it, to exact it in perpetuity, for the suppression of the Indian Mutiny. And yet, what fact in equity can be more certain, than that the cost of suppressing that outbreak should be borne by those by whose misrule it was occasioned? There is no longer any controversy as to its causes. The English Government of the day was committed to a course of spoliation of high and low. On one pretext or another, our treaties with the native princes of the country were violated, that we might seize their possessions, while Enam commissioners were sweeping as with a besom all the private freeholds of the country into the Government treasuries. It was impossible all this while to secure a hearing for any remonstrance that came from India. Every petition presented to either Lords or Commons was treated as so much waste paper; and when at last a rebellion occurred, we bound the whole cost of its suppression, to the last

farthing, upon the shoulders of the people. But we reversed our policy, and signed judgment against ourselves for the debt in doing so.

Before I dismiss this subject, let me ask your attention to a fact concerning the Mutiny debt, which ought to be put prominently forward by you. It happened that a large part of this so-called debt of 40,000,000*l.* was incurred just at the time when this country was under the panic of a French invasion. There were no fewer than 100,000 troops in India at the period, the depôts of which, amounting to 22,000 men, were in this country. Well, all through that panic, those depôts formed a most important part of the national defences of the country, and English statesmen and newspapers comforted themselves with their presence here. Can you believe it possible, then, that the whole cost of their maintenance was thrown — as the cost of these depôts ever was thrown—upon the Indian Treasury, upon the pretext that the regiments to which they belonged were serving in India? Comment upon such a fact is superfluous.

Were India powerful enough to resist these misappropriations of her revenues, the Home Government would cease to make them; and while these practices and others of the same kind are persisted in, it is impossible to listen without disgust to writers who tell us that England retains her Indian empire from a solemn sense of her obligations thereto. It has been estimated that the acquisition and defence of her colonial dominions have cost her in the aggregate 400,000,000*l.* sterling, or half the total amount of

her debt. India, meanwhile, has never cost her anything, while every charge that can be connected even remotely with its name is cast upon it without hesitation.

Up to this hour the Lords of the Treasury, in concert with the General Post-office, have fastened upon the Indian Exchequer half the loss which annually accrues upon the transit of the Mediterranean, Egyptian, Ceylon, and China mails; and till lately India was also made to bear half the loss of the Mauritius and Australian mails, upon the monstrous pretext that India was as much interested in the conveyance of those mails as England! Again; it is not enough that India is willing to pay her full share of the loss that arises upon the conveyance of the present Indian mails to Bombay, she will be allowed a weekly mail thereto only upon condition that she consents to bear the whole cost of it, and half the loss that will accrue upon the conveyance of useless mails, *via* Galle, carried for the sake of English interests. Is not such conduct fitted to awaken indignation and remonstrance?

Bear in mind, gentlemen, that this unjust abstraction of capital from your country is fatal to its well-being. With reference to its economical effects upon the condition of India, the tribute paid to this country is by far the most objectionable feature in our existing policy. "The burden of a tribute," says a late excellent writer upon this subject—I mean Major Wingate—"is aggravated in proportion as the tributary country is backward in civilisation, and possesses few mechanical and scientific

“ aids for augmenting its productive power ; for the
“ net income of such a country, or the surplus of
“ the gross produce of the nation’s industry over
“ and above the quantity required to replace the
“ amount consumed in production, must necessarily
“ be small. A country in the high state of indus-
“ trial development of our own, could probably pay
“ in tribute one-half of its whole taxation more
“ easily than India could pay one-tenth, which was
“ not far from the proportion that the tribute bore
“ to the gross revenues before the outbreak of the
“ mutiny. From this explanation some faint con-
“ ception may be formed of the cruel, crushing
“ effect of the tribute upon India. Let the reader
“ endeavour to picture to himself what the present
“ condition of India would have been, had the
“ eighty or ninety millions of Indian taxes, which
“ have been transferred to this country in the pre-
“ sent century, been spent in India upon repro-
“ ductive public works calculated to augment the
“ producing powers of that country. India would
“ long ago have been penetrated in every direction
“ by roads, canals, and railroads. Agricultural pro-
“ duce would, by means of the facilities of transit
“ thus afforded, have been drawn from the remotest
“ parts of the interior to the seaboard for export to
“ foreign countries, and those regions which now
“ cannot import, because they cannot export, would
“ have become consumers of foreign commodities in
“ exchange for the produce thus sent away. It is
“ probably a poor and inadequate conception to
“ suppose that the net surplus of Indian industry

“ beyond the cost of production, as distinguished
 “ from the gross production, would by these means
 “ have been doubled or trebled. The Indian
 “ tribute, whether weighed in the scales of justice,
 “ or viewed in the light of our own true interest,
 “ will be found to be at variance with humanity,
 “ with common sense, and with the received maxims
 “ of economical science.”

Well, I want to see this Society addressing itself to an effective scrutiny of the items of which this tribute is composed. You will find some charges therein that ought not to be borne by India at all (as the pensions of the St. Helena Establishment and the cost of the new India-office in Downing-street). You will find others that ought to be fairly apportioned between the two countries, instead of being cast wholly upon the poorer one, as is now done.

For, “ if we have governed India not merely, nor
 “ primarily, for the natives of India, but for our-
 “ selves, we are clearly blameable in the sight of
 “ God and man for having contributed nothing to
 “ maintain our supremacy therein. Our fair share
 “ of the cost of maintaining that supremacy, repre-
 “ sented by the degree in which British interests
 “ have decided our course—be it great or small—
 “ should have been duly paid. This has never been
 “ done ; but, on the contrary, a vast amount of
 “ capital has been abstracted from your country
 “ upon pretences fitted to bring a blush upon the
 “ cheek of honest men. England has been powerful,
 “ and India at her feet, and little chance has the weak
 “ had of enforcing moderation upon the strong.”

There is but one way, gentlemen, to get this remedied, and happily it is within your reach. With all our shortcomings and offences, we have done much to atone for them, in placing an effective weapon of redress in your hands. For we have made you what you are, free and educated men ; and in challenging you to-night to turn your arms against us that you may force us to be *just* towards you, I know I am consulting not merely the material interests of your country ; but the honour and well-being of my own.

Letter to the
Rt. Hon'ble Lord Cramborne on
Reclamation Works in Bom
1866.

The Moors, Twyford,

Nov. 1, 1866.

MY LORD,

The more I reflect upon the suggestion that Government should give some assistance in the further prosecution of the great Reclamation Works on hand in Bombay, the more am I satisfied that the public interests of both countries point to the admission of the claim.

The great drawback to our rule in India is the vast abstraction of capital that, unavoidably, takes place from the country every year, in the shape of taxes that have to be remitted to England, in payment of what are called the Home Charges of the Government. I have never concealed my conviction that those charges ought, in justice to the people of India, in great measure, to be taken upon English shoulders. I fear the period is distant, however, when the propriety of this demand will be recognized by English statesmen; but, in the meantime, great relief may be afforded to the people of India by a vigorous prosecution of Public Works in the country. It is of great importance to India that she should retain within her own borders every rupee of capital raised therein by taxes; and as this cannot be the case under foreign rule, the next best thing for her is to attract, by all legitimate means, the import of *foreign* capital, as a compensation for that lost in the Home Charges. The time will come when

those charges (even if they admit of no mitigation) will sit lightly upon her industry, where, in the past, they have had the most crushing effect thereon, and would now, but for the accident of the American War, paralyze all its springs. English writers have a very imperfect insight into the true conditions of our progress in that country. The Home Charges have become so burdensome since the Mutiny, that India could hardly have stood up under them, but for the wealth poured upon her by the American War; which has not only enabled her to bear the burden, but has permitted the redemption of a part of the debt incurred in this country during 1857-8-9, in the suppression of the Mutiny. Another important element of strength has been the large expenditure upon Railway enterprise in India since 1858; and it is of great importance that we should recognize clearly the connexion there has been between her power to sustain the enormous *abstractions* of the last three years, and her vast *imports* of capital in the shape of Railway subscriptions, and profits upon cotton. Now, the expenditure upon Railways will not last very much longer, unless a great extension of the system is decided upon; and we must look for a steady diminution of the profits we have been reaping upon Cotton. The abstraction of capital *from* India will meanwhile steadily increase; and, let it be remembered, that I have noticed but *one* channel of that outflow (the Governmental demand) where a dozen exist; our whole connexion with India, public and private, being a giant system of absenteeism.

I repeat, that we cannot recognize too earnestly the propriety of investing, as freely as possible, the surplus accumulations of capital in this country upon Indian soil. It is plainly desirable, moreover, that India should obtain

that capital as cheaply as possible, to lessen the weight of the interest, which, by-and-bye, will go to augment the claims of England upon her industry. It is on this account that it is important to induce the people of India themselves to undertake, or rather project, the execution of public remunerative works — viz., that they may retain as large a proportion of the profits as possible, within the country itself.

There are strong objections both to the Guarantee system—under which the Railways are being constructed—and to the system of Public Works expenditure by the State itself. To deal with the latter first. It is unhappily notorious, that the Public Works Department is a costly failure. Whether, by a reorganization of it, it is possible to secure, through that department, the maximum of returns for the minimum of expenditure, I do not inquire. I only know that, as matters now are, we are believed to have the maximum of outlay, and the veriest minimum of returns. Indeed, I doubt very much whether, of the whole Public Works expenditure of India (excluding that upon Railways), *one-half* is not as absolutely wasted as though it were thrown into the sea. Well-informed men, who know the department thoroughly, affirm that five-sixths of the expenditure is lost. I believe no one had a stronger conviction of the waste of the department than Sir C. Trevelyan, while he was powerless to remedy it.

The drawbacks to the Guarantee system are patent to the world. We have divided responsibility; and incessant clashing, delays, and ruinous expense, as the result. The guarantee deadens the interest of the shareholders in the economic construction and profitable working of the lines, while the interference of the Government disgusts their

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executive. There is room, moreover, for looking with jealousy upon a system which leads to our borrowing capital in England upon much less favourable terms than the Government might command if it chose; and I venture to point out "a more excellent way" for our adoption.

I think, then, that "the Guarantee system" should be made to give place, as far as possible, to one not so calculated to weaken private interests in the results. I would use the *credit* of the Government to enable projectors in *India* to borrow capital upon better terms than they could otherwise get. India is so distant a field of investment, and its climate so much dreaded, that we shall never find English capitalists on the London Stock Exchange very ready to embark therein without a State guarantee. On the other hand, the English capitalists on the spot—I mean the mercantile community in India itself—seeing around them a vast field for profitable works, are the very men to project such works, as *the leaders of the Native wealthy community*.

It is because of this, that I look with deep interest upon such enterprises as the great Reclamation Works in Bombay, the shareholders in which are chiefly native. It seems to me that the work is in the *right* hands, and that it is vastly better for India that a Company of its own should be doing the work, than that a London Company should have undertaken it. The profits, it is believed, will be very great, and it is of importance to India that those profits should stay *there*, instead of coming *here*. What the Government might do, and, I submit, should do, is to employ its credit to help the Projectors to borrow money *upon cheaper terms* than can be obtained in India. In other words, the Government should either lend the Reclamation Companies money upon a mortgage of the land, or float their debentures upon

the London Stock Exchange with a Government indorsement. The Government might easily borrow any amount of money for such enterprises at four and a-half to five per cent., and could charge the Companies six per cent.; the margin being a clear gain to the revenues of India, or a sort of premium against possible risks.

The advantages of such a system of assistance are clear.

As security :—

1. There would be the standing and responsibility of a body of shareholders, concerning whose means and position the local Government would possess full information.
2. There would be the works themselves, concerning the value and prospects of which the Government would be able to form an exact judgment.
3. There would be the capital subscribed and expended by the Company itself, which should of course bear some proportion to the amount loaned by the State to assist the enterprise.
4. There would be the most powerful of human motives at work to secure the success of the enterprise—viz., the private interests of the shareholders, free from the benumbing influence of a guarantee.

Other advantages would be these :—

1. No divided counsels in the prosecution of the works.
2. Freedom from Governmental interference; which experience shows to be so uniformly harmful.
3. Certainty of the most rigid economy in the construction and prosecution of the works.
4. The *retention within India itself* of the greater part of the profits resulting from the enterprise.

In making a special application of the thing to the circumstances of Bombay, I select "The Elphinstone Land Reclamation Company" for illustration. The public importance of this great enterprise I need not discuss. I see from their last Report that the Company have expended about a million and a-quarter sterling as far as they have gone, and that they contemplate having to make a fresh call upon the shareholders early in January. I do trust, with all my heart, that they may be able to avoid this, in the circumstances of the place. Stricken down as Bombay is, by the successive crises in the Cotton Market from October, 1864, down to May last, it is cruel to call upon its community—reeling under these calamities—for further contributions to Public Works. There is a great future before Western India while cotton remains anything above sixpence per pound, and the recovery of Bombay to financial prosperity is but matter of a little time. But it must have that time. Now, instead of making a call upon the shareholders, why should not Government give them assistance? Has not this Elphinstone Company, for instance, done enough to entitle it to such assistance?

It seems to me that the State cannot refuse it without falsifying the pledges and assurances of years, that it is anxious to assist private enterprise in the prosecution of Public Works in India. The boon to Bombay would be immense at this crisis; but the chief thing is to get the principle involved in the application fully brought out, with a view to its adoption in favour of *all* well-considered private enterprises in India. Upon no other principle, perhaps, could Governmental help be so healthfully, so wisely, extended.

To return to Bombay for a moment. The financial prostration of the place, and the peculiar position of its Share

Market—flooded by the banks in liquidation with shares of all descriptions—make it of great moment that assistance should be given to every Company therein pledged to public improvements, where it safely may be given. Of course, the Government upon the spot must be the judge of what enterprises should be assisted in the way I have pointed out; an assistance which, I am sure, might be rendered to the Company I have named, with the utmost safety, and with the most reassuring and happy effects. If the great Public Works in course of prosecution in the island, after the vast sums of money so spiritedly sunk in them, are to be abandoned, or even deferred for a long course of years, the fact must be, I think, a reproach upon the Government which permitted it, while professing the most earnest desire to help all useful enterprise in the country. The assistance of Government at this juncture would have a most happy effect upon the island, bringing back hope and courage to all classes. No financial pressure at Calcutta need, for a moment, stand in the way; since a Government endorsement of the debentures of the Companies to be assisted is all that would be required. That endorsement has, I observe, just been given to the G. I. P. Railway Company for £1,000,000 sterling; and I submit that similar assistance might be extended to some of the great Public Works in progress in Bombay, with equal propriety. The Elphinstone Reclamation Company has already reclaimed, and presented to the Government, 50 acres of land as a site for the Goods Terminus of the G. I. P. Railway, which must otherwise have been reclaimed by the Government itself at enormous cost. The Bombay Reclamation Company, on the opposite side of the island, has engaged, on its part, to give the Government a site for the Terminus of the Bombay and

Baroda Railway. The works are being carried on, in both cases, without a guarantee of any kind, at the risk of the shareholders; and the very least the Government can do, in a period of pressure like this, is surely to assist the Companies to carry on the works, without further calls upon the shareholders, till the island has somewhat recovered from its prostration. If it is right for the State thus to assist enterprises which already enjoy the guarantee, *a fortiori* must it be so in the case of enterprises that have been undertaken for great public improvements without a guarantee. That concession in the present case would be immediately followed by demand in others, is exactly what I wish to see take place, For the reasons I have pointed out, the most healthful way of stimulating the prosecution of Public Works in India by private enterprise, seems to me to be the offer of Governmental assistance to raise capital in definite proportion to the shareholders' outlay. In this way a reasonable prospect will exist that Public Works will be effectively and profitably undertaken by the people of India themselves, while the Government lends simply its *credit* to enable them to construct the Works economically.

Commending this suggestion very earnestly to your Lordship's kind consideration,

I am, my Lord,

Your Lordship's most obedient servant,

ROBERT KNIGHT.

The Right Hon. Lord Cranborne,
H.M. Secretary of State for India.

LETTER

TO THE

RIGHT HON. SIR STAFFORD NORTHCOTE, BART.

H.M. SECRETARY OF STATE FOR INDIA,

UPON THE

PRESENT CONDITION OF BOMBAY

WITH

SUGGESTIONS FOR ITS RELIEF.

BY ROBERT KNIGHT,

(“TIMES OF INDIA.”)

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TO THE

RT. HON. SIR STAFFORD NORTHCOTE, BART.,

H.M. SECRETARY OF STATE FOR INDIA.

Sir,—A few months ago, in a letter to your predecessor, the Right Hon. Lord Cranborne, I ventured to suggest that the Government of India might give considerable relief to Bombay, by assisting the Reclamation Companies of that island to raise money upon the London Stock Exchange, for the prosecution of their works; further calls upon the shareholders being greatly to be deprecated in the prostrate condition of the place.

The courtesy and attention which my proposal received, embolden me, now that I have just returned from a six months' visit to Bombay, to place the results of my renewed personal observation of its state before Her Majesty's Secretary of State for India, in the conviction that it is quite within the power, and the legitimate province, of the Government to give effectual relief to the island, in

the direction which I pointed out in my former letter.

In doing so, I shall take the liberty to trace, as briefly as is consistent with the purpose I have in view, the history of the place from the commencement of the American War. It is desirable to do this, I am persuaded, from the very imperfect insight which people have into its condition, and the erroneous impressions abroad as to the extent of the disaster that has befallen it. Thus nothing is more common, even amongst Indian publicists, than the statement that Bombay has allowed the American War to pass away unimproved; that, instead of wisely investing the wealth so lavishly poured upon her thereby, in works of public utility, she has allowed the golden opportunity to pass, and is now being rightly punished for her folly and extravagance.

That great folly and extravagance have marked the course of the people of Bombay city in the last five years, must be humbly admitted; but it is forgotten that the exhibition of that folly was purely local, and confined exclusively to the island itself. What the American War has done for Bombay is this: it has raised up an immensely wealthy community, behind the island, in a Mofussil that retains every rupee of the profits which the unprecedented prices of the last few years have conferred upon it. Our publicists (in particular the Calcutta correspon-

dent of the *Times*, a very unfortunate connexion of that journal) are constantly lamenting the ruin of Bombay, and the dissipation of the wealth secured to it by the war. The simple reply is, that the wealth is still there. Not one shilling of its vast imports of silver has Western India really lost. Indeed the ruin of Bombay Island has largely ministered to the wealth of the Bombay Mofussil.

The island has been, for years past, between the upper and the nether millstone of Liverpool, and the Mofussil. The wealth of the agricultural masses behind Bombay, has enabled them, as strong holders, to exact extreme prices of the Bombay shippers, who in their folly have taken upon themselves the risks attending those prices, for the chance of a profit altogether incommensurate therewith, and that in a market distant six months from the port of shipment. The Mofussil of Bombay has thus gained what Bombay itself has lost, by the terrible fluctuations of the Liverpool market since the first dip in cotton in September 1864. To understand the present state of Western India, therefore, it is necessary to draw a sharp line between the island of Bombay, which is merely the port of shipment, and the Mofussil of Bombay, in other words, Western India. The one is impoverished and prostrate; the other wealthy beyond all precedent; and I need hardly remark that, eventually, the wealth of its Mofussil means the wealth of Bombay itself.

I make these remarks to dissipate, if possible, the erroneous impressions which are abroad as to the extent of the disaster that has befallen us. It is strictly limited to the island of Bombay itself, and therefore of no *national* moment whatever. The truth is, that the public spirit shown by its community, and by the Parsees in particular, gave the city a *prestige* more than commensurate with its real powers and capabilities; and now that that *prestige* is destroyed, our publicists are ready to lament the fall of our small local community, as though the fortunes of all Western India were bound up therewith.

Let me now attempt to describe Bombay *island* and its Mofussil, as they stood respectively at the outbreak of the American War in 1861. The Mofussil, or Western India, at that period, had entered upon a course of well-marked and steadily growing improvement. Its cultivators had been slowly emerging, from about the year 1847, out of the deep poverty into which they had sunk from the subversion of the Mahratta rule in 1818 down to the year I have named. The change of administrative system under British rule, in particular the exaction of the Land Revenue in money, where it was taken *in kind* under the Mahrattas, had wrought a most disastrous change in the condition of the ryots, who were everywhere reduced to a position of dependence upon the money-lender (*soucar*).

For many years, however, before the outbreak of the American War, the growth of our export trade had opened a way for the importation of silver into the Mofussil, in payment of the cotton and oil seeds it produced for Europe. The people, meanwhile, were holding their lands at a rental extremely low; leases everywhere being confirmed to them by the State, for thirty years, at very low rates. The result was that the cultivator was everywhere slowly emancipating himself from the grip of the money-lender; and when the American War came, it simply intensified the movement and completed his freedom. For the first two years, however, of that war, the profits upon Indian cotton fell very largely into the lap of the Bombay merchant; and it was not till 1863 that the ryot became fully aware of the value of the staple, and began to exact it from the middlemen who dealt therein. From that date, the shipment of cotton was attended with great risk. The price of the staple upon the spot, stood for months together at Rs.600 to Rs.650 the candy, where in former years it was Rs.80 to Rs.90; and individual Bombay merchants were whispered to be holders, at these prices, of quantities varying from 20,000 to 120,000 bales!

I will now briefly describe Bombay itself, at the commencement of the war. Unlike Calcutta, the trade of Bombay has ever been largely in the hands

of its native community. There were, perhaps, forty to fifty European mercantile houses in the place in 1861; but the greater number of these confined their operations, all but exclusively, to agency or commission business. Thus they sold upon commission the piece goods and metals consigned to them by their constituents at home; and undertook, for a commission, the sale in Europe of the shipments of produce made by native firms thereto. The old firms of Forbes and Co., and Remington and Co., confined themselves almost exclusively to this class of business; while the merchant houses *proper* of the place, headed by Graham and Co., Ritchie, Steuart, and Co., W. Nicol and Co., were very extensive shippers upon their own account, as well as houses of agency.

The repute of our mercantile community was probably unrivalled in the year 1861. Calcutta and China had been periodically destroyed by commercial disasters; but in Bombay failures were unknown. Its merchants had passed unscathed through the tempest of 1847, and, ten years later, through the terrible ordeal of 1857. In particular, the Parsee community was held to be the embodiment of all that was prudent, and successful, and honourable in trade. As the birthplace, moreover, of the great Oriental Banking Corporation, and of other institutions only second thereto in magnitude, the city was justly regarded as the great heart of the banking

world in the East ; and we held our heads very high in consequence.

We were proud of our banking establishments ; of the unblemished credit of our great European houses ; of the public spirit of the Parsee community ; and of the enterprise of our native merchants. In spite, too, of a somewhat inadequate supply of water and a disgraceful sanitary condition the island enjoyed a climate of singular salubrity, and boasted the finest harbour in the world. Marked out by its position and natural advantages, as the capital, not of India only, but of Asia, the terminus or centre of all the steam navigation and railway traffic of the East—what wonder if its people were elated by their prospects, and but too ready to be betrayed into extravagance by such an event as the American War ?

In the very midst of our prosperity, there were certain elements of ruin amongst us, which became fatally developed in the course of the war. It is one of the misfortunes of the non-official body of Europeans in India, that it is composed almost entirely of young men. The private firms and the banks of India are represented by a succession of gentlemen, who, going to India at twenty-two years of age, expect to retire therefrom with fortunes at thirty to thirty-five. Now, for many years before the war, the young banking *personnel* of Bombay had become largely demoralized. Managers and

directors too, in some cases, were in secret partnership with the brokers of the place, for speculative operations in the Share Market. The community being small, and the managers intimate with each other, the discount resources of each bank were at the disposal of all the others. Where the directors themselves were not participators in these ruinous courses, they all but openly connived at them; and the result was, that the managers of these institutions, handsomely as they were paid, came to look upon their appointments as valuable chiefly for the indirect sources of gain opened to them thereby.*

With the financial institutions of the place thus demoralized, full scope was given to the speculative tendencies of the community. An important section of the native mercantile body had long been engaged in purely gambling operations in the opium trade; and the practice of time-bargaining, hitherto confined to that market, speedily spread to the cotton trade, when the quotations for the staple began to fluctuate violently with the advices of each mail from Europe. The enormous gains which were made by shippers of the staple in 1861 and 1862, when the course of events in America was not quite certain, sent the whole community mad. Impatient of the trouble of actual trade in the staple, all

* It is just to exempt from these strictures the Oriental Banking Corporation and the Commercial Bank.—R.K.

classes rushed into time-bargains with the native brokers for the sale or purchase of cotton, upon the understanding that, at the maturity of the contract, settlement should be made simply by payment of the difference in price. Now it was the spread of this practice, two or three years later, to the Share Market, that brought about the ruin of the place.

At the outbreak of the war, in 1861, the Bombay community stood with an unblemished credit; with the reputation of great mercantile qualities; the *prestige* of a genius for banking enterprise such as no other city possessed; and with an amount of public spirit unknown elsewhere in India. Its resources were—the accumulations of past years of successful trade; an indefinite credit; a Mofussil behind it steadily improving in wealth; and now *the opportunity of the War*. For the first two years of that war the vast profits that were made upon the shipment of cotton to Liverpool, fell chiefly to the lot of Bombay merchants. It was some time before the growers of the staple became sufficiently assured of the course of events to demand the extreme prices which they afterwards exacted. In the meantime, I say, the lion's share of the profit fell to the lot of Bombay itself.

It would have been well for us had it been otherwise. This sudden accession to the wealth of the island, it was, that generated the folly and extrava-

gance that ensued. Unaccustomed to hold land, or invest money in any way in the Mofussil, a desperate struggle began amongst the native merchants for the investment of their gains within the limits of the island itself. The result was, that all descriptions of property were submitted to sale, and realized fabulous prices. Land changed hands at enormous prices; new houses were commenced all over the island; new press companies and great shipowning companies founded day after day; new banks projected almost hour after hour; and finally, giant reclamation works undertaken, in the belief that the resources of the island were boundless.

What the available capital of the place was in 1864, it is difficult to say. It consisted of the exceptional gains of 1861-2-3. I doubt very much myself, whether that capital ever exceeded 10,000,000*l.* sterling. The narrowness of the sphere within which it was to be employed, gave an impression of its magnitude altogether false and erroneous; an impression shared, unfortunately, by the Government of Sir Bartle Frere in common with the island.

It must suffice to say, that at the period in question, Bombay believed its resources to be boundless; and acted accordingly. The community entered upon a scale of private and municipal expenditure, altogether unknown in the island before.

Giant works of public improvement were projected ; the most princely donations were made by native gentlemen, for the foundation of educational institutions ; the fort walls were pulled down that a new city might be built upon their site ; and all the public lands of the island were put up to sale, in the belief that private capitalists would pay unheard-of prices for them, and that out of their proceeds the new capital of India would arise in fitting splendour.

This lamentable mania was shared, as I have said, by the Government as well as the community. The resources of private enterprise were believed to be boundless. In the light of the unfinished works now scattered all over the island, we see how limited those resources really were. In view of the amount of private enterprise to which the island stood committed at the close of 1864, it is not too much to affirm that in the popular apprehension of the time they were magnified five-fold.

Our subsequent losses have been exaggerated in the same proportion. For we cannot have lost what we never had to lose. Measured by the delusive premiums which all descriptions of shares bore in 1864-5, our losses have been frightful indeed ; but measured by the real amount of capital that has been lost, they are of magnitude only because they have fallen upon a very small community. Bom-

bay is poorer in July, 1867, than it was in July, 1864—

1. By the losses of three years of unsuccessful trade; owing to the high prices paid the Mofussil for cotton.
2. By its private and municipal expenditure, during the same period.
3. By the large amount sunk in unfinished buildings and other abandoned works in the island.

What these losses may aggregate it is difficult to estimate; but that Bombay, upon the whole, is still wealthier than it was at the outbreak of the war in 1861, I think there can be no doubt. In other words, while the Mofussil is allowed to have gained enormously by that war, I doubt even if Bombay itself has lost, except in credit and *prestige*.

To the popular apprehension, our losses are unduly magnified, from two or three causes. The calamity which has befallen us, has unfortunately stricken down the most public-spirited section of our community, the Parsees. Unimportant in point of numbers, their mercantile genius and wonderful public spirit, made them the leaders of the place; and it is they, unfortunately, who have been the chief sufferers by the course of events. The fall of the truly excellent Mr. Rustomjee Jamssetjee Jeejeebhoy was felt as a common calamity by all classes; the shops in the native town being closed in many instances in testimony of the grief of the people at the event. The ruin of Bombay may almost be described, in a word, as the break-up of the Parsee

community ; and its credit and prominence in the mercantile world, having been altogether disproportioned to its strength in point of numbers and capital, have largely helped to magnify our ruin in the eyes of the world. I take the opportunity in passing to avow my disbelief of the statement that the insolvent firms of this community have, as a rule, concealed their property from their creditors. I have been upon the spot myself, and I do not believe the statement for a moment ; and it certainly is not for us to point the finger at this stricken community, after the disgraceful revelations of the last two years concerning English malpractices in the Joint-Stockeries of the island.

Another cause of the prevailing error, is the fact that a section of the community, generally regarded as safer than all others, has come to grief in a very signal manner. Strange to say, the lawyers of Bombay are amongst the most prominent victims of the crisis. The solicitors have been struck down as a body, while many of the bar, and, if report speak truly, two of the judges of the High Court, are involved in the general disaster. In a small community like that of Bombay, instances of misfortune so rare of course attract much attention ; and when to these are added the numerous cases in which the servants of Government, civilians, officers, and even chaplains, are compromised, the magni-

tude of the disaster becomes unavoidably exaggerated.

But more than all these causes put together, is the effect upon the public mind of the fall of almost every Joint-Stockery in the island, and the virtual insolvency of the Bank of Bombay itself, the Government Bank. Amidst a mass of private insolvencies, some sixty banks and financial associations are at this moment in course of liquidation in the island. An announcement so startling cannot but convey a very exaggerated notion of our losses to the outside world. It is forgotten that owing to the system upon which these banks and financial associations were started, they might almost as well have been 600 as 60 ; for the capital of one institution was made to do duty for the establishment of a dozen others. Not one in five of these financial Joint-Stockeries, in the course of their existence of a few months, did a single day's legitimate business. They were started by the score, by mere premium-hunters ; and their capital subscribed, in the shares of pre-existing companies. Thus, a capital of 1,000,000*l.* sterling, sufficed to start an indefinite number of banks and financial associations, so long as they were content, as these banks were, to hold all their capital in the shape of each other's shares. The demoralization of the youthful banking *personnel* in the island (referred to in a previous page), and the control of their resources by a knot of clever

brokers, kept the bubble from bursting for a few months, and even obtained quotations for their shares at a premium. Their collapse, however, was inevitable, and their fall dissipated no real capital whatever. The only loss they occasioned the community, was the cost of maintaining a body of managers and clerks to do nothing but register the gambling transactions in which they were engaged.

The most serious feature of our case is this—that the private resources of the island are no longer in the hands of a small and public-spirited body, like the old Parsee community, but are distributed amongst a multitude of small holders, not powerful enough to buy the properties offering for sale; and amongst the great hoarding class of Bhattias and Bunias, who will invest in nothing but Government notes or Government paper the capital they are not employing in trade. The result is, that while a mass of real property is being forced upon the market, by insolvent estates in liquidation, there is no one to buy it. The class that could buy will not; and it is hard to see how any liquidation can be effected that will not prove ruinous to creditors. The action of the few banks that remain, intensifies the difficulty in which holders of real property are placed. Where formerly they were making advances upon everything, and to everybody, they now confine themselves rigidly to what no doubt is their legitimate business, and refuse to advance not only

upon real property, but even upon fully paid-up shares of any kind whatever.

It is in these circumstances that the necessity and the propriety of Government assistance seem to me to be clear. Bombay has made the common mistake of converting too much of its capital into dead stock. In so far as that capital has been invested in private buildings, the State can, of course, do nothing to assist the owners. But the case is very different with the works which the public spirit of Bombay undertook to carry through, some years ago, and under which the private enterprise of the place has now broken down. I refer particularly to the great reclamation works of the island.

To understand the claims of these companies upon the assistance of the State, it is necessary to recal their history. Let me take that of the well-known Elphinstone Company. The Government of India, by its contract with the Great Indian Peninsular Railway Company, was under engagement to provide a terminus fifty acres in extent, for the goods traffic of the Company in some convenient locality in the island. Now it was found impracticable to procure any such terminus within its limits except at a frightful cost; and it became clear that the terminus would have to be reclaimed from the harbour. In this position of affairs, a company of private gentlemen, English and native, came forward and offered to reclaim the re-

quired site, upon condition that a part of the foreshore of the harbour was made over to them in perpetuity. The offer was made at a period when the public of Bombay believed itself capable of doing everything for itself, and looked with disfavour upon State assistance in any work that private enterprise was willing to undertake. The local Government of the day shared the delusion of the public. The offer was accepted, and the concession made.

The Company nobly redeemed its promise. It reclaimed the whole site required for the terminus, and made it over to the Government; a virtual present of 1,000,000*l.* sterling. It has also reclaimed an immense area of land on the harbour shore, where the native town of new Bombay must stand beyond question, and the future value of which will be enormous. But the Company, like everybody else, miscalculated its strength. In other words, the private enterprise of the island undertook to do for the State, what it is now found it was really unable to do without ruin. Immensely valuable as the Company's works are, its shares hang like an incubus over the place. No bank will advance even upon its fully paid-up shares; because it is now found that such advances are not *legitimate* banking business. No capitalist will look at its new shares, with Rs.400 paid up, because of the liability to (Rs.600) further calls thereon; and so this truly noble enterprise, which has conferred so vast a

boon upon the State, and stands possessed of so immensely valuable a property, is absolutely an embarrassment to its shareholders, owing to the peculiar position of the place.

Eight months ago, I ventured to suggest that Government should assist the Company to complete its works, by guaranteeing its debentures upon the London Stock Exchange. I am now satisfied, after visiting the works myself, and careful consideration of the state of Bombay, that Government would do better to resume the concessions it has made the Company, and pay them for their works a price to be fixed by an arbitration of Government and other engineers. Such a step would set free at once in Bombay 1,500,000*l.* of money; and its effect upon the depressed interests of the place would be perfectly magical. The Government would become once more the owners of a foreshore, which it has been vehemently contended ought never to have been alienated; and this mass of real property, now absolutely inconvertible, melted down into a shape that would give indefinite relief to the island. Until some such relief does reach the place, it is difficult to see how the small community can rally. The slow accumulations of future years will of course work eventual ease; but what are we to say of a Government which may properly anticipate the cure, and idly or ignorantly refuses to do so?

It will ever be subject of just reproach against

the Government of India, that when the private enterprise of the island broke down ten months ago in the effort to reclaim a terminus for the Bombay and Baroda Railway Company in Back Bay, instead of a prompt and generous movement to sustain that enterprise, as far as might be consistent with public interests, the Company was threatened with legal proceedings to compel them to carry out their contract!

It is now clear as the sun at noonday that the private enterprise of Bombay, in taking upon itself the reclamation of these two great termini, and making them a present to the State, undertook what it was not strong enough to accomplish.

The value of the concession made by the State on the foreshore of Back Bay we now know to have been utterly delusive. In the case of the Elphinstone Company the foreshore will undoubtedly be of great importance by-and-bye, but its possession by the shareholders at the present moment is simply an embarrassment to the whole island. In the case of the Back Bay Company the State has been compelled, by the bankruptcy of the Company, to proceed with the works at the public cost; and I cannot but think that more consideration might have been shown its unfortunate proprietary in the terms finally made with them. Let it be understood that these contracts have resulted, in the one case, in the actual reclamation of a noble terminus for the Great

Indian Peninsular Railway Company, at a private cost of 1,000,000*l.* sterling; and in the other in the ruin of the Company (which undertook to do a similar service for the Bombay and Baroda Railway Company), after an outlay of nearly the same amount. In each case the State—that is, the whole Indian public—makes an enormous gain at the cost of the private enterprise of Bombay. For the State *must* have encountered the outlay, if the private enterprise of Bombay had not; while the consideration made in return for these sacrifices proves to be valueless in the one case, and too deferred in the other to be of any present convertible worth.

The Back Bay Company has disappeared; but the Elphinstone Company, the United Victoria Company, and two or three minor companies remain. It is strenuously contended upon the spot that the concessions which have been made in each case to these companies, are likely to prove very injurious to the interests of the future trade of the place. I never held this view myself, but it is certain that many well-informed persons in the island do. If they are right, there can be no question that Government should seize the present opportunity of resuming, upon equitable terms, the foreshore which, upon the supposition, has been improperly alienated. The only works of magnitude are those of the Elphinstone Company and the United Victoria

Company; and both reclamations might be purchased by the State, I have little doubt, for about 2,500,000*l.* Payment would gladly be taken in 5 per cent. paper, at a just premium, and this paper would at once draw out the hoards of the classes who will invest their spare capital in nothing else. By melting in this way 2,500,000*l.* of the dead stock in which the private enterprise of Bombay has unwisely invested its means, *instant and full relief* would be given to the island. The State would become the proprietor of a foreshore and of lands, which it is asserted ought never to have passed into private ownership; and the whole island would put on a new face at once.

The supposition that Bombay would get any relief from the amalgamation of the Bank of Bengal with our local State Bank is simply absurd, since the revolution of sentiment in the banking world of the place is now such, that no bank will entertain anything but what is called *legitimate* banking business. A Land Mortgage Bank, with 3,000,000*l.* of capital to lock up, might give the place great relief, but the importation of 1,000,000*l.* of money from Bengal, for employment in *legitimate* banking, would give us none whatever.

What the island wants is to get advances upon its real property, while there are no parties to make them. Let the State but buy up the reclamation works of the island at a valuation determined by a com-

mittee of Government and other engineers, and the island will be effectually relieved.

I trust I may be pardoned for saying that a well-advised Government would long since have taken some such step as I recommend. It is, perhaps, desirable that I should add that I have neither share, nor personal interest, of any kind in any company in the island.

I have the honour to be, Sir,

Your obedient and faithful servant,

ROBERT KNIGHT.

[“TIMES OF INDIA.”]

THE MOORS, TWYFORD, HANTS,

August 3, 1867.

SPEECH
ON
INDIAN AFFAIRS,

DELIVERED BEFORE THE

MANCHESTER CHAMBER OF COMMERCE,

ON THE

24TH JANUARY, 1866.

BY

ROBERT KNIGHT.

(“TIMES OF INDIA.”)

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P R E F A C E.

SIR CHARLES TREVELYAN'S device of Export Duties, to meet the deficit which the Budget Estimates professed to show in the Indian balance-sheet for 1865-6, drew forth from the press of this country a series of comments upon our finances, marked by so painful an absence of exact, or comprehensive, acquaintance with our condition, that I looked round me to see to whom I might address myself with a reasonable hope of securing a hearing upon the question. The *Times* had refused to publish a letter which I had sent to it upon the subject—a letter which I venture to think it ought to have welcomed to its columns, as the contribution of a writer who had very closely studied Indian finance upon the spot. In despair of awakening public attention in this way to considerations which are completely overlooked in this country, I determined to address myself to “the Manchester Party,” in the hope that it might be induced to look carefully and comprehensively into our finances. I addressed myself to them, because, after all, they seem to be the only body of men in England who are willing to make any effort to grasp the facts of our condition. We have

no right, I submit, to inspect too narrowly the motives of Manchester in this matter ; and it is hardly decent on the part of gentlemen who refuse to take any interest in Indian affairs themselves, to carp or sneer at those who do.

In pursuance of this resolution, I sought and obtained in June last an interview, in London, with Mr. Bazley, and other members of the House, in the presence of Mr. Henry Ashworth, the respected leader of the Manchester Chamber of Commerce ; and I think I may venture to say that at the close of a long conversation with these gentlemen, I left them impressed with the necessity of bringing the whole subject of Indian finance under exact parliamentary inquiry.

The session was then too far advanced to admit of anything being done before the dissolution of the House, but Mr. Ashworth did not forget the pledge he gave me, that Manchester should take up the subject. Accordingly; a few weeks ago, I was invited to attend a conference of its Chamber to discuss the following subjects :—

1. The impolicy of levying Duties on Cotton Goods and Yarns imported into India.
2. The impolicy of Export Duties, as shown in the case of Saltpetre.
3. The advantages likely to attend the Sale of Waste Lands of India in fee-simple.
4. The Perpetual Settlement of the Land-tax.
5. The enactment of a Law providing for the registration and enforcement of Contracts, and the establishment of Small Cause Courts, at convenient distances throughout the country, invested with Summary Jurisdiction.

6. The more active prosecution of Public Works, especially as regards Roads and Irrigation.

The Conference took place on the 24th ultimo, when the Chamber was addressed by Mr. Dickenson (of the Indian Reform Society), Mr. Walter Cassels (late of the Bombay Legislative Council), Mr. Danby Seymour, Lord William Hay, Sir Arthur Cotton, and myself. As I followed these gentlemen, at the close of a long sitting, and spoke at considerable length, the reporters abandoned the attempt to do more than note what seemed to them to be the main propositions of my address. It has been represented to me, however, that it is of some importance that what I said on the occasion should be more widely known; and in reproducing from my notes the considerations I laid before the Conference, I have endeavoured to state exactly what I wished to have said upon each subject, rather than what I may have said. I have also increased the speech by embodying in it the substance of certain remarks which I made in conversation subsequently with some of the leading members of the Chamber, as I am anxious that the subjects dealt with may be fully understood.

We are carrying through in India at this moment a fiscal revolution of fatal import to the country, upon the strength of a vague general impression that we are doing a wise thing; an impression so erroneous that the least *exact* inquiry is sufficient to dissipate it. A Permanent Settlement of the Land Revenue throughout the whole of the North West

Provinces of India, has been proclaimed within the last eighteen months, while the Government of the country does not possess as much exact information, as to the pressure of the impost upon those provinces, as would justify it in settling the bazaar duties of a village.

So little appreciation is there, moreover, of what that change means, that Sir Charles Wood told me, in the course of a conversation I had with him, upon my arrival from India in 1864, that *no change* would be made in the Land Settlement of the country. Within three months of that assurance, a Permanent Settlement of the Land Revenue was proclaimed throughout the whole of the provinces I have named! The news of this revolution has been received almost without comment in this country. I do not hesitate to say, that peaceful rule of India in the future will be impossible, if Parliament do not lay its arrest upon the monstrous folly of which that settlement is the expression. There has been no Select Committee of Inquiry into Indian affairs since 1858—9, and if ever such a Committee were needed it is certainly at this crisis, when the whole fiscal system of India is to be recast, apparently, upon the model of this country, while everything in the circumstances of that Empire, speaks trumpet-tongued to us of the danger of such a course.

It is a curious fact that this great revolution is being carried through, in the teeth of an almost unanimous expression of opinion against it, in the leading organs of this country

no later than 1862, when it was presented in the far less fatal shape of Lord Canning's famous Land Resolution. On that occasion, the *Times*, better informed than it is now, assured us that the scheme was nothing less than "a total subversion of the fundamental principles of Indian Government thoroughly understood and deliberately adopted by the great statesmen who ruled India under the Company. It is the surrender of a radical principle of our Indian policy. *It is the sacrifice of the one single opportunity left in the world of carrying out in practice the essential principle of political economy in the maintenance of a community with entire justice and without waste. From the first hour when the philosophy of administration has been understood, it has been admitted that the true source of State revenue is the land, and the only sound policy is to preserve the land as the property of the State. The land is the one species of property which necessarily and perdurably increases in value by the mere growth of society, and which can therefore be charged with the support of the State, precluding all burdens upon individuals, and precisely adapting itself to the demands upon it. The misfortune of all the Western kingdoms of the world has been, that this discovery was not clearly made till the practical application of it had become impossible, through the appropriation of the soil as private property; and when India came into the hands of our fathers, they found themselves in possession of the one opportunity left in the*

“ *world for carrying on government without taxation, and without the necessity for ever instituting taxes.*”

The *Daily News* warned us with equal vigour against the minor change that was then contemplated; while now that a revolution of ten times its gravity is advancing with giant footsteps towards completion, almost no voice is raised in its arrest. One of the great objects of my address to the Chamber was to awaken attention to this subject, while there is yet time for inquiry; the others I had in view, will speak for themselves. And I venture earnestly to beg, in the interests of our great Indian Empire, a patient hearing of considerations novel to the English mind, but vital to the welfare of India.

LONDON, *February*, 1866.

SPEECH.

SIR,—I have listened with great attention to the speeches which have been delivered here this morning, and before entering upon any consideration of the special propositions on which you invite discussion, I must be allowed to make some remarks upon what has fallen from the gentlemen who have preceded me. You opened the meeting, Sir, yourself, by quoting with great approval from an Indian journal the statement that India had allowed the fairest opportunity a nation ever possessed “of establishing, once and for ever, a lasting and lucrative trade in cotton” to slip by her without improvement. The exact quotation was as follows: “It is obvious that the prosperity of a country would be better promoted by a ready alacrity in seizing the great opportunities of improvement which the fluctuation of events is now and again placing within our reach. Never had a nation a fairer opportunity of establishing, once and for ever, a lasting and lucrative trade in cotton than that which the American war offered, and never has a nation more grievously neglected it. . . . It was known that our staple was bad, and in normal states of the market could not hold its ground against that of America; and, instead of any vigorous and enlightened efforts being made to improve it, or to compel improvement, which would have been the exercise merely of a humane despotism, we have a Cotton Frauds Act as the *summum bonum* of legislative wisdom, and a Cotton Commissioner experimenting, and still experimenting and distributing a few pounds of New Orleans seed annually in Mofussil.”

Now, Sir, the journal you have quoted represents largely the non-official mind of India, and I must state, at the outset of my speech, my deep regret that this Chamber so constantly reflects the uninformed opinions of this class. It is one of our misfortunes, Sir—and one that admits of no remedy—that you will never get, and never can expect to get, an enlightened and well-informed judgment upon the affairs of India from the non-official body in that country.

The Bombay Chamber of Commerce at this moment consists of a body of young men, than whom no better judges of piece goods and cotton, I dare say, could be found in the world, but who are void of much practical wisdom on political subjects, and who have necessarily little acquaintance with Indian affairs. You send out these young men at twenty or twenty-two years of age, to sell piece goods for you, and to buy cotton; and they commonly retire from the country within eight or ten years. The consequence is that the only deliberative non-official body we have, the Chamber—whose opinions you are constantly reflecting here—is of an average age of twenty-seven or twenty-eight years. Well, do you think you are likely, Sir, to get much matured wisdom from such a body, or much safe guidance upon the troubled sea of Indian affairs?

From curiosity, I tried out for myself the other day the average age of some twenty members of your House of Commons, taken at random, and of the Peers; and I found the average age of the Lower House to be fifty-four years, of the Lords, fifty-seven. And can any man doubt that it is because of this preponderance of age in your national councils, that so much practical wisdom guides them, and that so seldom is any step taken, in either House, which comes afterwards to be regretted? But what would be the effect, Sir, of getting together a Parliament of the average age of twenty-eight years? I would beg the Chamber to weigh this consideration well. You never, Sir, *can* get from the non-official body of India, an opinion upon public affairs

that you may safely trust; and so long as this Chamber continues to reflect that opinion so largely as it does, its influence upon the conduct of our affairs cannot be otherwise than perilous. Go back now to the quotation you read, and allow me to cast a little light upon it. You will remember that the Cotton Frauds Act emanated from this Chamber. You expressed a strong opinion as to the necessity of such an Act: and in furtherance of your wishes the Government of Bombay appointed a Committee to draft an enactment upon the subject. Two or three of the most prominent merchants of Bombay (the Hon. Mr. Scott amongst them) sat upon that Committee, and both official and non-official members worked loyally at its construction. The Bill was at last published. It was not a perfect Bill; but it was the best Bill the Committee could draft; and how was it received? Why that very journal you have quoted with so much approval, did its utmost to prevent the Bill becoming law! The Government had inadvertently omitted to consult the Chamber *collectively*, in the preparation of the measure; and that wise body of very young men almost insolently told the Government that it need look for no help from them to carry the measure into effect. The dignity of these young gentlemen was offended. They had been insulted, and what they could do they did, to thwart the measure.

Now it is desirable, perhaps, gentlemen, that I should, as bearing on my practical knowledge of these questions, say, that I am proprietor of the *Times of India*, and edited that journal myself from 1857 to 1864. But it happens that I am more. I am a non-official of the non-officials, for I am one of those very coffee-planters of the Neilgherry Hills, upon whose woes Mr. Danby Seymour has been touching this morning. I possess one of the largest estates upon those hills, and have, at this moment, nearly 300 men at work upon it. I have no connexion with Government, direct or remote. I have no expectations from it whatever; but I have had the advantage of watching its course very closely for many

years past, as a political writer. Well, gentlemen, I tell you that it is a libel upon the Government of India to say—as has been said here this morning—that it is disaffected to European enterprise in India. I affirm, from a long course of observation upon the spot, and after full opportunity of forming an unbiassed judgment, that, upon the whole, the Government of India is as wishful to promote European enterprise in India, and push forward the affairs of that country, as this Chamber. You have had a long impeachment, gentlemen, this morning, of the Indian Government from Mr. Dickenson. Now I have the warmest regard for Mr. Dickenson, as a sincere friend of India. I know him to be such, but I know him also to be wrong in this matter. Some years ago, we pulled very much together, when urgent reforms were required; but Mr. Dickenson has been ill-informed on Indian subjects of late years. He has done what you have done, reflected too faithfully the uninformed non-official opinion of India; and he has, therefore, gone wrong. I will give you an instance of it. It is not yet four years since Mr. Dickenson brought out a pamphlet by a Mr. Brown, of Tellicherry, upon Indian affairs. So important did Mr. Dickenson deem it to be, that he himself wrote a preface to it, and launched it from the gates of the Reform Society at the Indian Government. And what was Mr. Brown's complaint? A passionate protest against our injustice to the people of India, in allowing Cotton and Seeds to escape the export duty we levied upon the coarse grains grown in the country! Neither Mr. Dickenson nor Mr. Brown could see, that we did so in the ryot's own interest, that he might compete on the best possible terms with other producers of cotton and seeds. Now, gentlemen, suppose for one moment that the Indian Government had listened to Mr. Dickenson's representations, and put an export duty on cotton, I ask you what would have been the judgment of this Chamber upon the matter? And it is Mr. Dickenson who so vehemently denounces this morning the misgovernment of India, as the cause of your getting no more cotton therefrom.

But again, you heard the same gentleman complain that the coffee-planters of India were left without roads to their estates, and Mr. Danby Seymour seemed to be at one with him. Now I beg the Chamber to observe how readily it may be misled upon such subjects. I am, as I have told you, one of these very Neilgherry coffee-planters, but I have never dreamed of reproaching Government that it had made no road to my estate. These coffee lands lie in inaccessible, out-of-the-way localities, where no roads exist, but simply mountain paths. The coffee-planter selects land in these districts, with the full knowledge that he will find great difficulty in getting his crops to the seaside. Were the lands more accessible, did good roads exist to them, he would have to pay a very high price for them, where he now obtains them for an almost nominal cost. But he has no sooner opened his estate, and brought it into bearing, than he begins to cry out against the Government, because of the difficulty of getting his produce down to the plains. But is the Government to blame for that? Is the Government—all the energies and resources of which are unequal to construct roads, even in the plains—to go up into the hills, and make them for the planter? Let him do, Sir, as I have done, make them for himself. It was only yesterday that I accepted a bill for £500, drawn by my partner, at Coonoor, for making roads to our estate; and I repudiate Mr. Danby Seymour's sympathy, and Mr. Dickenson's remonstrances, on our behalf. This incessant calling upon Government to help us is most unhealthy, and, allow me to add, most un-English. You must not take up such outcries, gentlemen, in this Chamber, if your influence is to be a right one, but must regard with more suspicion than you are accustomed to show, the representations of the non-official class in India.

I am truly sorry, gentlemen, to have had to complain of the tenor of Mr. Dickenson's address, for I have a sincere admiration for his disinterested and laborious efforts on behalf of India. I only wish they had been of late years more wisely directed.

I will now proceed, Sir, to take up, in regular order, the propositions for discussing which we are invited here to-day. The first of them is this :—

The impolicy of levying duties on Cotton goods and Yarns imported into India.

Gentlemen, you want in this Chamber greater breadth in your treatment of Indian affairs. I agree with you that it is bad policy to levy duties on yarn and piece goods imported into India, but not on the ground on which you come to that conclusion. I tell you that it is bad policy to levy Customs duties *at all* in India, because you never can get a revenue from such duties. A tax never draws well, till it reaches the masses. Now it so happens, that the only articles of general consumption that pass through the Indian Custom-house, or are ever likely to pass through it, are the products of your mills and looms. The total gross revenue we are deriving at this moment from the vast network of Customs machinery which stretches along our coast of 3,500 miles, is less than £2,200,000 ! And, gentlemen, you will never get much more. The existence of Custom-houses in India is but a wretched imitation of the fiscal system which has grown up in Europe, under a condition of things totally different from what prevails in India, or ever can prevail there. You find no difficulty in this country in raising a vast revenue with great ease through your Custom-houses. But why? Because through your Custom-houses lies the highway of half-a-dozen products of the world's industry, that are consumed by every man, woman, and child in the country. Thus you get a very large revenue from a small duty upon tea, because every one drinks tea ; from coffee, because every one drinks coffee ; from sugar, because every one uses sugar ; and so on. *A tax never draws well, till it reaches the masses.* And so, the *only* important source of revenue in our Customs list in India, is just those very manufactures which you want to see imported free. I, also, should like to see them imported

free; but as they yield us half our revenue from Customs, if you admit them free, you must admit everything else free. And that, I believe, is our right policy in India: free ports everywhere; because under no conceivable condition of things, can we ever hope to get a revenue of any moment from Customs. It is because of this, that I hold so strongly the impolicy and danger of tampering with the one great and inexhaustible source of revenue in India—the *land!* The advocates of a change tell you that if you will permanently settle the land-tax, the people will soon show a power of consuming *dutiab*le articles that will make you independent of the land-tax. But *what* dutiable articles? Is it to be tea, the people are going to consume; or sugar; or coffee? Why, they are all grown at their doors. Is it to be spirits? The 40,000,000 of Mussulmans *cannot*, and the masses of the Hindoo people *will* not, touch them; and I hope never will.

My quarrel, Sir, with the men who are tampering with our land revenue is this, that while they cannot point out an article or product of any kind, from which there is even a remote prospect of our ever getting revenue in India through the Custom-house, they would have us be content with general assurances that we need have no fear upon the subject. To show, Sir, how inelastic our Customs are, allow me to point out that we are getting very little more to-day from this source, than we were forty to fifty years ago:—

CUSTOMS REVENUE—INDIA.

1817-18 to 1821-22 . . .	£1,667,000
1827-28 to 1831-32 . . .	1,747,000
1865-6	2,191,180

These figures represent the average annual revenue from Customs forty years ago, and the total estimated revenue of the present year. You sent us the late Mr. Wilson to set our finances right, and I would speak with every respect for the memory of that distinguished man; but so

little insight had Mr. Wilson into our real condition, that even *he* dreamed of a large revenue from Custom-houses. But did he find any new dutiable articles that he might tax? No; nor will such ever be found in the list of our imports, unless you make up your minds to tax bullion, and metals, and machinery. All that Mr. Wilson could do was to raise the rates to 20 per cent. By this spasm he screwed the revenue temporarily up to £4,000,000, to sink back within two or three years to its old level of £2,000,000, when his highly prohibitive tariff was abandoned. You may lay it down, gentlemen, as an axiom of Indian finance, that you will never realise a revenue through your Customs establishments. Take the duty off piece goods and yarns, and we have £1,000,000 of gross revenue left;* from which all the charges of collection over 3,500 miles of sea-board have to be deducted. Everything in our circumstances points to the propriety of our declaring free-trade with the world—not comparative free-trade, as you have it here, but absolute; that we open our ports to the ships of all nations, and taking upon ourselves the trifling charges of harbour dues, light dues, and pilot dues, bid all the ships that traverse the ocean “come and welcome” to India, without imposts of any kind. It is impossible to say what the seaborne commerce of India might not become under wise government; but, gentlemen, while declaring her ports free, we must hold fast by her land-tax, for it is the *one* certain source, and the only certain source, of her revenue.

Let me sum up. If we are to have Custom-houses in India at all, then must we pronounce against your first proposition, which declares the impolicy of our levying duty upon piece goods and yarn; for to retain our Custom-houses, and abolish our chief source of revenue therefrom, is plainly absurd. Rather than see such deference shown to the interests of this Chamber, I would consent to an excise

* Raised from nearly 1,000 articles of import and export!

upon the produce of the Bombay mills. For let it be well understood, that the duties we are levying upon your manufactures, are in no sense whatever *protective*. They are imposed simply for purposes of revenue; and if we are to retain import duties at all, then must these be retained. I am not even prepared to say that they ought not to be increased, in such event; but I have told you freely my conviction that the imposition of such duties, at all, in India is an error in our fiscal system, arising from a mischievous caricature of the highly artificial system of taxation that prevails in this country.

I need say very little, Sir, upon the second subject on your paper:—

“The impolicy of Export Duties, as shown in the case of Saltpetre.”

What I have said on the subject of import duties, applies with still greater force to export duties, in a country like India. An export duty, I suppose, is never defensible, except in those rare cases where a country possesses the monopoly of some production. An export duty was laid upon Indian saltpetre, by the late Mr. Wilson, under the impression that Bengal possessed a virtual monopoly of the supply. I shared the belief with that gentleman, but I understand that it is now found that the cheaper salts produced in America, and in France, are competing successfully with the saltpetre of Bengal. Well, if that be so, the export duty levied in the Indian ports should, of course, be remitted at once.

But here, again, Sir, let us get upon a broader platform. Export duties in India are a mistake altogether, and should be wholly given up. We are compelled, by the competition which the ryot has to encounter from the producers of other lands, to allow Cotton, Seeds, and others of our great exports, an exemption from export duties; and the result is, that our vast export trade is burdened with all the forms of a cumbrous Customs' procedure, for

the sake of a revenue little better than nominal. I have not the statistics of the last two or three years with me, but in 1862 I directed the attention of the Bombay Chamber to this subject, in the *Times of India*, as follows:—

“The total value of our exports during the last year, was upwards of £21,000,000. Will it be credited, then, that the gross amount of export duty, realised by the cumbrous and vexatious machinery appointed to collect it, was just £54,416 sterling! The truth is, that in so far as our export trade is concerned, we are compelled to allow it to be free of all but nominal imposts, while we yet mischievously incumber it with an irritating and expensive Customs procedure, that could not be more elaborate, though we were deriving millions from its existence. Let the Chamber of Commerce weigh the fact, that our export trade of twenty-one millions sterling is burdened with all the forms of an elaborate Customs Act for the sake of £54,000 a-year—a sum probably not amounting to what our merchants have to pay in the shape of salaries for clearing clerks, and hardly more than equivalent to the pay of the establishment required to make the levy. On our import trade of £22,000,000 we realised during the year the gross sum of £774,861, against which have to be set about £50,000 for drawback, and all the expenses of the collection. Of this sum, moreover, the duty on yarn and piece goods alone amounted to £360,000, or nearly one-half of the gross collection^s of the port. As the Chamber knows very well, it will not be long before this amount will have to be sacrificed to Manchester demands, when the fact stands revealed that for the sake of a gross collection of £353,000, or thereabouts, we are wise enough to burden a trade of £42,000,000 sterling, with all the hindrances a Custom-house offers to its growth. To increase the pressure of either the import or export duties would be next to impossible, and how wild is the idea of our ever depending thereon in India, for the national expenditure, is clear.”

The belief that I would urge upon this Chamber, Sir, is this, that the Custom-house is an institution unsuited

to our circumstances in India altogether. It costs us far more in the way of hindrance to our trade, than we derive from it, or ever can derive from it. The belief that we shall ever be able to depend upon indirect taxation for the national income will shipwreck us, if we are unwise enough to trust to it; whereas, by opening all the ports of India to an unfettered commerce, we should see a development of its trade that would strike the world with wonder. To illustrate the greater folly by the less, can there be a more pitiful exhibition of the "traditional wisdom" which is forced upon us, than the levy of light dues and harbour dues in our ports? You have not found out yet, even in this country, Sir, all the secrets of successful intercourse with the world. In private life, who that wishes to see his friends, would direct the keeper of his lodge to demand a toll of every visitor to keep the carriage-drive in order, and to pay the cost of lighting it? Not one whit more reasonable are the light dues and harbour dues you have learned from your fathers to levy upon the shipping that comes to your ports, and which you make us also levy in India. Allow us to publish to the shipping of the world that so desirous are we of their coming to our ports, that they shall be free to come and go unchallenged; that we will levy no due of any kind upon ship or cargo, but will regard all the favour of the visit as conferred upon ourselves; that we will lighten the approaches, and mark the dangers, and point out the anchorages of our harbours at our own expense, and that all we ask of them is TO COME! The result of such a course would be that, within 20 years, India would lead the commerce of the world, and you would find all other nations pressing in our wake, imitating, as far as was possible to them, our example, and wondering at our fortunes and our future.

And now, Sir, about waste lands. We are asked to express our opinion upon

The advantages likely to attend the sale of Waste Lands in India in Fee Simple.

That it is desirable to get the waste lands of India cultivated, there can be no doubt; but you must remember,

gentlemen, that it is not waste lands for the growth of cotton, or any other staple of the plains, that all the agitation in India has been about ; but waste lands for the growth of tea and coffee. Now, I am a coffee-planter myself ; but I have learned, from my vocation as editor, I suppose, to take a broader interest in India than planters usually do, and I cannot conceal from myself that the advantages which are expected to flow from the planting of tea and coffee on the mountain slopes of India, are greatly over-estimated.

It is from no love of paradox, nor from any wish to depreciate the planter, that I affirm that the advantages derived by the people of India from the presence of the planter, are far from being as important as he supposes. So settled is the belief that we are to derive immense advantages from the enterprise of English planters, that it is almost dangerous to venture upon an investigation of its grounds. And yet nothing can be more superficial, than popular impressions upon the point. If you inquire at all closely into the subject, it will appear that all the direct advantages of the enterprise, are enjoyed by the planter himself ; and that the indirect ones the country may hope to reap therefrom, are by no means of the magnitude popularly assigned them. It is overlooked, I think, that there is a wide difference between the successful cultivation of a new article of export upon the waste hills of a country, and the successful cultivation of the same article upon the lands already under cultivation. Tea and coffee planting by Europeans upon the waste mountain slopes of India, will have an altogether different effect upon the country, from the successful cultivation of the same products in the plains. For the successful growth of a new export in the cultivated lands of a country, enhances the value of its whole area ; not so the growth of a new export upon its wastes. In the former case, the export displaces less valuable crops ; and, contracting the acreage under such crops, will raise the value of all descriptions of produce together, to the indefinite advantage of the agriculturist. In the case of hill

wastes, however, brought under cultivation with products that cannot be grown in the plains, it seems to me that the agriculturist must lose much of what the labouring class gains. In other words, the demand for labour upon the hill plantations, makes labour dearer in the plains. The mere labourer will gain by this, of course; but it will be at the expense of the producer, who will find the cost of cultivation proportionately enhanced of every staple in which he has to compete with other lands. Thus the advantages the tea and coffee planter's presence brings with it, are largely counterbalanced by the injury it inflicts on the plains. The cultivation of tea and coffee in the hills makes the cost of producing cotton and linseed in the plains greater than before; and, by so much, places the producer at a disadvantage in competing with the agriculture of other lands. For it must be remembered that this is not the case of a land suffering under a surplusage of labour, but of a land in which the dearth of labour is already severely felt. I trust that no one will suppose that I repine at the labourer's good fortune. I am simply pointing out considerations in connexion with European planting, that have been, I think, overlooked.

In the next place, the planter in nineteen cases out of twenty will be an "absentee landlord," drawing a large revenue, as time wears on, from India, and spending it in England. This, of itself, is a very important drawback, in no way counterbalanced by the fact, that the plantations may pass eventually by purchase into native hands; since the purchase-money of these estates, their capitalised value, will find its way sooner or later to Europe. The money paid by the planter for the fee-simple of the land, is too trifling in amount, to be worth estimating in this inquiry. What, then, are the advantages which India is to derive from a cultivation, the profits of which go to enrich not her own children, but ourselves? No doubt it will be replied, that the mere presence of a body of Europeans in the country engaged in such pursuits, will exercise a beneficial influence upon the character, and the future, of the people. I

am disposed to allow full weight to this consideration; but am afraid that the history of colonisation in all parts of the world, is far from encouraging the anticipations formed on this head. To come nearer home, what have the indigo planters done for Bengal, during the half-century of their fortune-making therein? What could be more demoralising to both races, than the nature of the relations subsisting between them, at its close? And as to securing good government for the people, the Bengal planters were willing enough, it is to be feared, to have allowed the old state of matters to have remained until doomsday, so long as their own powers remained intact.

But let us suppose, that the advantages which are to flow from planting enterprise in India, are to be all that is predicted of it, what grievance is there in the Government putting those tea and coffee lands up to auction, that it may obtain the best possible price for them? So restricted are they in extent—at the Neilgherries, for instance—that it is difficult, if not impossible, any longer to obtain land there at all. I myself was one of those aggrieved gentlemen who applied for land under Lord Canning's rules, and had to submit to take it under Sir Charles Wood's. I certainly had hoped that I should get it at the upset price of Rs.5 an acre. But those "rascally" natives, who knew the value of the land as well as my partner, ran us up to Rs.18 the acre, for a large part of it. But I made no grievance of the thing; I was but too glad to get the land even at that rate. The newspapers, however, who never knew that I was the purchaser, took the cudgels up for me, to my great amusement, and abused the Government roundly for the exaction. As a matter of fact, Sir, there never was of late years, any unreasonable difficulty in getting waste lands in India. In proof of this, I point you to the fact that the Wynaad, and the Neilgherries on our side of India, were filled with coffee plantations; and on the Bengal side, in Assam, Cachar, and Darjeeling, its great tea districts, no fewer than 196 estates were under cultivation in 1861, before Lord Canning's Resolutions were even heard of!

The tea plant was first discovered growing wild in Cachar, in the year 1855, and the total area under lease in Bengal for cultivation, at the close of April, 1861—that is, within six years—is supposed to have been not less than 200,000 acres. Could any more conclusive proof be given of the sort of agitation, in deference to which the land resolution of Lord Canning was passed? The truth is, that the crime of the State was, that it attempted in any way to keep a reserved rent for the Commonwealth, in the limited districts of the country, which were found suited to tea and coffee cultivation. Sick with anxiety to get the land into their possession, the needy adventurers of Calcutta screamed with rage at every intimation on the part of Government, that the land should only be sold at its fair value, until they frightened the timid counsellors around Lord Canning into the unconditional promise of selling it to the first comer at Rs.5 per acre. That no unreasonable obstacle ever existed to the obtaining of land in these districts, I have shown; while the sort of applications that were made for land received a fair illustration in the case of Messrs. Barry and Hernott, who obtained—and of Sir J. P. Grant, be it remembered, too—nearly twenty thousand acres of tea land in Cachar, and had opened just fifty acres at the close of the year 1860-61, at which date they were employing twenty-two coolies in developing the resources of the country! Is it not lamentable, gentlemen, that you should be misled by the representations of such men?

You have had, this morning, from the lips of Mr. Danby Scymour, a very fair illustration of the sort of demand I am exposing. You remember, Sir, that he called your attention to the fact that Mr. Temple, Commissioner of Nagpore, had been rebuked by the Government of Calcutta for wishing to sell 16,000 acres of land, to some one who had applied for it. And you remember the price that was to be paid for it—sixpence per acre. That is to say, the Government of India did very wrong to refuse to alienate in perpetuity about thirty square miles of territory, when the magnificent

sum of £400 was offered for the purchase. Why at that moment, Sir, we were sending a railway into the heart of Nagpore, at the cost of £20,000 a-mile! My humble judgment is, that the Government of India—and by that I mean the Commonwealth of India—is better off to-day with those thirty square miles of land in its possession, than it would have been with the £400 offered in exchange for them. Gentlemen, you must remember that the Government of India dare not lose sight of the fact, that its *one source of revenue is the land*, now and for all time, so far as we can see.

And this leads me, Sir, to remark further, that what the planter really demands in India, is a good deal more than what you call fee-simple. For there is nothing inconsistent with a fee-simple title, in the levying a tax upon the land. Now the grievance of the planting body is, that the title does not carry with it exemption from the land-tax. Of course it would very materially enhance the value of *my* estate, if no land-tax were to be levied upon it now or for ever. But I know that the Government must have a revenue; and I see clearly that a land-tax is the wisest of all taxes in India, and I will not be a party to any selfish agitation for a concession, that the Government of India ought not to make. My title is perfect, though I do pay a land-tax of Rs.2 an acre, and shall probably by-and-bye have to pay more. The Commonwealth has a right to tax my land, if that is the wisest and most equitable way of raising the revenue; and I believe it is. What the planters of India required was far more, I say, than a fee-simple right in their lands. They demanded not only absolute ownership of the land, but a pledge that we would never lay a tax thereon; an exemption which fee-simple title in this country so little conveys, that one of the first economists of the age asserts his opinion, that the State has a clear and equitable right *even here* to the whole “future increment of rent” that may arise from causes independent of the landlord’s exertions, if it choose to assert it. Mr. Danby Seymour must pardon my telling

him that fee-simple titles exist throughout India, although we do raise a revenue from the land.

The terms "lease" and "rent" when applied to India, are very misleading to English ears. You have heard this morning Mr. Cassels' lucid description of the thirty years' leases of the Bombay Presidency; and I endorse heartily all that gentleman's statements upon the subject. The holders of these leases have as indefeasible a title to their lands, as any fee-simple in existence. No power on earth can disturb their possession of them. Their title is absolute. They hold for ever; subject only to a trifling impost upon their estates, liable to enhancement, and quite possibly to reduction, once in a generation of years.

And here, Sir, let me beg your careful attention to a fact I am anxious to fasten in the memory of this Chamber. You have heard it asserted this morning by Mr. Seymour, upon high official authority, that the land revenue of India is a rack-rent of one-half, and even two-thirds, the produce of the ryots' fields. Sir, it is not very creditable to the Government of India, that it was left to a journalist there to explode this absurdity. It is only within the last three or four years, that I have succeeded, I think, in India, in dissipating this mischievous delusion. It lingers, no doubt, still here and there in some muddled official brains, and forms too convenient a cry for selfish agitators to be completely silenced as yet. But if Mr. Danby Seymour will take out his pencil, and note down a few figures that I will give him, I think I can convince him that he is in error.

Let us suppose, then, for a moment that he is right in his belief, that the assessment we are levying absorbs one-half of the gross produce of the land. It will, then, follow—since the gross land revenue of our territories amounts to no more than £20,000,000 sterling—that the total value of the produce is just twice that sum, or £40,000,000 sterling annually. There is no escape from this conclusion in any direction. If the assessment really amount to one-half of the produce, then *must* the whole value of

that produce be just twice the amount of that assessment. But we know the amount of the assessment to a fraction; and in round figures it is £20,000,000. Plainly, then, if Mr. Seymour's statement be correct, the total value of the produce of the land is about £40,000,000 sterling annually!

But will any one who reflects at all, endorse so absurd a statement, or avow the belief that it is correct? In the first place, the whole cost of feeding 130,000,000 of people must stand represented in that sum; for that is the population of the British territories, exclusive of the Native States. In the second place, there must be represented therein the whole value of the forage and grain crops of the country for cattle, the whole value of the crops of cotton, oil seeds, spices, &c., grown for home consumption; the value also of the immense exports that we contrive to make; and, lastly, the annual accumulations of the zemindars and ryots.

I am persuaded, Sir, that the annual value of the crops of India cannot be less than three to four hundred millions sterling, and that the average pressure of our land revenue thereon, does not exceed one-fifteenth of the produce. Now, bear in mind that this is *all* the State levies upon the land. Call it rent, or call it tax, or whatever you please, this is its pressure; while it is in deference to ignorant clamour about the great pressure of this tax, that the fatal step is now being taken in India of *permanently settling it* at its present amount. I cannot find words, Sir, to express my sense of the error that Sir Charles Wood has been induced to sanction. It is my profound conviction that we have seen an end of all peaceful rule in India, if Parliament continue idle spectators of this movement. The vital question of our times in India is

THE PERPETUAL SETTLEMENT OF THE LAND TAX.

It means, Sir, the perpetual settlement of our whole revenue. It means that with a rapidly increasing expenditure, we are to divest ourselves of the only revenue we have that can reasonably be relied upon to expand. Sir Charles Wood and his Council are endorsing the popular impression

that the thirty years' leases of Bombay and the North West Provinces—although all improvements under them, made by the cultivator, are secured to him—are not a sufficiently liberal tenure to induce him to sink capital in his fields; and that, upon the whole, the land-tax of India is an impolitic tax, and presses heavily upon the industry of the country. That there is not a particle of foundation for these impressions, but that under these leases, as Mr. Cassels has shown you, the ryot is everywhere rapidly accumulating wealth; that capital is being as largely sunk in the soil, as the hoarding traditions of the country yet render possible; that the impost is a tax upon no man's produce, and upon no man's labour; that to settle it permanently will produce no real advantages, but will plunge us into certain embarrassments, and be a fraud on the whole urban population of the country; that the pressure of the impost, instead of being what it is popularly supposed to be, is so light that it is doubtful if it absorb even one-twentieth of the produce; that vast centres of wealth are growing up under the thirty years system, as Bombay with its mills, and factories, and million of people; Ahmedabad, Broach, and Dharwar, with their wealthy populations; and Kurrachee, with its giant trade; that the objection against the thirty years' leases—viz., that in their last years the tenant would fear to improve his holding—is an objection held to be of no weight in any other part of the world, and might, moreover, be entirely obviated by renewing them three, four, or five years before they fell in; and, lastly, that under the heavy and continuous rise in prices that is taking place, we ought at once to double the pay of the establishments of the country, if we would not see them demoralised,* and have no possible

* There is no measure, perhaps, more urgently called for at this moment in India, than a statesmanlike and comprehensive revision of the pay of the Establishments. Instead of patching up salaries with irregular allowances of batta and house-rent, and I know not what else, the fact should be looked full in the face, that the pay of the establishments has become altogether inadequate to maintain their efficiency. It is a fact that, during the last summer, officers of our army

means of doing so, but from the land—all these considerations are given to the winds.

It is with regret and indignation that I have seen the Home Government dragged at the heels of this folly. The Council, which should have stood between the selfish agitators in India, whose clamour initiated the movement, and the Government, have lent themselves to it; and they who, like Sir John Lawrence, have approved this change, have done so to a man upon merely general impressions, as their published minutes upon the subject show. A Permanent Settlement of the Land Revenue of the whole of the North West Provinces has just been declared, without the Government possessing as much exact information upon the pressure of the tax, as would have justified it in determining the bazaar duties of a village. That Mr. Laing and Lord Canning should have been carried away by the outcry, was deplorable enough; but that a majority of Sir Charles Wood's Council should have possessed so little insight into the conditions of Indian finance, as to sanction this fatal resolution, is amazing. Sir, that Settlement of the North West Provinces should be instantly subverted at any cost, and the course upon which the Government has entered arrested by Parliament. For

in Poonah were obliged to restrict their wives and children to the use of fresh meat twice a-week, owing to the enormous rise in the prices of all the necessaries of life. The fact is surely disgraceful to our administration. The ryots of the presidency, meanwhile, are revelling in prosperity, and it is in these circumstances that we are told we must fix the land-tax in perpetuity, lest we should depress their enterprise! Mr. Justice Couch, of the High Court of Bombay, himself told me, about two years ago, that had he known the frightful cost of living in Bombay, he would not have accepted the judgeship offered to him. He had consulted Sir Erskine Perry upon the subject, and that gentleman, ignorant of the revolution that had occurred in our circumstances, had completely misled him. It is not in the Bombay Presidency only, that this change has taken place. It has taken place *everywhere*. The agricultural classes are amassing wealth, while men on fixed incomes are starving.—R. K.

let this movement progress, and within twenty years you will see the Empire torn to pieces, in the effort to resume in the way of direct taxes, what is now being cast to the winds in the mere passion for change.*

The short history of this deplorable movement, Sir, is this: The famine in the North West Provinces occurred just at the time when the great outcry about waste lands was agitating Calcutta. The late Colonel Baird Smith was deputed by Lord Canning to report upon that calamity; and Colonel Baird Smith, unfortunately for the country, had been a great apologist, as it subsequently turned out, of the Permanent Settlement in Bengal. Indeed, he had been a writer in

* It cannot be too often repeated that we have but *one* source of revenue in India, upon the expansion of which we may reckon with confidence. We derive our present income from land, opium, salt, customs, stamps, and abkaree (spirits). I would not exaggerate the precariousness of the revenue we get from opium; but that India for all time to come, may count upon an OPIUM revenue of £7,000,000 a-year will be maintained by few persons. The SALT TAX I believe upon the whole to be a wise tax, but we have screwed it a little too high, as is clear from the smuggling that goes on in the north-west; and it would be well, perhaps, to lower it R.1 a maund. At all events no further expansion is possible. That we shall ever get a large revenue from CUSTOMS is a day-dream, as I have shown. The revenue from STAMPS will no doubt expand with our commerce, but it can never occupy more than a subordinate place in our estimates; and I have already pointed out that the habits of the people are opposed to our ever getting a large revenue from Abkaree. In these circumstances we are shut up to the land revenue, or a giant income-tax in its room. Superficial statesmen and self-seeking agitators have between them brought the future finances of the country into circumstances of the deepest peril, and the necessity of parliamentary interference, is paramount. The growing necessities of the Government will have to be provided for, and the land revenue being fixed in perpetuity, they must be provided for by taxes on realised capital and income. In attempting to make good the loss in this way, the Empire will be torn to pieces by excitement, industry will be paralyzed, and capital driven to happier shores. It is almost incredible, but true, that *the people* of India are profoundly indifferent to this Permanent Settlement gift. We owe it entirely to the *doctrinaire* counsels of men without insight into our real condition.—R. K.

the newspapers, I believe, in its defence. Full of belief therein, he went upon his mission of inquiry; and, as might have been expected, recommended at its close a Permanent Settlement of the Land Revenue, as the best device he could hit upon for mitigating famines in the future. The error which Colonel Smith made was plain. Under their thirty years' leases, he said, the people had grown so wealthy that they stood up well under the famine: only make their settlement perpetual, and they will encounter future famines without fear. It is amazing that so palpable a *non sequitur* should have affected Lord Canning's Council as it did. That it is not the *permanency* of the settlement, but its *pressure*, that must determine the status of the cultivator, is as clear as the noonday sun, if men look at the subject without spectacles. A permanent rack-rent will impoverish a people (just as Bengal is now impoverished*) more surely

* No single consideration, perhaps, has had so much weight in this disastrous change, as the general belief that Bengal has grown wealthy under its Permanent Settlement. That belief, so sedulously fostered by Bengal civilians and Bengal newspapers, and so long accepted as true, has now, I believe, been exploded everywhere, except in the columns devoted by the *Times* to the letters of its Calcutta correspondent. Instead of being enriched by its settlement, the province has been absolutely *beggared* under it. There is not a district in India at this moment, in which the masses of the people are not well-to-do, when their condition is compared with the hopeless, abject poverty of the masses in Bengal. I must refer the reader who would like to satisfy himself upon this point to "The Indian Land Question: a Timely Warning" (Smith, Elder, and Co., 1865). In India itself there is no longer any doubt upon the subject. The only province of the country, really rack-rented, is Bengal, under the frightful system of sub-letting to which the Permanent Settlement has given birth there. It is impossible to use language too strong to describe the hopeless condition of that province. We have beggared the ryot, that we might raise up a race of dissipated, selfish, rack-renting landlords upon the soil. Mr. Marshman, the former editor of the *Friend of India*, tells us that "the condition of the Bengal peasant is almost as wretched and degraded as it is possible to conceive; living in the most miserable hovel, scarcely fit for a dog-kennel, covered with tattered rags, and unable, in too many instances, to procure more than

than a thirty years' one. The fact was that the assessment was not only very light in the North West Provinces—as it now is everywhere—but that the great rise in prices of late years had reduced it to almost a nominal impost. That it was not necessary to give the North West Provinces a permanent settlement, Colonel Smith told us himself in that report, when he said that the average selling price of the cultivators' holdings throughout the province was 22 years' purchase of the assessment! And they would have been much more to-day. In the Bombay Presidency these leases command almost fabulous premiums. But Colonel Smith's recommendation unhappily fell in with the temper of the times. Calcutta was in a ferment about the *land*. A very weak man—I don't mean Mr. Laing—was at the Viceroy's elbow, and, as I have already said, the determination was come to to settle the land revenue in perpetuity throughout those provinces, while the Government had not sufficient information in its hands to settle, as I have already said, even the bazaar duties of a village. I mean, Sir, *exact* information. For we have no statistics whatever in India; and it was not until after this frightful error had been resolved upon, that men began to become aware of what the real pressure of the land revenue was.

Great stress, Sir, was unhappily laid upon the opinion of Sir John Lawrence. Well, Sir John Lawrence told us that we had better settle the land revenue in perpetuity, because the teaching of his long experience had been that the Government was never able to increase the assessments, let them be revised as often as they might. The simple answer to this was, that Sir John Lawrence's experience was that of a past generation. During the first fifty years of

“ a single meal a-day for himself and family. The Bengal ryot knows
 “ nothing of the most ordinary comforts of life. We speak without
 “ exaggeration when we affirm that, if the real condition of those who
 “ raise the harvest, which yields between three and four millions a-year,
 “ was fully known, it would make the ears of every one who heard
 “ thereof to tingle.”—R. K.

the century, the agriculture of India was very much depressed, owing more to the change of administrative system we had everywhere introduced than to any other cause. With prices constantly falling, it was not very wonderful, I think, that Sir John Lawrence's experience was what it was. But what of a period of such giant enhancement as has set in upon us, within the last few years? Why the saleable value of the land of India within the last ten years has been quadrupled; and in utter oversight of this revolution, Sir John Lawrence bids us be guided by his experience as a revenue officer, acquired under a totally different condition of things, twenty-five or thirty years before.

Let me point out to the Chamber how vital a bearing the Permanent Settlement has upon the great question of public works in India. You must remember that we are taking from the land the merest fraction of its true rent. We take no more than we absolutely require for the administration of the laws, and the maintenance of Government. The popular idea in this country—and it is shared, I regret to see, by the *Times*—is, that we are acting as landlords towards the agricultural classes, and have, therefore, all the duties of landlords devolving upon us. But we are doing nothing of the kind. We have not a tenant, as a rule, who is not occupying at a quit-rent. We take no more from the land than is absolutely required to defray the expenses of the State. What the true rent of India amounts to it is impossible to say, but it cannot fall far short of £80,000,000 to £100,000,000 sterling a-year. Now the Permanent Settlement abandons in perpetuity to the cultivator, what every Government of India before our own, has held in trust for the general Commonwealth—viz., the whole margin that lies between our assessment of £20,000,000 and this vast sum of £80,000,000. Well, if we are to do this, if we are to abandon absolutely, instead of merely holding in abeyance, our rights as landlord, we must, of course, instantly cease all expenditure for improving the land. For where is the money to come from? Having already con-

ferred upon the cultivator an enormous proprietary right in the soil, which neither he nor his fathers knew, are we next to tax the urban classes of the country to give him roads, and railroads, and irrigation works, and canals?

Every shilling that has been expended by the State on works of improvement in Bengal since 1792, has been a plain fraud upon the rest of India, because we abandoned in that province, in that year, all right to share in the improved value of its soil. Are not these considerations plain even to a child, when fairly placed before it? And yet within the last eighteen months, the same folly has been perpetrated in the North West Provinces, while the Government still professes to dream of a great expenditure upon public works therein. Does not such folly justify the alarm I express? Tell me, Sir, who should make the great public improvements required at this moment in Bengal—the State, or the zemindars, to whom the State has abandoned nearly the *whole* rent of the province? All that we take therefrom is between three and four millions a-year, while the true rent does not, I am persuaded, fall short of £12,000,000 to £20,000,000 a-year! The total stoppage, then, of all public works in the country, is the necessary sequence of this Permanent Settlement folly; a result which its supporters, from Sir John Lawrence downwards, have completely overlooked. The height of their statesmanship is an income-tax upon the cities, to construct public works for the zemindars!

As to waste lands for the growth of cotton, the question is really more one of *labour* than of *land*. Mr. Cassels has told you this morning, and told you truly, that every acre of cotton ground in the Bombay Presidency is already under cultivation. We have no cultivable waste lands in our presidency except in Khandeish; and the cultivation of Khandeish is a question of *labour*, not of *land*. The soil of the province is well adapted for the growth of cotton, and Khandeish was formerly one of the most fertile districts of Western India. The province was devastated, however, by Holkar in 1802, and has since become a jungle so deadly, that it is impos-

sible at certain seasons of the year to pass through it. Well, Sir, how are you going to cultivate Khandeish? I am certain that if you Manchester gentlemen will form a Company to lease half the province, the Government will give you almost any terms, short of total alienation, you may ask for. But I should myself be very sorry to take shares in your company.

I will tell you what would be the result of the enterprise. With great difficulty you would get together a body of cultivators perhaps 500 strong; you would cut down the jungle; break up the land; build your coolie lines; put in your cotton seed—and what then? The sickly season comes round, cholera breaks out in your lines, and within forty-eight hours, there would not be a coolie within fifty miles of you. This is no fancy picture, gentlemen, to scare enterprise away from us. It is the constant, everyday experience of planting in India, except in some highly-favoured districts; and do you think a Breach of Contracts Bill would keep your coolies on the estate, in such circumstances? I confess, for myself, that I despair of seeing the waste lands in the plains of India cultivated, except in the way in which they have ever been encroached upon. Under peaceful government, and with a steady and remunerative demand for their produce, the villages in the neighbourhood of these wastes, will steadily, but, in the nature of things, slowly, grow upon them, and bring them under cultivation. I have no faith in costly, spasmodic efforts to reclaim them. As a rule, labour already is so scarce in India that the procuring it is the chief difficulty of the tea and coffee planter; the popular belief in this country that India is a land burdened with a surplus population being untrue. There are districts of the country densely populated, no doubt, but any one who has once tried the experiment of inducing an Indian community to migrate from one district to another, will think twice before entering upon such an experiment a second time.

I do not think I need spend much time, Sir, over the

next subject on your list, as the Indian Government has, to a large extent, anticipated your wishes thereon :—

The Enactment of a Law providing for the Registration and Enforcement of Contracts, and the Establishment of Small Cause Courts, at convenient distances throughout the country, invested with Summary Jurisdiction.

Mr. Cassels has already told you that an Act for the Registration of Contracts was passed in India nearly eighteen months ago, and that the experiment of Small Cause Courts is now being tried on a somewhat extensive scale in the interior. I think it right to say on this subject, that while I strongly opposed the Breach of Contracts Bill—which this Chamber was so anxious to see adopted—I was the only journalist in India, I think, who attempted to give shape to its wish for a Registration Act. Such an Act has now been passed, and I need, therefore, say no more about it. It is necessary for me, however, to point out to this Chamber certain considerations affecting the Small Cause Courts experiment, which I feel satisfied have escaped your notice. You must not forget, gentlemen, that the system of protracted litigation, and of “appeals” in India, arises out of the untrustworthiness and incompetency of the subordinate courts. The right of appeal is simply an admission that we know the inferior courts to be incompetent. Well, the material we have to work with is still the same. You cannot improvise judges, as you may police constables, and there is great danger, in the establishment of these Small Cause Courts, of our handing whole districts over not only to summary, but to thoroughly corrupt, administration. A Small Cause Court without appeal, may work exceedingly well in the presidency towns, where its every judgment is liable to sharp comment in the next morning’s papers, and where everything is done in the light of day. But what of the interior, where we are now establishing them, where no sunlight reaches, and where neither press nor public exists? You make too little allowance, Sir, in this

country, for the difficulties under which the law is administered in India. A few months ago an article appeared in the *North British Review* upon "The Administration of Justice in India," from the pen of Mr. Justice Campbell, of the High Court of Calcutta, one of the barrister-civilian judges of India; and, with your permission, I will point out, in this gentleman's words, the dangers which beset the experiment upon which we have entered at your wish:—

"The evils of protracted litigation, and appeal on appeal, have long been acknowledged. To cure this was devised the system of Small Cause Courts without appeal. Now in many respects such a system has great advantages, but it is tried under most difficult circumstances. And two things seem essential to the exercise of unchecked power—*first*, men fitted to fill the post of judges, and, *second*, the control of public opinion and the publicity of the press. It is under those conditions that Small Cause judges work in England. It is otherwise in India. Government having determined to try the Small Cause system in Bengal, at once appointed a number of Small Cause judges and posted them alike in town and in rural districts. These courts have very great powers; in proportion, far beyond those of English Small Cause judges. They try absolutely, and without appeal or supervision of any kind, all personal actions of every description up to Rs.500, which is quite equal in proportion to value of money to, say, £300 in England. Two or three good judges, placed in large towns under the public view, have, we believe, done much good. But, for the rest? They are, for the most part, the old judges of the old courts transformed under a new name, with a sprinkling of Europeans taken from the lower walks of the law, but with very little knowledge of the country. The great difference, then, as compared to the old system, consists in the absence of appeal.

"Is it to be hoped and expected, that the same judges, whose proceedings were superficial and indifferent when

“they knew that they were subject to the supervision and
 “criticism of the appellate courts, will be more careful,
 “searching, and thorough, when they are relieved from all
 “control, and set down in rural districts, where public opinion
 “can scarcely touch them? We much doubt it. More than
 “this, there is some political risk to be considered. These
 “summary courts are essentially plaintiffs’ courts. In a
 “country, and under a system, in which evidence is no-
 “toriously untrustworthy, and documents are supposed to be
 “generally forged, this condition obtains. The plaintiff
 “chooses his time for the action, not the defendant; he has
 “abundant leisure to prepare his documents, cook his evi-
 “dence, and get ready his case. Suddenly he comes down
 “in a summary court on an unprepared defendant: the
 “*primâ facie* evidence is all on his side, and if the judge be
 “disposed to get through his business in a rapid way, a heavy
 “decree is passed, the execution of which will sweep away
 “many precious rights (perhaps preserved through a lifetime
 “of litigation) before the defendant has breathing-time.

“It has always been popularly said among the natives, that
 “ours is the Government of the shopkeeper and the money-
 “lender. We hear that there are signs that this feeling is
 “much increased by the action of some of the Small Cause
 “Courts. We remember the cause of the Sontal rebellion.
 “May not similar causes lead to dangerous results else-
 “where?”

I need add nothing to this statement, Sir. I have read it
 simply to show the Chamber that the reforms which it solicits,
 even where practicable, are beset with dangers which it very
 rarely, if at all, discerns.

I come now to the *Breach of Contracts Bill*, about which
 so much has been said and written. Well, what is its
 history? Mr. Laing told you it was a bill brought into
 Council in the interests of the cotton-grower; but Mr.
 Laing’s memory was at fault. I have here with me the
 history of this measure, from a period long before Mr. Laing’s
 arrival amongst us. The *Times of India* gave the bill the

most strenuous opposition throughout, and I rejoiced to see it finally shelved. Remember, gentlemen, it is no Government official who is speaking now, but one of those very men in whose interests it was to be enacted. I say, Sir, that the bill, from first to last, was purely an indigo planters' bill. You will remember, no doubt, the Honourable Mr. Eden's proclamation, which led all the ryots of Nuddea and Jessore to rise up as one man, and repudiate the contracts they were under to grow indigo. Now, you have a very scandalous story in this city, as to the true occasion of that proclamation. I know not whether that story is true or false; and it matters little which it is; for, under any circumstances, the quarrel between Mr. Eden and the planters was a most fortunate accident. For nothing is more certain than that the very name of the indigo plant has stunk in the nostrils of the people of Bengal for the last fifty years; and no wonder, for the whole system of indigo planting, as it is improperly called, was a scandal to the English name. Several of the Calcutta newspapers, I am sorry to say, have tried to whitewash the system, and I must, therefore, go at some length into it. Now look, first, at the conditions under which the indigo planter sets to work. The first thing is to find a tract of land suited for the plant, and to discover the owner of it. The land is found, and the planter is told that the zemindar, in whose name it is held from the Government, is Gunesh Moraba; but Gunesh has sub-let it to A, and A has sub-let it to B, and B to C, and that the present holder of the lease is D. In other words, the land is already rack-rented to the last farthing. That such, Sir, is the present condition of Bengal under its vaunted Permanent Settlement, we have the testimony of the *Friend of India*; a journal that has done its best, remember, to sustain the cause of the indigo planter. Here is that journal's description of a Bengal county: "Between the zemindar and the actual cultivator there are
 " four middlemen, as a rule, each of whom has his profit; and
 " worse than these four, while he is their necessary result, is

“ the money-lender. We have seen that the average rental
 “ paid by the landlord to the State is 6-9½ annas per acre.
 “ As the actual cultivator pays an average in kind to rent free
 “ landlords of Rs.4-8 per acre, the difference between that and
 “ 6-9½ annas represents the profits spread over four middle-
 “ men and the landlord. To be able to pay that rent, the
 “ peasant borrows seed from the money-lender at from 24
 “ to 50 and 100 per cent., according to the security.”

Now, Sir, it is upon this condition of things that indigo planting in Bengal, supervenes. Having ascertained who holds the lease of the land upon which the planter has cast his eye, he applies to him to know upon what terms he will transfer it. The man, who is already screwing all he can out of the wretched tenantry, knows perfectly well what the land is wanted for, and makes his bargain accordingly. “ I am getting,” he will say, “ Rs.1,000 a-year from the land ; if you will farm it for Rs.13,00 it is yours.” The bargain is struck, and now the indigo planter has become the landlord. Can you conceive any position more unhappy than that of the ryot ?

Having obtained the lease, the indigo planter is quite content to allow the ryots to occupy at their old rental ; *only* they must purchase that privilege by growing indigo upon such lands as the planter points out ; and FOR NOTHING ! For that is what the thing comes to, as was shown by the report of the Indigo Commission. And I mean by that, Mr. Fergusson’s report ; and Mr. Fergusson, you know, was the planters’ representative on that Commission. Can you wonder, gentlemen, that a system such as this did not work well ; that the ryot groaned under it, and was beggared by it ? Look at the fearful powers possessed by the planter as landlord. If the ryot, although already rack-rented, refused to grow indigo, he was liable to be driven from what had been his father’s home for a hundred generations, by a notice of enhancement of rent which he could not possibly pay.

And this is the true history of the Bengal Rent difficulty, of which you have heard so much. Armed with

powers which Lord Cornwallis never dreamed he was giving to the zemindar, the planters, within the last five years, have served notices of exorbitant enhancements of rent by hundreds of thousands upon their tenants, and when the Law Courts broke down under the pressure, these gentlemen complained of their inefficiency. Lord Cornwallis so little foresaw to what his Settlement would lead, that in his Minute of Feb. 3, 1790, he treats Mr. Shore's supposition that such enhancements would ever be attempted, as preposterous. But we have seen them not only attempted in our day, but positively upheld by no less an authority than Sir Barnes Peacock, who unhappily seems to have got tinged with this indigo quarrel. When Sir Barnes Peacock's judgment appeared I did not hesitate to declare it to be an outrage upon the ancient law and custom of India; and I have had the satisfaction, within the last six months, of seeing that judgment reversed by the unanimous verdict of the whole thirteen judges of the High Court of Calcutta.*

* The right of the cultivator in Bengal was possession of his field, at the rate per beegah at which it was assessed at the *Permanent Settlement*. Nothing is more certain, than that Lord Cornwallis intended the Settlement to be as permanent between the zemindar and ryot, as between the State and the zemindar. "Whoever cultivates the land" [Minute, February 3, 1790] *the zemindar can receive no more than the established rent*. To permit him to dispossess one cultivator, for the sole purpose of giving the land to another, would be vesting him with a power to commit a wanton act of oppression. . . . *The rents of an estate can only be raised by inducing the ryots to cultivate the more valuable articles of produce, and to clear the extensive tracts of waste land which are to be found in almost every zumeendary in Bengal.* What can be clearer than these statements? Lord Cornwallis supposed that he had effectually secured the ryot from enhancement of rent, except in cases where a more valuable article of produce than rice, or grain, came to be grown in his fields, when the zemindar would be entitled to receive one-third, or whatever was the established rate, of the new and more valuable produce instead of the old. The *Friend of India*, with curious inconsistency, but with truth, declared the judgment of Sir Barnes Peacock likely to create "an agrarian rising," and to make the Englishman as hated in Bengal as

But an enhancement of rent, gentlemen, was not the object of the planters. Indigo was what they wanted, and, therefore, power to compel their ryots to grow it; and it was out of this want that the Breach of Contracts Bill came. For that bill merely made perpetual Act XI. of 1860, a summary Act passed for the enforcement of indigo contracts for six months only, pending the inquiries of the Indigo Commission. The Commission brought its labours to a close with an emphatic condemnation of the whole system, and Act XI. expired by effluxion of time. The ryots to a man refused to have anything more to do with indigo; when the planters served them, as I have said, with hundreds of thousands of notices raising their rents tenfold, while they simultaneously be-

he was in Tipperary. And yet the decision simply confirmed to the planter, the very rights which the *Friend of India* had been demanding in his behalf for many months before. It now found out that so contrary was the decision of the High Court to the people's sense of justice, that the attempt to enforce it would end in making the Englishman "as hated in Bengal as he is in Tipperary." But the indigo planter was a wiser man than the *Friend of India* supposed him to be. All he wanted was power to compel the ryot to grow indigo upon the old terms, which would pay him better than any rent it was possible for him to exact from his tenantry. And so this mischievous decision of Sir Barnes Peacock was used merely to force the ryots back into the slavery, from which we hoped they had been emancipated. After the judgment, we were told that the ryots were now "willingly" entering into contracts to sow indigo, on condition that their rents were not raised more than four annas a beegah. The willingness must have been very cheerful, no doubt, when the alternative was an enhancement of rent from five annas to five rupees a beegah. The new contracts, as I learned privately from Calcutta, were being made *for ten years at the old rate of six bundles for the rupee*. The ryots were to cultivate at this rate, and pay more rent besides; and a penal Contract Law was much wanted to enforce these "willingly" signed agreements, although Mr. Fergusson, as the representative of the planters, had reported that "large concessions must be made at once." The planters pretended all through the dispute that the rent struggle had nothing to do with indigo: it was simply a new phase of the old quarrel.—R. K.

sieged the Government to make Act XI. perpetual. They knew very well the screw they could put upon the ryot to force him into contract with them for the hated *neel*, and all they required was a summary penal Act to enforce the contracts so compulsorily made. Now that is a plain, unvarnished account of the origin of the Contracts Bill. Reluctant to see the indigo culture of Bengal destroyed, and yet conscious that a penal bill merely to enforce indigo contracts, would be little short of an indecency, the Government of Calcutta kindly assured the world that cotton-growing, and sugar-refining, and coffee-planting, and all other European enterprise in the country, wanted the protection of such a bill. Sir, it was an unworthy pretence on the part of that Government. I, as a coffee-planter, and the employer of 500 natives of India, utterly repudiate the want of such a measure. But the mention of cotton-growing struck a chord that vibrated, unfortunately, in Bombay, and so the agitation spread to our side of India, and then Manchester took fire. Now, Sir, the short and easy proof that the bill was an indigo bill, and nothing but an indigo bill, is this: that it contemplated, almost exclusively, a description of contracts unknown for years in the cotton-growing districts of Bombay. Great stress has been laid, Sir, upon the Honourable Mr. Scott's statement of the difficulties which his firm (Messrs. Ritchie, Stuart, and Co.) had found in the cotton districts, for want of a summary Contract Law. I have the greatest respect for Mr. Scott, but it so happened that Messrs. Ritchie, Stuart, and Co.'s experience was then ten years old, and that the whole procedure of the Civil law had been changed in 1859, and had been made as summary as Mr. Scott, I think, could have wished. Did I not fear trespassing too far upon your patience, I would read to this meeting what remedies the Civil Code of 1859 already provides upon the subject; and it is a suggestive fact, that throughout the debates in Calcutta upon the bill, there was not the slightest attempt to show that the very summary procedures of that Code had been tried and failed. Again, Sir, we had but just

codified, after thirty years' deliberation, our whole Criminal Law ("Macaulay's Code," as it is called). Now this very question of indigo contracts had come up before the Commission that framed that Code, and after full deliberation they had pronounced against the making the breach of those contracts penal. And are you prepared to tell us, that to support such a system as I have described, we are to crowd our statute-book with new penal laws, lest we should discourage European enterprise? How is it, Sir, that I, a planter, want no penal Contract Law, and have never wanted one, while the tea planters of Assam and Cachar have constantly been calling upon Government to help them against their coolies? The labour contract difficulty is of the same order as the indigo difficulty: it arises from the fact that the planter does not make it worth the coolie's while to stay on his estate. If you go down into the rice plains of Bengal, and tempt coolies with six months' advance of pay to follow you up into the hills, where they will want better housing, better food, and better clothing than below, and expect them to stay there, while you pay them no more than they obtain in the plains, you are rightly punished when they escape from your estate, and defraud you of your advances. Sir, the Government cannot healthfully interfere in such quarrels. Let the planter make it worth the coolie's while to stay upon his estate, *and treat him considerately*, and he will stay. Human nature is pretty much the same, all the world over, according to my experience; amenable to the same treatment, and influenced by the same motives. Unfortunately, the planters of India hitherto have in general been needy men. It has been a struggle with them to get their estates opened at all; and while you may legitimately sympathize with their difficulties, you cannot legislate exceptionally in their behalf. I am heartily glad that we are to have no penal Contracts Bill in India, either for indigo, cotton, tea, coffee, or anything else; and I am sure that in agitating for such a measure you are not well advised. Allow me to remind you once more that I have at

this moment nearly 300 people at work on the Neilgherries, and I suppose between 200 and 300 in the *Times of India* office at Bombay, without the least necessity for such a law. You will get troublesome labourers, sometimes, in India, as everywhere else, but I have an old-fashioned belief, that upon the whole you will find good masters the slowest to make complaints about bad workmen.

The last subject on which you invite this meeting to express an opinion is—

“The more active prosecution of Public Works in India, especially as regards Roads and Irrigation.”

Now, I agree cordially with every word that has fallen from previous speakers as to the importance of the more active prosecution of public works in India. But half the mistakes made in this country with respect to India arise from the difficulty of grasping adequately the magnitude of the country; and so it comes to pass that the handful of Englishmen who form the Government of India are perpetually “talked at” upon this subject of public works, as though it were possible to take that great empire up, and manipulate it as you would the county of Lancashire. India, Sir, is a great continent; a continent of many nations, and of vast extent; and it is almost impossible for any mind, however familiar with the country, to understand aright how vast an undertaking is the simultaneous prosecution of public works throughout the country. The task of the Indian Government is like that which would lie before the Government of this country, were the public works of all Europe suddenly cast upon its responsibility. What the full import of this last proposition of yours is, would then, perhaps, be discerned. Were the English Government, I say, charged with the responsibility of perfecting not only the vast railway system of Europe, but the construction and repair of all the roads and canals, and civil and military buildings of two-thirds of the continent, you would then understand better what our re-

sponsibility in India involves, and how absurdly incommensurate therewith have all our efforts hitherto been.

And here, gentlemen, once more, I am obliged to state my conviction that it is not the Government of India so much as this Chamber that is to be blamed for the little that has hitherto been done. For I am entitled, I think, to regard the late Mr. Wilson as the representative of this Chamber; and it was Mr. Wilson, who, amongst other errors into which he fell, first laid down the doctrine that India alone, of all the nations of the earth, must not borrow. The rule that India shall provide whatever public works she stands in need of, out of her current revenues—her dribblets of savings from income—lays, of itself, an effectual prohibition upon the prosecution of public works in the country on any adequate scale.

It matters not that India is one of the poorest countries in the world, nor that you, the richest of them all, are constructing your very fortifications out of borrowed money—India must *not* borrow. If she wants roads, or tanks, or tramways, or canals, she must either go without them, or contrive to build them out of import duties, or perhaps an income-tax—falling with confiscatory violence upon 300,000 people for the benefit of 180,000,000—or out of export duties upon the produce of her plantations. At all events, she is not to be allowed to borrow money for the purpose, however willing foreign capitalists may be to lend it. While all other countries may borrow of you as freely as they please, the Indian Administration may not do so. There is not a Government in existence that may not borrow money on your Stock Exchange, even for purposes of war; while the Government of India is not allowed to borrow a sixpence, even for the construction of roads, or irrigational works. The special leave of Parliament has to be obtained for the purpose, although the same Parliament repudiates all liability for the Indian debt. We are not merely refused the Imperial guarantee—the withholding of which our credit might perhaps survive—but we are forbidden to borrow even upon the credit of our own revenues.

Does it require an elaborate argument to prove that it is false economy in any country where money is worth in trade 20 per cent. per annum, to levy taxes therein for works of public improvement, when the Government may import capital for the purpose as freely as it pleases at 4 per cent. ? India is your possession, and you cannot do better than invest your overflowing capital in the property. Her safety and wellbeing and your own, equally point to this conclusion ; while, as the case now stands, every country in the world may come to you for assistance except India. Not one shilling are we allowed to borrow, but under special Act of Parliament, to be obtained only at the cost of a party demonstration in the House. The result is, that India may starve before English Ministers will help her. She is thus forced to construct her public works out of revenue, and there is a constant recurrence of a seeming, though not real, deficit in her accounts.

Now, Sir, this is not the result of misgovernment in India, but of your mischievous interference with our affairs. We do not ask you to be answerable for our debt—which, by-the-bye, I will show presently to be *your* debt, and not ours—but we do ask you to cease this unheard-of interference with our national credit. There is not an empire, or republic on the face of the earth that may not borrow as freely as it pleases in your money market, upon whatever credit it possesses ; while India alone, of all nations and of all your colonies and dependencies, is shut out therefrom by your legislative wisdom. Do you think that the capitalist is not well able to see for himself whether the credit we offer him is sufficient ? As if for the very purpose, moreover, of destroying our credit, you insist year after year upon our accounts being presented to the world in a shape utterly misleading, and most damaging to us. The English press is never tired of affirming that the Indian balance-sheet shows a chronic state of deficit, while there is not a balance-sheet in the world that will compare in respectability with our own, if you will but make it out as you take care to make out your

own balance-sheet. The fact is simply this, that our yearly accounts are made out upon a principle that renders it matter of mere caprice whether our deficit is one million or twenty millions. The ordinary revenues of the year are charged with an indefinite expenditure upon public works, the outlay upon which would be met in any other country by loans. It depends, therefore, upon the mere caprice of the man who happens to be the Finance Minister you have sent—in other words, upon his estimate of the public works expenditure of the year—whether there shall be a deficit in the accounts of one million or ten. Is it not a grievous wrong that our accounts should be annually presented to the world, in a shape to convey the impression that it is with difficulty we meet our current expenditure, when the fact is, that we have an immense surplus available year by year for investment in reproductive works?

For many years past, we have been contriving, not only to pay our way, but to spend from £6,000,000 to £8,000,000 sterling a-year upon public works in the country. This has been all done out of taxes, be it remembered. A vast proportion, about two-thirds of this outlay, has been on reproductive works, while it is all treated in the accounts as though it had been cast into the Dead Sea of current expenditure. I have been insisting upon this fact for years, and Mr. Laing recognised its truth when he told you in his pamphlet that “our large expenditure in public works is really a sinking fund admirably invested.” Well, whose fault is it that we have been able to spend no more? Is it *our* fault, or yours? Shut up to the narrow resources of our current income to meet the urgent wants of a vast empire, we have done our best to overtake them, while you have done nothing but taunt us that we have not done more. Do you think it was a wise thing, after all, for Mr. Wilson to lay 20 per cent. import duties upon us, and an income-tax,* that the proceeds might be spent upon railways,

* I must not be misunderstood about this income-tax. I have not the slightest objection in principle to an income-tax in India, if only

and canals, and roads, when we could have borrowed as much money as we required, had we been allowed to do so, at 4 or 5 per cent. for the purpose. The great want of India is imported capital to quicken the languishing springs of her industry, while in your philanthropy and wisdom you dam up the stream of wealth that fertilises all lands but India, and which would flow to India also, if you would allow it.

But I have not yet done, gentlemen. If ever a Government was required to make bricks without straw, it is this unhappy Indian Government of ours. You insist upon our constructing what public works we require out of taxes; you refuse us all assistance in the shape of loans; you taunt us with the meanness of expenditure; and, last of all, abuse us for levying taxes at all in the country—for it really comes to that.

For against which of the Indian taxes have you not, at one time or another, raised a clamour? To-day Mr. Danby Seymour is here denouncing the land-tax, as an impost that crushes all enterprise out of the country. Mr. Dickenson has had his fling at our "abominable stamp-tax;" as for Customs duties, you "cannot away with them," while our opium and abkarree revenues are denounced by all the philanthropists of the land. What, in the name of common sense, then, is the Government to do? Was there ever perversity so deep in dealings with affairs so momentous? You carp at everything; you suggest nothing; you button up your pockets, and give us incessant abuse.

Against each of our resources, I say, in turn has all the

it be imposed for legitimate purposes. Mr. Wilson's income-tax was levied to meet a giant Public Works expenditure, and was, therefore, a plain act of confiscation. But I am not at all prepared to contend that it might not be wise and just to lower the salt-tax one rupee per maund, and to make up the deficiency by an income-tax. An income-tax for the current expenses of the State is just enough; for Public Works to improve the land, when the public have no longer any interest in that land, it is monstrous. The policy, or impolicy, of such a tax in India at all, is another question.—R. K.

force of uninformed clamour been brought to bear in this country. Twelve or fourteen years ago, a great outcry was got up against the salt-tax, which was denounced in every note of the gamut, from the shrill treble of "small economists," dogmatizing upon a state of matters of which they were ignorant, to the deep bass growling of the leading English journals. Many of you gentlemen must remember the torrent of abuse John Company had to endure from the lungs of honest John Bull, who had taken it into his head, at the suggestion of the Cheshire salt manufacturers, with Mr. D. C. Aylwin at their head, that the salt-tax was all that the land-tax is now represented by Mr. Danby Seymour to be. For half-a-century had the impression been cherished, that the salt-tax was "a great iniquity." The manufacture of the salt was "a monopoly," and a monopoly is a very odious thing. The tax was declared to be a species of poll-tax, and a poll-tax is a very odious thing. The effect of the tax was to deprive the poor man of the amount of salt absolutely necessary to keep his body from being shrivelled and dwarfed into the size of a monkey. And then those "wretched Molungees," whom the Moloch of a Government forced to manufacture the salt in the Soonderbuns—how much doleful lamentation was uttered by indignant philanthropists on behalf of the "miserable Molungees." Your very penny-a-liners almost became familiar with the name and woes of the class. Upon the whole, it required a good deal of courage to say a word in defence of the salt-tax, in the presence of non-official Englishmen, only twelve or fourteen years ago. It was at last found out that the tax was not so bad a tax after all, being about the only tax that reached the masses, while of the smallest possible amount to those whose means are in proportion small. It is a tax paid, moreover, in a manner that is, at least in appearance, voluntary, and levied in a way that is free from inquisition, and collected with less expense and greater certainty than perhaps any other could be. And so public opinion, better informed than it was, became so reconciled to the tax that its pressure has been

gradually increased with general approval, until the revenue we derive therefrom has reached the immense sum of £6,000,000. And is there nothing in all this suggestive of a doubt, that the present outcry against the Indian land-tax may be of no better order ?

I care not whom it offends when I say that the agitation against the land-tax of India is begotten of selfishness and ignorance ; an ignorance so disgraceful to the official men who share it, that its exhibition deserves the severest handling it may get. Had we not a right to expect that the very first step of the opponents of the tax would be a painstaking and exact inquiry into the pressure of the tax, upon the classes who are declared to be crushed by it ? And yet there has not been a writer against the tax down to Mr. Danby Seymour and Mr. Dickenson to-day, that has not *assumed* that it is "a rack-rent of half the produce of the ryot's fields." Many of them have explicitly affirmed the statement, and it has been repeated from mouth to mouth, till it is now as generally believed as was the salt-tax ten years ago believed to be "a giant iniquity." Gentlemen, I do rejoice to be brought face to face this day with this folly, and however unpalatable these statements may be, I do trust that India may derive some benefit from them in the future.

The reforms that are required in the matter of our Public Works expenditure are plain. You must abandon the position that India shall not borrow, and in place of it encourage its Government to come freely to your capitalists for all the wants of that great empire. Its prosperity is *your* prosperity : and a wise and unselfish administration of its affairs will react upon the wealth of this nation in a way little hoped for now. Then there should be an immediate separation of the Public Works expenditure of the country, from the Budget Estimates of the year. Instead of jumbling up together our outlay upon railways and canals, with the cost of administering the laws of the country, the accounts should be separated at once and for ever.

Let our balance-sheet show every year what our real surplus is, and let an exact account be registered of every item of expenditure upon public works of a reproductive nature. The Indian Finance Minister of the day need have nothing to do, necessarily, with any outlay upon public works, except such as is legitimately chargeable to the current revenues of the year. This expenditure of itself is very heavy, comprising the cost of all repairs of existing works, civil and military buildings, &c. For the rest, we ought probably to organize a great Public Works Department in the country. And let us take care that it is not too centralised. The cavalier manner in which urgent applications from the Bombay and Madras Governors for money for the most necessary public works, have been treated must end. Calcutta must not be allowed to dogmatise upon what Bombay, or Madras, or the Punjab, shall do or shall not do. It has enough work before it in Bengal; let it stick to it. That some such changes as I have here hinted at must be inaugurated before public works in India will be prosecuted upon the right scale, and in the right way, I think there can be no doubt.

I have detained you too long already, gentlemen, but I must be allowed to take a hurried glance at our Railway expenditure in India, before I close. The total amount, then, expended upon our railway system, as far as it has gone, up to the close of 1865, is about £75,000,000, of which sum about £60,000,000 was contributed under the guarantee, and the remaining £15,000,000 advanced out of Indian taxes, in payment of the interest guaranteed to the shareholders and in railway exchanges. The total outlay, I say, upon the Indian railway system from its commencement down to this day, a period of seventeen years, is about £75,000,000 sterling, and towards this sum the capitalists of this country have contributed the greater part of the £60,000,000 raised under the guarantee. The nett amount of capital India has received, however, has been no more than £45,000,000, since £15,000,000 of interest and ex-

change have been returned to this country, out of taxes, in the payment of guaranteed interest and exchange. We have thus paid back to England £15,000,000, while we still owe her an undiminished debt of £60,000,000. All the *risks* of the enterprise are our own, and the investment, in so far as England is concerned, must be held to be a highly advantageous one. For a very large amount of this capital has been spent upon English industry. Of the £60,000,000 we owe, no less a sum than £22,000,000 was paid to English machinists, ironmasters, engineers, and shipowners, for permanent way, freight, rolling stock, &c., establishments, and how advantageous this arrangement has been to the country you, of course, are well aware. Your expenditure upon railway enterprise in India resolves itself, then, into this: that for the last seventeen years you have allowed the Indian Government to borrow, upon an average, £3,600,000 a-year, of which sum £1,400,000 a-year has been laid out on English goods, ships, &c.; nearly £1,000,000 a-year has been returned in the shape of interest, and exchange, because the system does not yet pay; and the nett balance, or a total sum of £23,000,000, has been actually expended in India itself. That is to say, the help which this great country, whose surplus accumulations of capital year by year are variously estimated at from £90,000,000 to £140,000,000 sterling, the help, I say, which it has rendered to India, amounts to the sum of $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent. of the wealth you hardly know what to do with! For this advance you have the most ample security, and a dividend of 5 per cent.

And the Government of this wealthy nation declares, in its wisdom, that the system of guaranteed loan has gone far enough, and must now be terminated. Well, with this expenditure of £75,000,000 out of capital and taxes, we have contrived in seventeen years to open about 3,300 miles of railway. I will now tell you what English gold did for the United States of America, in ten years only, from 1851 to 1861. Without a guarantee of any kind from its Government, then, you so freely offered your gold to

America, that they contrived to open with your help upwards of 19,000 miles of railways in the States in those ten years, or nearly 2,000 miles a-year; and you think you have done great things for us, in aiding us to construct about *two hundred*. Sir, we must invest capital in India on a very different scale from this, if we would reap the harvest of wealth that lies ready to our hand in that great country. Deal with India in the open-handed manner in which you deal with other lands, and you will reap a return therefrom such as you have now little conception of.

Well, you have now seen the total actual expenditure of English capital on railway enterprise in India. Allow me, in conclusion, to draw your attention to the abstraction you make of capital therefrom annually. At this moment, then, what are called the Home charges of the Indian Government do not fall short of six millions a-year. Now, I speak the language of sober earnestness when I say that there is hardly an item in those charges, that does not admit of question as to its justice, either in principle or in degree. I must not weary you, however; and I shall refer but to two or three particulars therein. I remark then, first, that in those charges there is a demand annually made for the sum of £3,000,000, in payment of interest on the debts incurred in the prosecution of the Affghan War, and in the suppression of the Indian Mutiny. Now I speak within the hearing of men who are quite able to verify what I say, when I affirm that the large sum of money thus claimed is taken from India every year, by no law but that of might. Will it be contended seriously that the Affghan War was entered upon in the interests of India, or that India had any voice whatever, either in its prosecution or its close? It was a purely English war, undertaken by English statesmen in the teeth of the rulers of India, and in purely English interests; and so mistaken and so guilty was that war, that it has come to be called proverbially "the *iniquitous* Affghan War."

And yet, though India had nothing whatever to do either with its inception, its responsibility, or its prosecution; and

though the East India Company protested earnestly against the whole affair; you have fastened the whole cost of it, namely, £1,000,000 a-year in perpetuity, upon the people of that country. Do you think that the terrible sufferings of 1857 cast no light upon this transaction? Already the sum abstracted from the people of India on account of that war, does not fall short of the whole amount of your boasted expenditure upon Indian railways. You are at the present moment taking £1,000,000 sterling a-year from India for the cost of that iniquitous war; and you mean to take it still. Do you think the lapse of twenty years takes off the disgrace of the proceeding? I do not stay to notice the miserable pretences upon which the interests of India were sought to be linked with that war. Suffice it to say that it cost, directly or indirectly, £20,000,000 to £30,000,000 before its last traces disappeared from the Indian balance-sheet, and that you have unjustly fastened a perpetual demand of £1,000,000 a-year upon the people of India for its conduct—and you take care that they pay it.

Once more, under this head (and I remark parenthetically that it would be easy to show that the whole Indian debt is really an English liability, and not Indian) I point your attention to the fact, that you are exacting £2,000,000 more every year from India, and mean to exact it in perpetuity, it seems, for the suppression of the Indian Mutiny. And yet, what fact in equity can be more certain, than that the cost of suppressing that outbreak, should be borne by those by whose misrule it was occasioned? Let it be well understood that there is no longer any controversy as to its causes. The English Government of the day was committed to a course of spoliation of high and low. On one pretext or another, our treaties with the native princes of the country were violated, that we might seize their possessions, while Enam commissioners were sweeping as with a besom all the private freeholds of the country into the Government treasuries. It was impossible all this while, remember, to secure a hearing for any remonstrance that came from India.

Every petition presented to either Lords or Commons was treated as so much waste paper; and when at last a rebellion occurred, you bound the whole cost of its suppression, to the last farthing, upon the shoulders of the people. But you reversed your policy, and signed judgment against yourselves for the debt in doing so.

What, I ask, had the loyal millions of Bombay, Madras, the Punjab, Sind, Nagpoor, to do with that rebellion, that they are now to pay its cost; while you, by whose misrule alone it was brought about, refuse to touch the burden with one of your fingers? Is it thus that this Christian people should govern the vast dependency whose finances are in its hands, as a trust? While you have been making your guaranteed outlay upon Indian railways of three millions a-year, Sir Charles Wood has been *drawing* three millions a-year to pay the interest upon debts, unjustly incurred in our name, because we are in your power. Do you think, if India was rightly represented in the British Parliament, this state of things would be allowed to last?

Before I dismiss this subject, let me ask your attention to a fact concerning the Mutiny debt, which is truly so disgraceful as to be all but incredible. It happened that a large part of this so-called debt of £40,000,000 was incurred just at the time when you were under the panic of a French invasion. There were no fewer than 100,000 troops in India at the period, the depôts of which, amounting to 22,000 men, were in this country. Well, all through that panic those depôts formed a most important part of your national defences, and your statesmen, and newspapers, comforted themselves with their presence here. Can you believe it possible, then, that the whole cost of their maintenance was thrown—as the cost of these depôts ever was thrown—upon the Indian Treasury, upon the pretext that the regiments to which they belonged were serving in India? Comment upon such a fact is superfluous. The cost of *your* defence was thrown upon the Indian ryot, and he is paying it to this day. And yet you are easy

under the impression that your rule of India is upright and commendable, and exactly what it ought to be.

I do not carry the subject further, or it would be easy for me to show that these so-called Home charges,* which have amounted in round figures to £150,000,000, since the commencement of the century, have been one of the chief causes that have retarded the progress of that country. India pays a heavy penalty, gentlemen, for the benefits of English rule. What the total capital annually abstracted from her under our giant system of *absenteeism* amounts to it is difficult to say; but it is heavy in the extreme, and tends terribly to her impoverishment. I need not tell you how different is the effect of taxes spent *within* the country in which they are raised, and taxes spent *without* it. It is the unavoidable misfortune of India that many millions a-year of her taxes, are sent therefrom to be expended in this country; and I cannot forbear the statement of my conviction that our national relations with that great empire are far from resting upon an equitable basis. The principle upon which all our financial relations with India have hitherto been conducted, is the assumption that England never had any interest in the acquisition of its rule, and has none whatever in its maintenance. I need not tell you how false that assumption is. A De Tocqueville, amongst foreigners, is lost in admiration of the fortune we possess in our great dependency, while the vulgar leaders of your press indecently threaten to "cut the Indian Empire adrift" rather than let her cost you one shilling. Do you not think, gentlemen, strong *primâ facie* evidence exists against the equity of your rule, in the fact that you may search the records of your Exchequer through, and fail to find there a trace even of the ex-

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istence of your Indian Empire. You have unlimited control of our finances. There is no man to rise up in Parliament, and question the equity or the justice of the vast abstractions you are making, year by year, from the treasury of India, without check or hindrance of any kind. You do as you please with that treasury. You ever have done so. Every charge that you could connect, however remotely, with the *name* of India, you have cast upon her. Instead of a scrupulous regard to what equity and good faith suggested, and a careful attempt to apportion the cost of maintaining the connexion of the two countries between them, upon the principle that each should pay according to the benefits it derives therefrom, you have made India pay the whole; you are still making it do so; and you mean still to make it do so.

The time is coming, gentlemen, when interpellations upon this subject will reach you from the native mind of India itself. It is not for nothing that the young men of India are pressing through the Universities, you have established in its chief cities. Their voices are mute now, for they know not political warfare; but the time is coming when you will have to give an account to the sons of India, of the trust so long confided to your hands, and, as I in my conscience believe, so inequitably used. Remember, if your treatment of your other dependencies is right, then is your treatment of India shamelessly wrong; and I would, from the bottom of my heart, that you awoke to this fact of yourselves. It is enough for me, that I have made a deliverance of my own conscience upon this subject.

When I regard attentively the intense selfishness of our rule in India; our deliberate refusal to pay one shilling for the important benefits we derive from that rule; and remember that India is one of the poorest countries on the earth, whilst we are estimated to be the wealthiest, I cannot but have misgivings as to our future. I cannot but fear that what we are wrongfully withdrawing from that country, will be exacted of us, to the last far-

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thing, in national rebuke, humiliation, and suffering. I speak the more unreservedly upon this subject, because I know how extensively deep religious feeling pervades the north of England, and because, we are told by high authority, that it is from Manchester that the great political impulses of the day are flowing.

I would suggest that Manchester should petition for a Select Committee of the House, to report upon the following questions :—

1. The propriety of declaring every Port in India a Free Port ?
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5. The character of our financial relations with India, and the principles on which they are based ?

NOTE.

Shortly after the Conference, a letter commenting thereon appeared in the *Times*, signed "A Colonist," illustrating very perfectly the want of exact acquaintance with our affairs, which I allege against the colonist party generally. The writer remarks :—

The Government of India, while boasting that it possesses a source of revenue which other Governments have foolishly alienated, has never understood that the privilege of collecting the rent of the land entails upon it the obligation of fulfilling those duties of a landlord which elsewhere are performed by private individuals. While maintaining the theory that the land revenue is only the rent, it has never scrupled to use that revenue as a tax to defray the expenses of foreign wars, or to relieve the wealthy commercial inhabitants of great cities from the burden of paying their fair share of the general taxation of the country. As a general rule, none of the money taken from the land was, till lately, spent on the land, and consequently, the backward condition of Indian agriculture presented a close parallel to that of Irish agriculture in those good old days in which absentee landlords squandered in foreign countries the rents they received from their properties in Ireland. Even still it is considered a work of grace, and not of obligation, for the Indian Government to spend money on public improvements, such as roads and works of irrigation; and so little did Sir C. Trevelyan last year recognise what the Government owes to the land, that he actually abolished the income tax—the only direct impost to which the commercial millionaires of India, the men who benefit most largely by our rule, contributed—because he could use the land revenue to supply the gap thus created, instead of applying it to its legitimate purposes.

A day or two after this letter appeared, the *Boston Chronicle* echoed the substance of its complaint as follows :—

If we want more cotton, and better cotton, and cheaper cotton, from India, we must have more roads, more navigable canals, and greater improvements to the navigation of existing rivers between the cotton districts and the coast. And here it is that the Government of India has signally failed in its duty. It is true we are told that during the last six years the grants for public works, chiefly roads, have been £30,000,000. It seems a great sum. But look to the different position in which the Government of India stands to the landowners and occupiers, to that which it holds in reference to the same classes in our own country. In England, if a new road has to be made, the owners and occupiers of land must subscribe for the improvement. But in India the Government may be called fairly the landowner; it levies a land-tax which during the last six years has amounted to

£120,000,000. And we say it is bound in all honesty to expend that tax in the improvement of the land upon which it is levied. Let the cotton manufacturer stick to this one point—"You, the Government of India, receive £20,000,000 a-year of rent from the land; that is a sum you have no right to dispose of for the benefit of merchants, and for the improvement of towns, but which you should devote to the benefit of those who pay it.

Lastly, a greater than either the "Colonist" or the *Chronicle*—the *Times*—was insisting upon the same thing, a few months ago, in the following terms:—

It is true that a large sum of £5,890,000 is to be spent in the ensuing year on public works, but nearly as much, or £5,686,000, was spent in the past twelve months. A Government like that of India, which, taking into account the opium monopoly, derives more than half its income in its character of landowner, must every year be prepared to lay out considerable sums in public works. This has been done for many years past, and the revenue is now reaping the benefit of the expenditure. The present generation must do for its successors what its predecessors have done for it.

In substance, all these gentlemen agree that as the Government of India is the landlord of the country, and enjoys the rights of landlord, so must it be held answerable for the discharge of the landlord's duties: in other words, it is its duty to construct what works are necessary for the improvement of the land, out of the income which it derives therefrom. The extracts are replete with misstatements of fact on minor matters, to which I need not reply: but admitting for a moment that the Government of India *does* stand towards the soil in the relation which these gentlemen, erroneously, suppose, when or where in the world, I ask, was it ever yet held that a landlord ought not to be allowed to borrow money for the improvement of his estate, but should be compelled to devote thereto, the income he derives therefrom! The question raised by these gentlemen, and thus superficially treated, is vital to the wellbeing of India; and if the erroneous impressions conveyed by such writings are to govern our conduct in the matter of public works in India, the future of that great country will be indefinitely compromised.

The terms *lease*, *rent*, *landlord*, and *tenant*, as applied to the relations existing between the State and the land in India, are suggestive of so much error, that their use is greatly to be deprecated. A lease in India is not a lease, in the English meaning of the term; nor is the Government a landlord, nor the ryot a tenant, nor the land revenue

a rent ; and the assumption that the words so translated have the full meaning of their English renderings, is the parent of half the errors made in this country upon the subject of Indian finances.

In no part of India, does the Government stand towards the soil in the relation of landlord. Its rights as landlord (if it ever possessed them) were long since waived in favour of the cultivator. As a matter of fact, the Government of India never was the landlord ; it was simply entitled by immemorial usage to what was known as the *khirauj*—an impost that might, or might not, represent the true rent of the soil. This impost might legally extend to one-half the produce, but could not exceed that proportion ; while in practice only a third or a fourth was taken. In other words, the Commonwealth had a prescriptive right to share in the produce of the soil ; a share that might reach to one-half, but in practice seldom exceeded one-third.

Now, let it be well understood that this was the condition of things we found in India. We found that the Commonwealth had reserved a right from time immemorial to a certain proportion of the produce of the land. But the State had no right to the *soil*: it could not dispossess one tenant to put another in at a higher rental ; for the soil belonged to the occupier, who could do with it what he liked, so long as he paid the State share of the produce. When a man sold his land in those days, he sold it subject to the State claim upon it ; in other words, he sold a right to occupy and enjoy for ever two-thirds of its produce. The remaining third was not his to sell, and never was his, nor his fathers'. Whether the State share represented the true rent of the soil or not, would of course be an accident : I am inclined to believe it fell a good deal short of that rent as a rule. Well, this was the condition of things we found everywhere ; while at this moment we have everywhere lowered that *khirauj* almost to the point of abandonment. The land has risen so enormously in value within the last twenty years—mainly from the successful growth of new and valuable articles of export—that, instead of one-third, it is doubtful if we are taking one-twentieth of the produce as the State share. In other words, whatever our predecessors may have been, we have long since abandoned all claim to anything but a quit-rent of the soil.

Wisely or unwisely, we have abandoned, I say, to the cultivator that share in the produce which before we came, the Commonwealth

thing, in national rebuke, humiliation, and suffering. I speak the more unreservedly upon this subject, because I know how extensively deep religious feeling pervades the north of England, and because, we are told by high authority, that it is from Manchester that the great political impulses of the day are flowing.

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The Government of India, while boasting that it possesses a source of revenue which other Governments have foolishly alienated, has never understood that the privilege of collecting the rent of the land entails upon it the obligation of fulfilling those duties of a landlord which elsewhere are performed by private individuals. While maintaining the theory that the land revenue is only the rent, it has never scrupled to use that revenue as a tax to defray the expenses of foreign wars, or to relieve the wealthy commercial inhabitants of great cities from the burden of paying their fair share of the general taxation of the country. As a general rule, none of the money taken from the land was, till lately, spent on the land, and consequently, the backward condition of Indian agriculture presented a close parallel to that of Irish agriculture in those good old days in which absentee landlords squandered in foreign countries the rents they received from their properties in Ireland. Even still it is considered a work of grace, and not of obligation, for the Indian Government to spend money on public improvements, such as roads and works of irrigation; and so little did Sir C. Trevelyan last year recognise what the Government owes to the land, that he actually abolished the income tax—the only direct impost to which the commercial millionaires of India, the men who benefit most largely by our rule, contributed—because he could use the land revenue to supply the gap thus created, instead of applying it to its legitimate purposes.

A day or two after this letter appeared, the *Bolton Chronicle* echoed the substance of its complaint as follows:—

If we want more cotton, and better cotton, and cheaper cotton, from India, we must have more roads, more navigable canals, and greater improvements to the navigation of existing rivers between the cotton districts and the coast. And here it is that the Government of India has signally failed in its duty. It is true we are told that during the last six years the grants for public works, chiefly roads, have been £30,000,000. It seems a great sum. But look to the different position in which the Government of India stands to the landowners and occupiers, to that which it holds in reference to the same classes in our own country. In England, if a new road has to be made, the owners and occupiers of land must subscribe for the improvement. But in India the Government may be called fairly the landowner; it levies a land-tax which during the last six years has amounted to

£120,000,000. And we say it is bound in all honesty to expend that tax in the improvement of the land upon which it is levied. Let the cotton manufacturer stick to this one point—"You, the Government of India, receive £20,000,000 a-year of rent from the land; that is a sum you have no right to dispose of for the benefit of merchants, and for the improvement of towns, but which you should devote to the benefit of those who pay it.

Lastly, a greater than either the "Colonist" or the *Chronicle*—the *Times*—was insisting upon the same thing, a few months ago, in the following terms :—

It is true that a large sum of £5,890,000 is to be spent in the ensuing year on public works, but nearly as much, or £5,686,000, was spent in the past twelve months. A Government like that of India, which, taking into account the opium monopoly, derives more than half its income in its character of landowner, must every year be prepared to lay out considerable sums in public works. This has been done for many years past, and the revenue is now reaping the benefit of the expenditure. The present generation must do for its successors what its predecessors have done for it.

In substance, all these gentlemen agree that as the Government of India is the landlord of the country, and enjoys the rights of landlord, so must it be held answerable for the discharge of the landlord's duties: in other words, it is its duty to construct what works are necessary for the improvement of the land, out of the income which it derives therefrom. The extracts are replete with misstatements of fact on minor matters, to which I need not reply: but admitting for a moment that the Government of India *does* stand towards the soil in the relation which these gentlemen, erroneously, suppose, when or where in the world, I ask, was it ever yet held that a landlord ought not to be allowed to borrow money for the improvement of his estate, but should be compelled to devote thereto, the income he derives therefrom! The question raised by these gentlemen, and thus superficially treated, is vital to the wellbeing of India; and if the erroneous impressions conveyed by such writings are to govern our conduct in the matter of public works in India, the future of that great country will be indefinitely compromised.

The terms *lease*, *rent*, *landlord*, and *tenant*, as applied to the relations existing between the State and the land in India, are suggestive of so much error, that their use is greatly to be deprecated. A lease in India is not a lease, in the English meaning of the term; nor is the Government a landlord, nor the ryot a tenant, nor the land revenue

a rent ; and the assumption that the words so translated have the full meaning of their English renderings, is the parent of half the errors made in this country upon the subject of Indian finances.

In no part of India, does the Government stand towards the soil in the relation of landlord. Its rights as landlord (if it ever possessed them) were long since waived in favour of the cultivator. As a matter of fact, the Government of India never was the landlord ; it was simply entitled by immemorial usage to what was known as the *khirauj*—an impost that might, or might not, represent the true rent of the soil. This impost might legally extend to one-half the produce, but could not exceed that proportion ; while in practice only a third or a fourth was taken. In other words, the Commonwealth had a prescriptive right to share in the produce of the soil ; a share that might reach to one-half, but in practice seldom exceeded one-third.

Now, let it be well understood that this was the condition of things we found in India. We found that the Commonwealth had reserved a right from time immemorial to a certain proportion of the produce of the land. But the State had no right to the *soil* : it could not dispossess one tenant to put another in at a higher rental ; for the soil belonged to the occupier, who could do with it what he liked, so long as he paid the State share of the produce. When a man sold his land in those days, he sold it subject to the State claim upon it ; in other words, he sold a right to occupy and enjoy for ever two-thirds of its produce. The remaining third was not his to sell, and never was his, nor his fathers'. Whether the State share represented the true rent of the soil or not, would of course be an accident : I am inclined to believe it fell a good deal short of that rent as a rule. Well, this was the condition of things we found everywhere ; while at this moment we have everywhere lowered that *khirauj* almost to the point of abandonment. The land has risen so enormously in value within the last twenty years—mainly from the successful growth of new and valuable articles of export—that, instead of one-third, it is doubtful if we are taking one-twentieth of the produce as the State share. In other words, whatever our predecessors may have been, we have long since abandoned all claim to anything but a quit-rent of the soil.

Wisely or unwisely, we have abandoned, I say, to the cultivator that share in the produce which before we came, the Commonwealth

reserved for defraying the expenses of the Government. In so doing, we have of course conferred an enormously valuable property upon the cultivator, which neither he nor his fathers knew, and to which neither he nor they had the remotest title, or right. If, therefore, it ever was the landlord, the Government has long ceased to be so, having abandoned to the cultivator the whole margin of profit which lies between our light assessment and the true rental of the fields.

Now, these are facts of which "A Colonist" is plainly ignorant. The belief still lingers everywhere, that the land revenue of India is "a rack-rent of half the produce." The truth is, a revolution has taken place in that country within the last twenty years, so vast that the experience and the writings of men who may have been "authorities" in 1845 are now simply misleading and dangerous. It is because of this that the proposal to settle the land-tax in perpetuity at its present amount, is so monstrous a folly. Just at the period when the land is doubling in value every five years, we are bidden to settle the land-tax in perpetuity. Take the case of a ryot holding a thirty years' lease, in the Bombay Presidency. The man has what is called a right of occupancy; and the "lease" is simply an assurance that the Government assessment shall not be raised for a generation of years. He can do what he likes with his land, for his right to occupy is heritable, and transferable, and perpetual. The State cannot oust him; all improvements upon the land are his for ever. He is simply liable at the end of thirty years to find the quit-rent he is paying somewhat increased, from a general edict falling upon the whole *talooka*; an edict ever preceded by careful inquiry. Where he is now paying a quit-rent of Rs.2 an acre, he may perhaps have to pay by-and-by Rs.3. Who is the real landlord in these circumstances? The so-called tenant, who is allowed from generation to generation to enjoy the rent, or the so-called *landlord*, who does *not* enjoy it? So valuable a property are these leases, that they command the most fabulous premiums. Land is not to be bought in Western India at all. If we could get at the hoards of these men for the purpose of making the roads, and tanks, and canals, which they have too little enterprise to make for themselves, it might be good policy to tax them for the purpose; but to tax *the urban classes* for such works, while they are to have no interest in the profits arising from the outlay, is plainly monstrous. On this ground, have I ever condemned

the income-tax in India; because it was levied to sustain a great public works expenditure, and not to defray the current expenses of the State. If we settle the land-tax in perpetuity at its present amount, then is it certain that the Commonwealth should cease all expenditure upon public works for improving that land. All that the State is now taking from the land of India is a quit-rent, the whole proceeds of which go to defray the expense of administering the laws, and maintaining the military establishments. To undertake public works for improving the land, out of that quit-rent, or out of an income-tax upon the cities, is plainly preposterous. The State has already conferred upon the occupiers of land an enormously valuable property, which belonged of right to all classes in common. And we are now to add to the value of that property, it seems, by an indefinite outlay upon public works made out of taxes upon the non-agricultural classes.

REPLY

LETTER ADDRESSED TO MALCOLM ROSS, ESQ.

PRESIDENT OF THE MANCHESTER CHAMBER OF COMMERCE.

BY JOHN DICKENSON, JUN., ESQ.,

)

ON THE SUBJECT OF THE

MANCHESTER CONFERENCE, JANUARY 24, 1866

BY

ROBERT KNIGHT.

(“TIMES OF INDIA.”)

LONDON:

WILLIAM JOHN JOHNSON, 121, FLEET STREET.

MDCCCLXVI.

REPLY, ETC.

DEAR SIR,

I regret that some remarks which I made at the Manchester Conference of January last, in reply to Mr. Dickenson's speech upon the occasion, should have given such umbrage to that gentleman and his friends, as to lead them, after an interval of several months, to commence a pamphlet war upon the subject. In the letter addressed to yourself, which Mr. Dickenson has published, he states—and I am bound to believe truly—that he did not hear the remarks in question at the time they were uttered; and adds: "All I know certainly about it is, that Mr. Knight in his published speech has deliberately misrepresented myself and a number of other people;" meaning, as it afterwards turns out, himself and Mr. Carnac Brown, of Tellicherry. Now, this is very strong language; and I had hoped that such discourtesy had been banished from respectable controversy in England. I have too much respect both for you, Sir, and for myself, to imitate it in the reply which I have to make to the charge.

That the measure of my offence against Mr. Dickenson and his friend Mr. Carnac Brown may be understood, I take the liberty to reproduce *in extenso* the remarks which are so much resented. They were as follows :—

You have had a long impeachment, gentlemen, this morning, of the Indian Government from Mr. Dickenson. Now I have the warmest regard for Mr. Dickenson, as a sincere friend of India. I know him to be such, but I know him also to be wrong in this matter. Some years ago, we pulled very much together, when urgent reforms were required; but Mr. Dickenson has been ill-informed on Indian subjects of late years. He has done what you have done, reflected too faithfully the uninformed non-official opinion of India; and he has, therefore, gone wrong. I will give you an instance of it. It is not yet four years since Mr. Dickenson brought out a pamphlet by a Mr. Brown, of Tellicherry, upon Indian affairs. So important did Mr. Dickenson deem it to be, that he himself wrote a preface to it, and launched it from the gates of the Reform Society at the Indian Government. And what was Mr. Brown's complaint? A passionate protest against our injustice to the people of India, in allowing cotton and seeds to escape the export duty we levied upon the coarse grains grown in the country! Neither Mr. Dickenson nor Mr. Brown could see, that we did so in the ryot's own interest, that he might compete on the best possible terms with other producers of cotton and seeds. Now, gentlemen, suppose for one moment that the Indian Government had listened to Mr. Dickenson's representations, and put an export duty on cotton, I ask you what would have been the judgment of this Chamber upon the matter? And it is Mr. Dickenson who so vehemently denounces this morning the misgovernment of India, as the cause of your getting no more cotton therefrom.

* * * * *

I am truly sorry, gentlemen, to have had to complain of the tenor of Mr. Dickenson's address, for I have a sincere admiration for his disinterested and laborious efforts on behalf of India. I only wish they had been of late years more wisely directed.

I thus ventured to declared that Mr. Dickenson had been "ill-informed of late years upon Indian subjects;" and however courteously worded the complaint, I had not the skill to divest it altogether of its sting; nor indeed had I the wish to do so, after listening to his wearying and mischievous diatribe on the occasion against the Indian Government. It seems, however, that Mr. Dickenson's "sole inducement" to notice (p. 9) my speech, is the "impulse "to vindicate the fair fame" of his friend, Mr. Carnac Brown, and this task is supposed to be accomplished in a letter addressed to Mr. Dickenson, by Mr. Brown's nephew (Mr. Ludlow), which is appended to Mr. Dickenson's epistle. Without an effort, therefore, on his own part to sustain the discourteous charge that I had "deliberately misrepresented himself and a number of other people," Mr. Dickenson hands the task over to his friend Mr. Ludlow, and that gentleman proceeds to prove it as follows :—

Mr. Knight's misrepresentation of Mr. Brown's pamphlet is indeed so gross, that it is almost sufficiently refuted by its mere title. He would have his hearers and readers believe that in issuing it you and Mr. Brown were seeking from Government the imposition of an export duty on Indian cotton. Did Mr. Knight remember that the pamphlet was entitled "Obstructions to Trade in India?" If so, he must also have wished us to believe that you and Mr. Brown were fools enough either to suppose that an export duty on cotton would not obstruct trade in India, or to ask for it because it would.

I need not tell you that the exact reverse is the case; that the pamphlet expressly, and to its very last-line, urges the abolition of all Indian export duties. It might be thought that it would have been sufficient to point out this to Mr. Knight for him to acknow-

ledge his error, which at first I could not but suppose to have arisen from his never having read the pamphlet. I learn, however, that on its first appearance he attacked it violently in the *Times of India*; and it appears from a correspondence I have had with him, that although he referred to it from memory at Manchester, he yet considers himself justified in having spoken of it as containing a passionate protest against our injustice to the people of India, "*in allowing cotton and seeds to escape the export duty we levied upon the coarse grains grown in the country,*" by a paragraph in which Mr. Brown dwells indeed on the injustice of levying export duties on the natives' food, grain, cocoa-nut shells, &c., while the staples of English agriculture in India—tea, coffee, sugar, cotton, &c.—go forth untaxed, but solely with a view, set forth expressly in the next paragraph, to the removal of *all* export duties whatsoever, "as obstructions to trade in India." In other words, Mr. Knight persists in declaring that he had a right to say that Mr. Brown wrote black, when he distinctly wrote white.

Who "a Mr. Brown, of Tellicherry," is, whom Mr. Robert Knight has singled out as a type of the "uninformed non-official opinion" of India, many men of Manchester know well enough already.

Now, Sir, I do sincerely regret that Mr. Brown's history was unknown to me, when I mentioned his pamphlet before the Conference: as I should certainly in that case have spoken with respect of one who is, it seems, a very worthy man. On the other hand, it is not the less true that had I been able to refresh my memory on the occasion with a glance at Mr. Brown's pamphlet, I should have spoken of it even more severely than I did. The pamphlet is now in my hands. I am no longer referring to it from memory, and I affirm that a more misleading, or mischievous, production could not have been put before the English public by the

Indian Reform Society, or by any other Society taking an interest in Indian affairs.

As to my having "deliberately misrepresented" the pamphlet, I remark that whether there was misrepresentation of it or not, it is hard to see how there could have been any deliberation in the matter, when I was referring, on the spur of the moment, and from memory only, to the production. The mischievous character of the pamphlet was fresh in my mind, and I believed I was describing it rightly when I declared it to be "a passionate protest against our injustice to the people of India in allowing cotton and seeds to escape the export duty we levied upon the coarse grains grown in the country." I now find that it would have been more correct to have said that, amongst other absurdities, "the pamphlet *contained* a passionate protest," &c. That it does so let the following extract (pp. 17, 18) show:—

The native goes to his Custom House, wherever it may be, sea or land: he there meets the Englishman exporting free to England or to foreign States his tea, coffee, sugar, cotton, &c., while he, the native, must pay duty upon his food, his grain, his cocoa-nut shells, his cocoa-nut and date brooms, his cowtails, his coir in every shape, his oils and seeds of every kind, his "ajwan burroo, bodar, wachnack," his "chumbalee, curday, dhopell, moortooth, peplamool;" in short upon every "country article" named or not named in the tariff; which the Englishman consumes not and despises, but which are among humble native wants.

It is treatment like this that the native feels to the core. His dislike to you is *not* inborn; this is its wellspring, this its fount and origin. Your superior intellect he freely acknowledges; your capacity to rule he willingly bows to; your vast science he reverences; your mechanical skill he unfeignedly admires; your title to

lead and command he in nowise questions : but his human soul does rise from its depths and rebel at the useless tyranny, which denies to the head and the hands God has seen fit to bestow upon him, the same free exercise, the same incitements to exertion, and the same money rewards as you profusely grant, before his eyes and in his own country, to your own countrymen.

If this is not “ a passionate protest against our “ injustice to the people of India, in allowing cotton “ and seeds to escape the export duty we are levy- “ ing upon the coarse grains of the country,” I do not know what it is. It is incumbent upon me, however, to admit that the pamphlet, as I now find upon reference, does oppose export duties in general—a fact that had escaped my memory—but it does so in a way calculated to spread the most erroneous and mischievous impressions in this country. Thus Mr. Brown sums up the fiscal system of India, as follows :—

We have then, as the system of taxation in India, first the ryot-rack-rent of half the land's produce taken in money, a demand frightfully enhanced in a roadless country and with a sluggish internal trade of barter ; next an export duty upon every native thing the same land produces ; and an import duty upon everything the native consumes ; third, an income-tax ending this year on all incomes of Rs.200 (20*l.*) a-year, continued on all above Rs.500 (50*l.*) a-year. These are followed by minute and searching stamp duties, civil, judicial, and commercial ; by Sayer duties, by monopolies of salt, opium, and native spirits, and up to the present year at Madras, by the Moturfa tax. The system, therefore, combines and unites in one broad stream the two extremes of direct and of indirect taxation. Talk of the elasticity of the Indian revenue—surely the marvel is that there is revenue at all. What would be the revenue of England, if the same system were enforced there under the same local circumstances ?

I do not hesitate to say that it was not in the

power of Mr. Brown, nor of any other person, to have crowded together in a dozen lines, a more monstrous caricature of the fiscal system of India. Instead of its land revenue being a rack-rent of half the produce, I doubt if there is a district in the whole country in which it is one-eighth, while over the richest portions of it, it is not one-fifteenths. So nominal are the export duties that the whole amount raised therefrom in the Bombay Presidency, three or four years ago, was but 54,000*l.* per annum; while, as every man knows, who knows the country at all, the only taxes proper that touch the masses are the salt and abkarree (liquor) taxes, realising between them about 8,000,000*l.*, from a population of 130,000,000 to 150,000,000. There is no civilised country in the world that enjoys so large an exemption from taxation; and to speak of its fiscal system as Mr. Brown speaks of it, simply shows that a man may spend a lifetime in India, and be in ignorance at its close of the A B C facts of its condition.

I might here close this letter, but that it is perhaps desirable for me to notice a further mistake into which Mr. Dickenson has fallen, in his belief that the English columns of the native press, may be trusted, as a reflection of the native mind of India. Thus, he favours us with a quotation from the *Indu Prakash*, upon the subject of "British Enterprise in India," and the way in which it is checked by "the official despotism of the Indian bureaucracy." Were Mr. Dickenson more exactly informed upon Indian subjects, he would know that the *English* articles

of the native press in Western India, are so frequently contributed by Englishmen having a purpose to serve in resorting to them, that no one on the spot dreams of regarding them as a reflection of *native* thought.

As a rule, the vernacular columns of the native press *do* reflect native opinions; but their English columns are frequently the mere battle-ground of European party strife. The *Indu Prakash* is a Bombay paper, and a prime offender in this line. When I was leaving India, two years ago, and the representatives of the native press (the *Indu Prakash* amongst them) presented me with a complimentary address, I took occasion to point out to them the mistake they were committing in allowing themselves to be made the cat's-paw of party discussions in the English community; this very journal being the chief offender I had in my mind. At that time, its columns were a sort of common ground for the supporters of the English Educational Department and its opponents; and it is a little amusing to those who have been behind the scenes, and had a full view of the "wire-pullers," to mark Mr. Dickenson's earnest interest in the performance. He does not know that the actors are Englishmen dressed up as natives for the occasion; and for the very purpose of imposing upon such good men as he, the belief that the natives of India entertain the views with which he has been plied by such bodies as the Landholders' Association of Calcutta. I affirm, with certainty that I am right, that not one line of the extract given by Mr.

Dickenson, was written by a native of India. I have had too close an acquaintance with the Indian press, to be in any doubt as to the quarter from whence Mr. Dickenson's extract comes. The writer of the passage is plainly a member of the Educational Department of Bombay ; which, consisting of *uncovenanted* men, stands in chronic hostility to the covenanted Civil Service, and is ever ready to lend its great ability to disparage what it calls "the Indian bureaucracy."

It is very desirable that people in this country should know more of the state of Indian parties than they do. Thus, Mr. Dickenson says of myself : " Mr. Knight is merely the organ of official prejudices in his hostility to the class of non-official settlers in India." Mr. Dickenson is incapable of "deliberately misrepresenting" anything ; and I believe, had he enjoyed the advantages of some years' residence in India, he would have taken up as nearly as possible the position in its politics which I myself occupied. I do not hesitate to say that the world has never before seen a Government so single-minded in its aims, as the Government of India has been of late years. But that Government is systematically traduced by two powerful bodies ; by the Educational Department, which consists of *uncovenanted* men, full of jealousy of the Civil Service ; and by the Planting interest. The evil reputation of the old East India Company for obstructiveness, procures ready audience for the most venomous and untruthful charges against the modern Government. Does Mr. Dickenson forget that the Government of India is

fast passing into the hands of a body of gentlemen, selected by competition from all ranks of his countrymen, without favour to the son of peer or peasant? Twenty years ago, there was some reason in the cry for "an open Civil Service;" but that cry has degenerated in these days into the mere watchword of a jealous and discontented party, who seek to rehabilitate the system of patronage which the nation has destroyed. It is a scandal that ought to be known in this country, that the fiercest hostility which the Civil Service of India (in other words, the Government of India) encounters, is from its own servants in the Educational Department, who adopt the grievances of the Planting body, and urge them, with the most envenomed hostility, against what they term the "official despotism of the Indian bureaucracy." At all events, this is the case in Western India. You are aware, Sir, I dare say, that the Educational Department consists largely of gentlemen selected from the English Universities, in the prime of life. They arrive in India to find the chief administrative posts of Government closed to them. They either had not the opportunity, or they waived it, of entering the service of the State by the door of competition; and conscious, in many cases, of great powers, it is hardly in human nature that they should acquiesce in arrangements which exclude them from all influential positions. They form, as a consequence, our Indian "Cave of Adullam," and to them is gathered "every one who is discontented, or in distress." By a necessity,

they attract to their party the sympathies of the great body of English lawyers in the High Courts of each Presidency, who are under a similar uncovenanted ban as themselves; while after these comes the "planting interest" of the country, which finds the stock pretences for a campaign that never closes against the whole civilian body. I cannot think it possible for any reflecting and unprejudiced man to be long in India, without discerning the mischief that would follow were the counsels of this party to prevail. The cry of the educational Adullamites is still for "an open Civil Service." What they really mean is, that we should fall back upon the old system of patronage, in our selection of men for administrative posts: that the man, for instance, who has gone out to teach English literature in the Colleges upon Rs.500 a-month, should be eligible for a secretaryship to Government upon Rs.3,000, if, in the judgment of the Governor for the time being, he is fit to fill the office. The lawyer Adullamites make "trained judges" their cry; and are never tired of denouncing the "boy magistrates" and collectors who misrule the country. What *their* cry really amounts to is, again, this: that the old system of patronage shall be restored; and that a young man who has eaten his terms at one of the Inns of Court, and is fortunate enough to carry with him a letter of recommendation to the Government of the time being, shall be eligible, as a "trained lawyer," for the first sessions-judgeship that falls vacant. Both educationists and lawyers are disgusted at

finding every door closed to them by the "covenant," into which the young competitor forced his way ten or a dozen years before. Now, if steady opposition for years to the pretensions of this powerful party (which has four-fifths of the Indian press in its hands) constituted me "merely the organ of official prejudices," then I must plead guilty to the charge.

Having no substantial grievances of their own to urge, and the planting body lacking the skill to conduct their own case in the best possible way, the "educationists," and the "trained lawyers" kindly hold a brief for "The Landholders' Association;" and the body of Adullamites thus formed, and united, keep up a pretty steady fire upon the Government. That the action of the party, upon the whole, is not unhealthful, may be admitted; the danger is, that powerful parties in this country, such as the Manchester Chamber, and good men with a hobby, like Mr. Dickenson, should believe too heartily in this "Cave," and attempt to force its interested counsels upon the State. You may trust neither the lawyer, nor the educationist, nor the planter, when the Government of India is the matter dealt with: and Mr. Dickenson's influence will never be healthfully used in our affairs, while he trusts implicitly to representations from these quarters. They are each doing useful work in India: but their common hostility to the civilian is of unworthy origin.

I repeat my full conviction, that there never was in the world before, a Government so single-minded

in its aims as the present Government of India. As the competitive element gains more fully the ascendant therein, that Government will be all that we could desire. As for official jealousy of British enterprise, the jealousy is all on the other side; and it is an impudent untruth for any man who has lived in India of late years, to speak of its Government as unfriendly to European enterprise.

I remain, dear Sir,

Yours faithfully,

R. KNIGHT.

TWYFORD MOORS, WINCHESTER,
August 4, 1866.

MEMORANDUM.

THE cost of the precious metals is lowest at their sources of supply, highest at the greatest distance therefrom. Thus an ounce of gold is normally worth less in Australia than in India, and in India than in England. Australia produces the metal, and, were the natural course of trade followed by us, would send it to India in payment of her annual debt to Europe, while India would retain it in payment of the cotton, seeds, silk, &c., she ships to Europe. India, after supplying her own wants in gold, would send the residual stream on to Europe. If we suppose the ordinary cost of the transport of the metal to be one and a-half per cent. from Australia to India, and one and a-half per cent. from India to Europe, the normal relative values of gold in the three countries should stand as follow :—

Australia.	India.	England.
£100.	£101 10s.	£103.

In other words, the exchange between the three countries, in so far as the cost of transporting the metal affected it, would be normally one and a-half per cent. and three per cent. in favour of England against India and Australia respectively.

The gold of California and British Columbia, on the other hand, flowing into Europe from the West, would be normally cheaper there than in India, and in India than Australia; and, competing with the gold of Australia, would probably go far to keep the exchanges of the world at par, or nearly so. Were we wise, we should allow natural causes to regulate the flow of the metal, and establish a perfectly identical sovereign in all parts of the British Empire.

The same sovereign, in all respects, should be the standard of value in the whole Empire. The slight difference which exists between the Australian and English sovereigns should be remedied, and one pound sterling made the standard coin of England, India, Australia, and all the Colonies—an important approach to a universal currency.

The question of course remains, Can we effect this conversion in India without overwhelming inconvenience, and even danger? Can we substitute the sovereign as legal tender for the rupee, and reduce silver money in India to the rank of a subsidiary currency, as in England? I think we can, and with very little inconvenience indeed.

The currency of India is exclusively of silver, and there is probably not less than 100,000,000*l.* of silver afloat in the country at this moment, or 15,000 tons weight of the metal. The proposal is to substitute gold for this cumbrous currency. To demonetize silver at once would be, of course, impossible; but to provide for its demonetization within a very few years seems to me possible, without inconvenience of moment or of danger. With silver at its present price in Europe, 5*s.* 1½*d.*, the sovereign there is intrinsically worth ten rupees and a-half. Its exchange value in India may be assumed to be something less, say ten rupees and a quarter. Well, let so much of the Indian debt as is contracted in rupees, about 60,000,000*l.* sterling, be converted by legislative act into sterling currency, at the exchange of ten rupees four annas per pound sterling. That any wrong would be done to the public creditor, any breach of faith with him committed by this conversion, is a position that cannot be seriously maintained, although it received the hasty sanction of the late Mr. Wilson. His successors, Mr. Laing and Sir Charles Trevelyan, have formally repudiated the notion, and rightly; for if it is plainly reducible to the absurdity of maintaining that, if by some chemical discovery, or other accident, silver should become plentiful as iron or scarce as platinum, we are yet bound to it hand and foot as our standard for ever. We have contracted our obligations in silver simply to keep them as invariable as possible; but if the world is agreed that, upon the whole, gold will now answer the purpose better than silver, there is no wrong done to either debtor or creditor in making the conversion at the just exchange of the period. Were it certain that silver were appreciating in value, it would be the duty of the State to change it the moment a standard less variable presented itself to our acceptance, on the equitable ground that engagements are contracted on the tacit assumption of all parties, that the standard will remain unchanged. If either party felt reasonably sure that the standard would alter, provision would be made against the contingency. The objection, is purely theoretic. I am satisfied that the conversion might be made at once without creating a remonstrance from a single public creditor. So desirable is the change felt to

be—so much do men in India wish to see it accomplished—that no man would dream of preferring any complaint against it, if the conversion were effected at an equitable rate of exchange.

The Act of the Legislature under which the conversion is made, should be introduced by a carefully-considered preamble, which should state, in plain and simple language, the evils which the present currency entails upon the country, and should explain the course which the Government, after consultation with competent persons, had deemed it advisable to take. Pains should be taken to make the people acquainted with the Act, by having it, with the preamble, translated into the vernacular languages, and circulated in every town and village of the country.

Simultaneously with the conversion of the debt, the Act should declare all existing private engagements payable either in gold, at the exchange of ten rupees four annas, or in rupees, at the option of the payer; naming a period, however, more or less remote, after which the rupee would cease to be legal tender for sums above a certain limit, say 5*l*. In other words, gold should be declared legal tender throughout the country, at the rate of ten rupees four annas, or such other rate as, after full inquiry, may be deemed just and equitable; silver retaining its *status* until sufficient time has elapsed for its absorption in the way presently to be described.

If the State cease to issue rupees from the Mint, the silver currency of the country will rapidly disappear from circulation, by its conversion into ornaments, and by the practice of hoarding. The stoppage of the minting of the old rupee will soon make it the dearer currency of the two, as the flow of silver from Europe will be at once arrested, when it can no longer be coined into money. The present currency will thus be rapidly contracted, while a vast absorption of it will take place through the Government Treasuries; for the Government Treasuries, while accepting the rupee in payment of State obligations, will issue it no more, but pay its debts in the sovereign instead thereof, issuing a new rupee altogether—equivalent, say, to the English florin—for a subsidiary currency.

Let it be borne in mind that in working out this conversion, the Government will have the hearty co-operation of all the influential classes with it—the bankers, the merchants, and the sowers. In so far as the Presidency towns are concerned, and the great commercial cities of the interior, the change will be carried by acclamation. The only direction

in which precaution is necessary, is in the operation of the change upon the poorer classes, and upon the army. The old rupee, with which the people are familiar, will, of course, continue to be the favourite with the masses for some time, and it may be wise to take some measures for the protection of the poor from extortion in their shop transactions with the bazaar dealers. So with the native army, it would probably be wise to continue to issue their pay, for a time, in the old currency, until all classes had become familiar with the new coins.

No better opportunity could be desired than the present for this great reform, and it would be most desirable simultaneously therewith to raise all official salaries somewhat throughout the country. *Whether we change the standard or not, we shall have to do this*; and a statesman should surely take advantage of so rare an opportunity to launch so great a reform. The increase of salaries *must* be made, and the finances can well afford it; a question on which I need not, however, enter here.

It would be necessary for the State to provide the Treasuries beforehand with three or four millions sterling of the new silver subsidiary currency to start with. The mints would rapidly supplement this amount, by converting the old rupee into the new token currency as fast as the Treasuries could feed them; and I do not think I am sanguine in expressing the belief that within five years the old rupee would have disappeared as completely from the currency as have the old sicca rupees. If we are to be held back from the accomplishment of plain, urgent reforms by the consideration that difficulties are in the way, we shall simply stereotype the evils we are suffering. The part of true wisdom is to look those difficulties in the face, with a view to surmounting them. I confess that I have been able to discover no "lion in the streets" that should deter us from this important step. The consideration that the present currency of India is itself of recent and thoroughly successful introduction, in substitution of rupees of another value, may well suggest that the difficulties that are anticipated are chimerical.

It would be necessary, of course, to fix the value of the new rupee to the old, just as we fix the value of the sovereign thereto; and until the old rupee has disappeared from circulation, the new rupee should not be legal tender for sums above one pound.

