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MADRAS RECORD OFFICE.

Government of Madras.

Financial DEPARTMENT.

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Dated 22 4 1861.

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Not to be folded or roughly handled

2-3-81

FINANCIAL DEPARTMENT.

No. 16 of 1861.

To

The Right Hon'ble Sir CHARLES WOOD, Bart., M. P.,

SECRETARY of STATE for INDIA.

Fort William, the 5th February, 1861.

Sir,

The Regular Estimate for the current year having been completed, we have the honor to forward the accompanying statements, Nos. 1 and 2, shewing the estimated Revenues and Charges of India in 1860-61, and the estimated Cash Balances in India on the 30th April, 1861.

2. From the statement, No. 1, it will be observed that the *excess* of Income over Expenditure in India has been estimated at £ 305,896, which shews a *decrease* of £ 403,947, as compared with the amount (£ 709,843,) shewn in the Sketch Estimate.

3. The estimated ultimate result, *i. e.*, the result arrived at after taking into account the estimated Home Charges, exclusive of Stores, and the payment of Interest on Railway Capital guaranteed, in 1860-61, is a *deficit* of £ 6,678,097, as shewn below :—

		£.
Estimated Charges in India		39,610,885
Estimated Home Charges, excluding Stores		* 5,357,993
		£ 44,968,878
Interest on Railway Capital, guaranteed, in England	£ * 1,626,000	
,, ,, ,, India ,,	36,010	
		1,662,010
Total Charges ...		£ 46,630,888
Deduct—		
Estimated Revenues in India ...	,, 39,509,631	
Net Traffic receipts from Railways in India ...	,, 443,160	
		39,952,791
Ultimate result—*Deficit* ...	£	6,678,097

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* The Home Charges taken from the Statement, d. 27th July, 1860, presented to Parliament, and printed by order of the House of Commons, on the 30th July, 1860.

4. From the statement, No. 2, it will be observed, that the Cash Balance now estimated to remain in the Indian Treasuries on the 30th April next, is £ 11,448,135, in place of £ 13,452,326, assumed in the Sketch Estimate, shewing a *decrease* of £ 2,004,191.

5. The principal items of this deterioration are the following :—

Receipts.			Disbursements.		
	Increase. £.	Decrease. £.		Increase. £.	Decrease. £.
Revenues in India ...	812,012	0	Charges in India ...	1,215,959	0
Deposits in India, including Miscellaneous Funds &c. ...	313,862	0	Payment of Loans and Treasury Bills &c. ...	221,250	0
Railway Companies, Capital Accounts in India ...	40,792	0	Deposits &c. ...	421,809	0
Advances &c. including Stores &c. from London ...	697,826	0	Service Funds ...	26,830	0
Service Funds ...	49,965	0	Advances &c. ...	920,809	0
Cash Balance on 30th April 1860 ...	137,989	0	Disbursed on account of Railway Companies, Capital Account ...	1,249,980	0
			Net Increase in Disbursements (Worse) £ ...	4,056,637	0
			Deduct—Net Increase in Receipts (Better) ...	2,052,446	0
Net Increase in the Receipts (Better) £...	2,052,446	0	*Net* Deterioration in the estimated Cash Balance on the 30th April 1861 £	2,004,191	0

6. The *net increase* of £ 812,012 in the "Revenues," results from a gross increase of £ 1,370,648, and a gross decrease of £ 558,636.

See Comparative Statement marked *A.*

7. The principal items of improvement are "Abkarry Revenue," "Salt," "Opium," "Stamp duties," "Contributions from Native States on account of Contingents," Miscellaneous receipts in the "Civil and Political Departments," "Public Works," and "Military Departments."

8. The *increase* of £ 163,514 in the Receipts of the "Abkarry Revenue," is estimated partly with reference to the actual collections of the last year in the Punjab and Pegu, but £ 124,614 of the amount is owing to a general average increase in Bengal of Rupees 3 per seer in the selling price of Abkarry Opium ; and to an increase in the duties on Rum, Ganjah, and Country Spirits, for which a proper allowance was not made in the Sketch Estimate.

9. We anticipate an *increase* of £ 50,860 under "Salt", chiefly in the North Western Provinces, owing to the duty on Salt imported into those Provinces having been raised, under Act I. of 1860, from Rs. 2 to Rs. 2-8-0

per maund. In his Sketch Estimate, the Accountant assumed the collections from duty on Salt at £ 450,000, but he now expects that they will rise to £ 500,000, which, we hope, will be realized. The duties on Salt in Bengal, the Punjab, Madras, and Bombay are credited under "Customs" in the Parliamentary Returns, while the duty levied on Salt in the North Western Provinces is shewn under the head of "Salt". As this is inconsistent in principle, we propose to assimilate the mode of exhibition in future.

10. The improvement of £ 159,799 under "Opium" is assumed with reference to the actual sales in Bengal up to the end of January last, and to enhanced prices expected to be realized at the sales of February, March, and April, which have been estimated (in consideration of the high rates of the sales of the last 3 months) at Rupees 1,925 per chest, instead of Rupees 1,825, as shewn in the Estimate of the Accountant of Bengal.

11. We expect larger receipts from Stamp duties to the extent of £ 120,700, in consequence of the operation, since October, of some of the provisions of Act XXXVI. of 1860.

12. The *increase* of £ 131,880, under "Contributions from Native States on account of Contingents," arises principally from the transfer to this head, in the Regular Estimate, of £ 143,000 on account of receipts from Scindiah's Ceded Districts, hitherto shewn under "Debt," *less* a decrease of £ 10,000 in the receipts from other Native States.

13. The *increase* of £ 356,595 under "Miscellaneous receipts in the Civil and Political Departments," is attributable to the credit, in the present Estimate, of £ 343,606, on account of the value of Territory ceded to the Rajahs of Puttiallah, Nubha, and Jheend.

14. Of the *increase* of £ 62,637 in the "Miscellaneous receipts of the Public Works Departments," £ 20,000 appears in the North Western Provinces, and is expected in the collection of Canal rents derivable from the Ganges Canal and its branches ; £ 20,000 are in Bengal, attributable chiefly to larger sales of old materials, and to an expected augmentation in the collection of tolls on Roads, Bridges &c ; and £ 11,200 are under the Government of India, on account of a contribution received from the Gwalior Durbar, and from the Munipore Road dues for the construction of the Agra and Bombay Road.

15. The *increase* of £ 228,455, under "Miscellaneous receipts of the Military Department," is principally owing to the Accountant General to the Government of India having raised the amount given in his Sketch Estimate from £ 359,020 to £ 552,480, on account of the sale of Rum, Malt Liquor, Stores, and Stock articles of the Commissariat Department &c., in consequence of information recently received by him ; and to anticipated additional sales of unserviceable stores in Bombay, to the extent of £ 37,900, over and above the Sketch Estimate.

16. Against these items of increase, have to be set the principal items of decrease in the Revenues, *viz.*, "Land Revenue," "Customs," and "Income Tax."

17. The expected *decrease* under "Land Revenue" (*viz.*, £ 178,904,) arises from a reduction to the extent of about £ 150,000 in the Punjab, and £ 30,000 in the North Western Provinces, owing to failure of crops—reductions which, under the circumstances, appear small, but which have not been entered at a higher figure, in consequence of the assurance of the Lieutenant-Governor of the North Western Provinces, that the greater part of the loss likely to be caused by the drought will fall upon the year 1861-62, and that the amount now estimated will probably be realized within this year.

18. The net *decrease* of £ 99,433 under "Customs," arises from a gross decrease of £ 160,910, in Bengal, less gross increase of £ 61477, in other Presidencies. The gross decrease results from our having, on information recently received, reduced the Bengal Accountant's Estimate of Custom's collections from £ 2,328,910 to £ 2,088,910. The increase is partly the result of the operation of the higher tariff established under Act VII. of 1859, under the Governments of India, Madras and Bombay, and partly of an increase in the rate of duty on Salt imported into the Delhi territories, which were short-estimated in the Sketch.

19. We have *reduced* our former Estimate of the receipts from Income Tax, by £ 196,450, in consequence of the actual collections up to the end of November last being much less in some of the Presidencies than was originally anticipated. It must be observed, however, that the receipts in Bengal from this source estimated by the Accountant at only £ 35,000, have been increased to £ 150,000.

20. Should the proposed Act for the imposition of a Tax on trades and professions be introduced within the year, it will cause a further falling of under the head of Moturpha.

21. The *increase* of £ 313,862 in the receipts on account of "Deposits" &c., calls for no remark, as an increase of £ 421,809 appears under the disbursements of the same head.

22. The *increase* of £ 697,826 under "Advances &c." is chiefly in "Bills payable," and "Advances repayable" of the several Presidencies, and calls for no remark. as it is nearly met by an increase in the disbursements.

23. The *increase* of £ 137,989 in the Cash Balance in the Indian Treasuries on the 30th April 1860, arises from the closing balances of the actual receipts and disbursements of 1859-60 of the several Presidencies having been shewn as the opening balance in the Regular Estimate of 1860-61, while, in the Sketch, the balance was taken from the Cash Balance returns, which were partly estimated.

24. With respect to the Disbursements, the net *increase* in the charges in India of £1,215,959, results from a gross increase of £1,870,672, and a gross decrease of £ 654,713.

See comparative statement marked B

25. The principal items of *increase* appear under "Allowances and Assignments payable out of the Revenues," "Buildings, Roads and other Public Works," "Military," "Indian Navy," and other Marine charges, "Interest," and "Loss by exchange on Railway transactions."

26. The *increase* of £102,064 in the amount of "Allowances and Assignments payable out of the Revenues in accordance with Treaties and other engagements," is owing, principally, to provision having been made in the present Estimate for the increase of the stipends, donations &c., granted by you, in your Political despatch, No. 50, dated 11th June last, to the families of the late Hyder Ally Khan and Tippoo Sultan.

27. The charges on account of "Buildings, Roads, and other Public Works," have been assumed at £196,765 *more* than in the Sketch Estimate, owing, principally, to provision being now made to the extent of 10 lacs for the construction of works in the North Western Provinces and the Punjab, for the relief of the inhabitants of the famine-stricken districts in those Provinces; to the importation from England of machinery and other stores to the value of 7 lacs during the current year, for the Public Works Department in Madras; and to the recent allotment of a sum of 3 lacs for the opening up of the Godavari, over and above the amount sanctioned in the Budget of the Public Works Department for the Madras Presidency.

28. The *increase* under "Military charges" of £887,803, is distributable under the several Governments, thus :—

		Increase.
Government of India	£	424,118
" Madras	"	348,330
" Bombay	"	115,355
	£	887,803

29. The *increase* under Government of India arises from the augmentation of the Ordnance Commissariat charges by £22,500; of the Miscellaneous charges of the Pay department by £72,500; and of the Commissariat charges by £390,000; as also from the probable payment of £38,900 being a moiety of the charges to be incurred, during this year, on account of the Persian Expedition, *less* reductions expected in other items. It is hoped, however, that the measures that have been taken for the reduction of the Military charges will have some effect in reducing them below the limits assumed.

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30. The *increase* in Madras and Bombay are chiefly owing to our expectations of reduction not having been fully realized. But also, in the case of Madras, to an additional debit on account of Stores from England to the extent of 13 lacs, which were not, it appears, either expected or required.

31. The *increase* of £71,590 in the "Indian Navy and other Marine charges," is in consequence of the purchase of Vessels for the Bengal Marine, augmentation to the strength of the Indian Navy, and the purchase of a larger quantity of Stores in this country.

32. The *increase* of £60,299 under "Interest," is in consequence of larger payments being now assumed on account of interest on Treasury notes belonging to the several Service Funds, and on account of arrears of interest due to the Puttiallah and Nubha chiefs.

33. In obedience to the orders contained in your Financial despatch, No. 136, dated 22nd August last, the amount of loss by exchange on Railway transactions, before shewn under charges of the Civil and Political establishments, has now been exhibited distinctly: hence the increase under that head. The loss estimated is more than the amount shewn in the Sketch Estimate, in consequence of the restriction imposed by you on the grant of advances to the several Railway Companies being now removed, under the instructions contained in Railway despatch, No. 94, dated 17th November last.

34. The principal items of *decrease* are "Cost of Opium," "Civil and Political establishments," and "Judicial and Police charges."

35. The *decrease* of £70,300 in the cost of Opium, is chiefly owing to the amount of advances in Bengal being now estimated at a smaller sum than was assumed in the Sketch Estimate, on the supposition that a smaller extent of land will be brought under cultivation.

36. The *decrease* of £398,456 under "Civil and Political establishments" is nominal, owing to the exhibition, in a separate and distinct entry, as before explained, of the loss by exchange on Railway transactions in India, which was before entered under this head.

37. Under "Judicial and Police charges," a *decrease* of £123,070 is anticipated, principally from reductions in the Police establishment in Oudh, and in the charges of the Criminal Courts in Lower Bengal and the Punjab, and from "Bengal mutiny charges," borne by the Bombay Presidency, not being estimated for in the present return.

38. The *increase* of £221,250 under "Payment of Loans, and Treasury Bills &c." is chiefly owing to larger payment of temporary loans in the Punjab, due to the Rajahs of Puttiallah and Nubha, which are met, however, by receipts under the head of "Miscellaneous receipts in the Civil and Political Departments," as mentioned above.

39. Under "Deposits &c." appears an *increase* of £421,809, which calls for no remark, there being, as already observed, an increase of £313,862 under the receipts of the same head.

40. Of the *increase* of £920,809 under "Advances &c.", £344,660 is on account of Her Majesty's Government, chiefly in advances and payments on account of the Expedition to China; while £192,256, and £361,468, appear under "Bills payable," and "Advances repayable" of the several Presidencies, respectively; but, as already observed, a large increase appears under receipts on these accounts.

41. The *increase* of £1,249,980 under "Advances to the Railway Companies in India," is owing to the removal, in accordance with the instructions contained in your Railway despatch, No. 78 of 1860, dated 10th October last, of the restrictions before imposed. The payments are now entered at £6,000,000, in accordance with the estimate prepared in the Public Works Department, in place of £4,750,200 assumed in the Sketch Estimate.

42. Having now completed our explanation of the Regular Estimate, we proceed to offer a few remarks on our general Financial position and prospects.

43. The estimated cash balance on the 30th April, 1861, is shewn to be £11,448,000; but from this must be deducted the sum held in deposit for Prize money, which will shortly be payable, amounting to £ 664,000.

44. The effective cash balance at the commencement of the financial year 1860-61 will, therefore, not exceed £ 10,750,000.

45. A cash balance of £ 10,000,000 has always been considered as the amount below which it was not prudent to go in ordinary times; and looking at the uncertainty which necessarily attaches to our estimates, when so many new elements, both of taxation, and of reduction of expenditure, are involved, and at the possible contingencies of the famine, we may fairly say that we shall commence the year with a cash balance reduced to the *minimum* point at which it is possible to conduct the Government of India.

46. This being so, what are the prospects for the ensuing year? Of course, detailed and accurate estimates are impossible until a later period, but the general results are sufficiently obvious to enable the Home Government to arrive at a just appreciation of the actual position.

47. The estimate of the year 1860-61, as now completed, shews a total *deficit* of £ 6,678,000.

48. We will proceed to point out how this result may probably be modified in 1861-62, according to the best estimates that can now be formed, proceeding on the basis of the existing taxation, which includes the Income tax, and increased Salt and Stamp duties, and leaving for further consideration all question of new taxes.

49. *Firstly.* As regards revenue. The year 1861-62 will be better than 1860-61 by the increased produce of the Income tax.

50. We have taken £ 803,000 as the probable receipt from Income tax for the financial year ending 30th April 1861. The assessments are not yet sufficiently complete to enable us to speak with confidence as to the final result, and the accounts from different districts are very various—in some cases exceeding, in others falling short of our expectation; on the whole, however, we are disposed to hope that the result may be favorable, and that the full year's collection of 1861-62, with the arrears of the previous half year not collected by the 30th April, may give us a total receipt, for 1861-62, of £2,500,000, or even of £2,800,000, being £2,000,000 more than the receipt from Income tax in 1860-61.

80 Lacs.
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51. From Stamps also we hope to realize a small increase.

52. These, however, are the only considerable heads to which we can look for increase. On the other hand, the revenue from Opium and Customs is, we fear, likely to fall off heavily in the ensuing year.

53. The receipt of £ 5,638,000 from Opium, in 1860-61, will only have been realized by prices ranging at an excessive height, which can hardly be maintained.

54. The average price realized at the Government sales, for the last 2 months, has been over 2,000 Rupees per chest—a price which has not been touched for many years past, and at which, it is certain, that the article cannot be now exported to China with a profit.

55. Formerly, the supply of Bengal Opium used to range at about 35,000 to 40,000 chests, and the price at 1,000 to 1,200 Rupees per chest; and the present limited supply and excessive price undoubtedly tend to endanger this important branch of revenue, both by limiting consumption, and by stimulating production in China and other quarters. At the same time, a return to a sounder state of things can hardly be effected without a temporary loss to the Government, which suffers both from having to pay a higher rate on a larger number of chests, and, for a time at least, from receiving a smaller gross amount for a larger production.

56. The receipts from Customs are now falling off heavily at Calcutta, and, although we trust that this may not be continued throughout the entire year, we cannot conceal from ourselves that a considerable decrease must be expected.

57. The recent revision of the Custom's tariff, however just and necessary, is yet tantamount to a large reduction of rates in excess of 10 per cent. which had been levied last year on imports shipped before the effect of the tariff was fully understood.

58. An equal importation would, therefore, yield a less revenue. But in the existing state of things, it is out of the question to expect an equal amount of imports for the next 12 months. The market here had been glutted by the large imports of the two preceding years, and the famine in the North West has checked that increase of consumption which might have given relief. Consequently the import trade has been for some time a losing one, and must be expected to fall off, until more favorable times, when it will doubtless take a fresh start and advance beyond its present amount.

59. The land revenue will also, we fear, shew some falling off, as the spring crops were never sown in considerable districts of the North West, and part of the Punjab, so that a total failure of the crop, on which next summer's collection is based, appears inevitable in those districts.

60. The trade taxes (Punjab) amounting to £ 213,000 will also disappear from next year's receipts, being absorbed in the Income tax.

61. On the whole, we think it would be imprudent, under present circumstances, to take a more sanguine estimate of the revenue of 1861-2, than to suppose that the increase from Income tax and Stamps may balance the falling off from other ordinary sources.

62. If so, the total revenue of the year would be below that of 1860-61 by about £500,000; the revenue of the present year being swelled to that extent by various miscellaneous receipts, which, as shewn above, cannot be expected to recur.

63. On the most favorable view, we can hardly venture to hope that the revenue of 1861-2 will do more than make up for the deficiency of those casual receipts, and show a total equal to that of 1860-1.

64. *Secondly.* As regards expenditure. Your despatch of the 22nd August, 1860, enters so fully into the subject, as to dispense with the necessity of any lengthened argument to show, that, however strictly economy may be enforced, it is only under the head of Military and Police charges, and Military buildings that any important reductions can be expected.

65. The total Military expenditure in India for the year 1860-1 as shewn by the Regular Estimate is now £ 15,279,000. We have shewn why this is in excess of the Sketch Estimate, which was based, not upon actual estimates, but upon the hope that the reductions recommended by the Military Finance Commission would be carried into effect in sufficient time to affect the result of the financial year.

66. This hope now appears to have been too sanguine: and delays have occurred in carrying out some of the more important reductions.

67. At the same time large reductions have been made, and are in progress, and we are thoroughly impressed with the imperative necessity of carrying them out to the fullest extent practicable, without a moment's delay.

68. In forming a Financial estimate, however, for the coming year, it must be borne in mind.

Firstly. That reductions, however beneficial ultimately, are in some cases attended with a present increase of expense from the necessity of giving gratuities to troops disbanded, and other causes.

Secondly. That the latest revised estimate of the Military Finance Commission, based on a Force, both Native and European, considerably below any yet decided upon or suggested in your Military despatches, still shews an Indian expenditure of £ 12,898,000.

69. We have no doubt that this figure may admit of further reduction, hereafter, when the Civil Police is fully organized: but, in the meantime, it must be taken as the lowest estimate which has been proposed for next year, in anything like a tangible and practical shape.

70. It implies a diminution of Military expenditure of nearly £2,500,000 below that of 1860-1, and a reduction of the total cost very nearly to the established cost of the year before the Mutiny; the actual cost of that year having only been kept down to £11,491,000 by the extreme deficiency of "effective" as compared with "established" strength, especially of the European Army.

71. To attain such a result within a few months of the present time, will indeed be an arduous task, requiring the zealous co-operation both of the authorities here and of the Home Government, and, although under the pressure of Financial necessity, we shall apply ourselves resolutely to its accomplishment, it would be too sanguine to base estimates on the supposition that any larger reduction can be effected within the year.

72. In this estimate of Military expenditure, the head of "Stores" is included; and it is absolutely essential that rigid economy should be observed in this respect, and that no "Stores" should, on any account, be purchased or shipped for India in England, unless upon a distinct requisition based on the fullest consideration here, both that the stores are really required, and that they cannot be obtained at a lower price in India.

73. As regards Police, we hope for a considerable reduction, though the main saving, from a complete organization of Civil Police throughout the country, must be looked for in the opportunity which will thus be afforded for still more extensive reductions of the army.

74. The expenditure on Barracks and Military Works will also be reduced by an amount depending very much on the number of European troops whom it may be finally decided to retain.

75. We shall also apply ourselves to the charges for the Indian Navy, with a view to enforce reductions.

76. Under other heads of Indian charge, we fear that no material reduction can be looked for, and upon some of them, as the cost of Opium, charge of collecting Income tax, and cost of Civil, Political and Judicial establishments, we should rather apprehend that some small increase may be inevitable, and that the expenditure on Civil Public Works has been reduced to a point which cannot be long maintained without serious detriment to important interests.

77. As regards Home charges, the amount of guaranteed Railway Interest, and of Interest on Debt (assuming the power of borrowing £ 3,000,000 to have been exercised) will have increased, but notwithstanding the paragraph in your despatch of the 22nd August, 1860, in which you state "that no material reduction in the Home charges can be anticipated," we should earnestly hope that a large reduction of the Home Military charges may have been found possible.

78. It is certain that the European Military Force in India was maintained before the Mutiny at a vastly less proportionate ratio of Home to Indian expenditure than now prevails, and it is equally certain that nothing but the most rigid economy, in England as well as here, can avert the alternative of a Financial crisis, ending, not improbably, in the result of entangling the mother country in a series of indefinite loans or guarantees to support her Indian empire.

79. We doubt not, therefore, that every effort will be made at Home to reduce expenditure, and every assistance given us in relieving our Finances, promptly, from the pressure of any men or Military establishments which are found, from time to time, not to be indispensable for the safety of India.

80. But even with this, the position will remain one of great gravity.

81. We have shewn that the *deficit* of the current year is £6,678,000, and that according to any estimate which it is prudent to make, the revenue of next year (apart from new taxes) may be below that of 1860-61, and can hardly exceed it.

82. On the other hand, the utmost reduction of expenditure, which it seems at all feasible to contemplate, can hardly be expected to exceed £2,000,000 to £3,000,000.

83. It is evident, therefore, that beginning the year with a bare cash balance, we shall be spending, at the present rate, £ 6,678,000, and on the most favorable supposition £ 3,500,000 to £ 4,000,000, in the year, beyond our income; and this, apart altogether from the question of Railway expenditure, as to which we shall be, after May, in a position of absolute inability to make any large advances, and shall be compelled to suspend the works, unless supplied by remittances from Home.

84. In this state of things, there are manifestly but three courses open. To augment our revenue by further taxes,—to resort to loans,—or to insist on such further reductions as shall make our income sufficient for our expenditure.

85. The alternative of a loan in India to which you so justly and forcibly object in your despatches of the 30th November, and 8th December, is scarcely a practical one, even if the restrictions contained in those despatches were withdrawn, as it is very doubtful whether any considerable sum could be raised, unless, as was the case two years ago, credit in India was supported by successful operations in the London money market.

86. The operation of the double Income tax would be a most serious drawback to the success of any loan here, and the effect of loans attempted in India, avowedly as temporary expedients, to cover a constantly recurring deficit, would be in the last degree damaging to the reputation and credit of the Government.

87. As regards new taxes, the Licensing bill, now pending, is the last of the measures embodying the Financial scheme proposed by the Government last year.

88. It would be highly undesirable to re-open the question of fresh taxation after this bill has passed.

89. On the other hand, it is evident, that as it now stands it could not be expected to yield an amount of revenue sufficient to avert the necessity for loans.

90. It might be possible to extend its operation so as to include a wider area, and yield a larger revenue, but this is, of course, very undesirable, if it can be avoided, as such a tax to be productive must reach the millions and, if reaching the millions, may occasion discontent.

91. It would be in many respects desirable to make no considerable change and to wait the result of a year or two's experience of the new taxes which have been announced, but the question is whether this is practicable, without encountering still graver and more certain and imminent risks.

92. The answer to this question must depend, in some measure, on your power of aiding us by loans in London, in addition to raising the requisite capital for Railway expenditure, in case of unfavorable contingencies such as those adverted to of Opium, Customs and Famine, and generally to enable the Government of India, here and at Home, to pay its way during the period which must in any event elapse before the progress of reductions and the progressive increase of revenue have placed our Finances on a sound footing.

93. The importance and urgency of the question are such that we have thought it right to lose no time in placing unreservedly before you the best view we are able to form of our Financial position and prospects, not for this year only, but for that which is about to commence, as the state of the cash balances will not admit of any long delay in coming to a decision as to the course to be adopted.

94. Looking at the difficulty of raising fresh loans, and the objections to any general new taxation, there can be no doubt that it would be by far the most desirable course to meet, if possible, our Financial exigencies by enforcing still further reductions of expenditure.

95. We shall omit no effort to carry out this object, but in order to afford any hope of attaining it, it is absolutely necessary both that the most rigid economy should be exercised in all Home expenditure, and India be relieved from all charges which do not strictly belong to her, and also that we should be supported by the full weight of the authority of the Home Government in enforcing on the local Governments here, and on all responsible officers, those necessary but unpalatable reforms, by which alone it is possible that such a large reduction of expenditure could be effected.

96. In conclusion, we would beg to draw your pointed attention to the fact that the state of our cash balance, as above shewn, will not enable us to calculate on continuing advances for Railway purposes much beyond the 1st of May, and, therefore, that if it be your wish that the important works now in progress should be continued, as is on every account so desirable, it will be absolutely necessary to send out remittances, without loss of time.

97. You are aware that during the six months succeeding the 1st May, the expenses in India are heavy, and the receipt small, so that it would be quite impossible to rely on the state of the cash balances here admitting of any further advances for Railway works during that period, and as considerable delay is involved at the Mint, no time should be lost in sending out any remittances of bullion that may be decided upon, of which two-thirds should be despatched to Calcutta, and one-third to Bombay.

FORT WILLIAM,
The 5th February, 1861.

We have the honor to be,
SIR,
Your most obedient humble Servants,
H. B. E. FRERE,
CECIL BEADON,
S. LAING.

No. 1.

ESTIMATED Revenues and Charges of India for 1860-61.

REVENUES AND RECEIPTS.	£
Land Revenue ...	18,146,551
Tributes and Subsidies from Native States ...	546,925
Excise Duties in Calcutta ...	50,925
Sayer Revenue ...	337,392
Abkarry Ditto ...	1,187,564
Moturpha (Madras) ...	108,850
Income Tax ...	803,550
Trade Taxes ...	213,980
Miscellaneous Receipts in the Revenue Department ...	278,504
Customs	3,768,677
Salt (exclusive of Customs Duty on Salt Imported) ...	3,391,630
Opium ...	5,638,699
Post Office Collections ...	701,101
Stamp Duties ...	832,670
Mint Receipts ...	322,960
Marine and Pilotage Receipts ...	130,982
Judicial Receipts (Fees, Fines, &c.) ...	394,764
Contributions from Native States on account of Contingents	252,862
Interest on Debts due by the Nizam and on other accounts...	57,534
Miscellaneous Receipts in the Civil and Political Departments	681,489
Ditto Public Works Department ...	673,607
Ditto Military Department ...	988,415
Total Revenues and Receipts of all the Presidencies of India	39,509,631
Receipts from Railway Companies on account of Traffic less working expenses ...	443,160
£	39,952,791

EXPENDITURE.		£
Repayments, Allowances, Refunds and Drawbacks ...		81,220
Charges of Collections and other Payments in realization of the Revenues, including Costs of Salt and Opium, viz:—		
Land, Sayer, Abkarry, &c. ...		2,209,205
Income Tax ...		57,900
Customs ...		169,466
Salt { Cost ...		467,580
Salt { Charges ...		307,479
Opium { Cost ...		1,111,500
Opium { Charges ...		157,416
Post Office ...		522,973
Stamps ...		45,555
Allowances and Assignments payable out of the Revenues, in accordance with Treaties or other Engagements ...		1,422,865
Allowances to District and Village Officers and Enamdars, including Charitable Grants ...		1,152,272
Total of the direct claims and demands upon the Revenues, including Charges of Collection and Cost of Salt and Opium ...		7,705,431
Charges of the Civil and Political Establishments, including Contingent Charges		3,684,451
Judicial and Police Charges { Police Charges ...	£ 1,947,863	4,004,500
Judicial and Police Charges { Judicial Ditto ...	,, 2,056,637	
Buildings, Roads, and other Public Works, including Repairs and Military Buildings ...		4,084,001
Military { General including Stores ...	£ 14,648,105	15,279,005
Military { Local Military ...	,, 630,900	
Indian Navy and other Marine Charges ...		856,870
Charges of the Eastern Settlements, exclusive of Charges of Collection and other Payments out of the Revenues ...		131,411
Mint Charges ...		223,073
Interest on Debt ...		3,168,819
		39,137,561
Interest to be paid on account of Railway Capital in India ...		36,010
Loss by Exchange on Railway transactions ...		473,324
Total Charges in India ...		39,646,895
Excess of Income over Expenditure in India ...		305,896 — ?
£		39,952,791

FORT WILLIAM,
FINANCIAL DEPARTMENT,
The 5th February, 1861.

Errors Excepted,
C. HUGH LUSHINGTON,
Secretary to the Government of India.

No. 2.

INDIA.

AN ACCOUNT of the Cash Balances in the Indian Treasuries in India on the 30th April, 1860; the amount of money estimated to be paid on account of the India Debt; the amount of Deposits on account of Service Funds, &c., to be received and paid; the amount of Advances to be repaid and repayable; the Receipts from and Disbursements on account of Railway Companies on the Capital Account in the year ending the 30th April, 1861, and the Estimated Cash Balance on 30th April, 1861.

	£ @ 2*s.* the Rupee.	Money to be paid on account of Debt.			£ @ 2*s.* the Rupee.
Balances in the Indian Treasuries on 30th April, 1860, in India	16,801,712	Payment of Loans		42,670	
		Do. of Temporary Loans		289,600	
Deposits received in India, including Miscellaneous Funds, &c.	5,737,350	Treasury Bills—Payment of	926,410		
		Deduct—Transferred to Stock	782,850	143,560	
Sums received on account of Service Funds in India	2,131,565			475,830	
		Deduct—Treasury Notes—Net receipts		9,130	466,700
Repayment of Advances in India, including Foreign Governments, Bills Payable, Stores, and other Receipts from London	5,918,557	Deposits refunded in India, including Miscellaneous Funds, &c.			5,564,740
Receipts from Railway Companies on Capital Account in India	67,020	Service Funds in India			1,250,600
Excess of Income over Expenditure in India	305,896	Advances in India, including Foreign Governments, Bills Payable, Advances on account of Madras Irrigation and Canal Company, Payments on account of London, and Difference of Supplies remaining unadjusted between the several Presidencies			6,231,925
		Disbursed on account of Railway Companies' Capital Account in India			6,000,000
		Estimated Cash Balance in the Indian Treasuries on 30th April, 1861			11,448,135
£	30,962,100	£			30,962,100

Fort William,
Financial Department,
The 5th February, 1861.

Errors Excepted,
C. Hugh Lushington,
Secretary to the Government of India.

A.

Comparative Statement of Revenues and Receipts in India in 1860-61.

Revenues and Receipts.	Sketch Estimate 1860-61.	Regular Estimate 1860-61.	Increase.	Decrease.
	£.	£.		
Land Revenue ...	18,325,455	18,146,551	0	178,904
Tributes and Subsidies from Native States	543,025	546,925	3,900	0
Excise Duties in Calcutta ...	52,000	50,925	0	1,075
Sayer Revenue ...	365,415	337,392	0	28,023
Abkarry Do. ...	1,024,050	1,187,564	163,514	0
Moturpha (Madras) ...	108,910	108,850	0	60
Trade Taxes ...	222,480	213,980	0	8,500
Income Tax ...	1,000,000	803,550	0	196,450
Miscellaneous Receipts in the Revenue Department ...	301,557	278,504	0	23,053
Customs ...	3,868,110	3,768,677	0	99,433
Salt { Exclusive of Customs Duty on Salt Imported ...	3,340,770	3,391,630	50,860	0
Opium ...	5,478,900	5,638,699	159,799	0
Post Office Collections ...	705.081	701,101	0	3,980
Stamp Duties ...	711,970	832,670	120,700	0
Mint Receipts ...	333,920	322,960	0	10,960
Marine and Pilotage Receipts ...	139,180	130,982	0	8,198
Judicial Receipts ...	374,981	394,764	19,783	0
Contributions from Native States on account of Contingents ...	120,982	252,862	131,880	0
Interest on Debts due by the Nizam and on other accounts ..	57,009	57,534	525	0
Miscellaneous Receipts in the Civil and Political Departments ...	324,894	681,489	356,595	0
Do. Public Works Department ...	610,970	673,607	62,637	0
Do. Military Department ...	759,960	988,415	228,455	0
Total Revenues and Receipts ...	38,769,619	39,509,631	1,298,648	558,636
Net Receipts Railways ...	371,160	443,160	72,000	0
	39,140,779	39,952,791	1,370,648	558,636
		39,140,779	558,636	
		812,012	812,012	

Errors Excepted,

C. Hugh Lushington,

Secretary to the Government of India.

Fort William,
Financial Department,
The 5th February, 1861.

B.

Comparative Statement of Expenditure in India in 1860-61.

Expenditure.	Sketch Estimate 1860-61.	Regular Estimate 1860-61.	Increase.	Decrease.
	£.	£.		
Repayments, Allowances, Refunds and Drawbacks ...	55,270	81,220	25,950	
Charges of Collection and other Payments in realization of the Revenues, including Cost of Salt and Opium—				
Land, Sayer, Abkary, &c. ...	2,218,923	2,209,205		9,718
Customs ...	174,262	169,466		4,796
Salt { Cost ...	442,000	467,580	25,580	
Salt { Charges ...	310,174	307,479		2,695
Opium { Cost ...	1,181,800	1,111,500		70,300
Opium { Charges ...	153,200	157,416	4,216	
Post Office ...	548,158	522,973		25,185
Stamp ...	38,286	45,555	7,269	
Income Tax ...	75,500	57,900		17,600
Allowances and Assignments payable out of the Revenues, in accordance with Treaties and other Engagements ...	1,320,801	1,422,865	102,064	
Allowances to District and Village Officers and Enamdars, including Charitable Grants ...	1,140,830	1,152,272	11,442	
Total of the direct claims and demands upon the Revenues, including Charges of Collection and Cost of Salt and Opium ...	7,659,204	7,705,431	176,521	130,294
Charges of the Civil and Political Establishments ..	4,082,907	3,684,451		398,456
Judicial and Police Charges ...	4,127,570	4,004,500		123,070
Buildings, Roads, &c., and other Public Works ...	3,887,236	4,084,001	196,765	
Military { *Military General, including Stores* ...	13,772,427	14,648,105		
Military { *Local Military* ...	618,775	630,900		
Total Military ...	14,391,202	15,279,005	887,803	
Indian Navy and other Marine Charges...	785,280	856,870	71,590	
Charges of the Eastern Settlements (exclusive of Charges of Collection and other Payments out of the Revenues) ...	131,440	131,411		29
Mint Charges ...	225,937	223,073		2,864
Interest on Debt ...	3,108,520	3,168,819	60,299	
Loss by Exchange on Railway transactions	0	473,324	473,324	
	38,399,296	39,610,885	1,866,302	654,713
Home Charges ...				
Guaranteed Interest (England) ...				
Ditto (India) ...	31,640	36,010	4,370	
Total Expenditure in India ...	38,430,936	39,646,895	1,870,672	654,713
		38,430,936	654,713	
		1,215,959	1,215,959	

FORT WILLIAM,
FINANCIAL DEPARTMENT,
The 5th February, 1861.

Errors Excepted,
C. HUGH LUSHINGTON,
Secretary to the Government of India.

Enclo. in a letter from the
Secretary to the Govt. of India.
Finl. Departt. No. 3059.
(Confidential.) 16 March 1861.

Con. 1861 Depr.
In. No. 6

PUBLIC WORKS DEPARTMENT.

RAILWAY.

No. 5 of 1861.

To

The Right Hon'ble Sir CHARLES WOOD, Bart., G. C. B.,
Secretary of State for India.

Fort William, 2nd February 1861.

Sir,

With reference to correspondence noted in the margin, on the subject of restriction of railway expenditure, and more especially to your Railway Despatch No. 94 of 17th November 1860, in which you withdrew your previous restriction of the amount of railway expenditure in India for the year to £4,750,000, and stated your wish that operations should not be delayed "in those sections of lines which are advancing towards completion or which you may consider of primary importance," we have taken the whole subject of railways into serious consideration with a view to ascertain what sections of railway come within the above description, so that in case of capital not being forthcoming, for all they might deserve a preference.

Her Majesty's Secretary of State's Financial Despatch No. 110 of 10th July 1860.
Do. do. Railway do. " 78 of 10th Oct. 1860.

2. In the meantime, in consequence of these orders we withdrew the restriction,* and the works have proceeded without material interruption, the result being an expenditure on railways, in India, for the financial year ending 31st April 1861, which, although not yet precisely ascertained, may be safely taken at about £6,000,000, instead of £4,750,000.

* As reported in our Railway Despatch No. 104 of ~~3rd~~ th December 1860.

3. The further prosecution of railway works in India has become a question of serious consideration upon which we are anxious to obtain the instructions of the Home Govt. without delay. From the latest

return which we have obtained from England it appears that the situation on the 15th November 1860 was as follows :—

		£
Total estimated amount of capital required, as per detail given in the margin	...	54,600,000
Total amount of capital guaranteed	...	36,556,300
Do. do. do. paid up		32,190,414
Do. do. do. expended (of which a very small portion is entered on estimate)		30,802,767

		Capital required as estimated in England.	Capital required as estimated by our Offg. Secy.
		£	£
East Indian.—Main Line	...	20,000,000	19,700,000
Do. Jubbulpoor	...	2,000,000	2,000,000
Madras.—Main Line	...	5,000,000	4,845,000
Do. Bellary	...	3,500,000	3,300,000
Great Indian Peninsula	...	12,000,000	13,938,250
Sind Railway	...	1,400,000	1,400,000
Indus Flotilla	...	300,000	300,000
Punjab.—Mooltan & Umritsur		2,000,000	2,250,000
Do. Delhi Extension	...	2,000,000	2,850,000
Bombay, Baroda and Central India	...	4,000,000	3,290,080
Eastern Bengal (present works)		1,400,000	1,360,000
Calcutta and South-Eastern	...	300,000	270,000
Great Southern of India	...	700,000	590,000
Total	...	54,600,000	56,093,330

This estimate of the total expenditure required to complete the lines which have been sanctioned is somewhat less than one, entered in the margin, which our Offg. Secy. had arrived at in some particulars by an independent process, from information in India, and which we believe to be the more accurate if indeed the larger amount be not exceeded in the result.

4. The general result is, therefore, that according to present estimates, which may possibly be exceeded, a sum of £56,000,000 will be required to complete the sanctioned railway system of India, towards which £36,556,300 only has been provided through the existing Companies. Of this capital of £36,556,300, £32,090,414 had been paid in by the Companies, and £30,802,767 was estimated to have been expended in England and India up to the 15th November 1860; so that by the close of the financial year on 31st April 1861, we may say in round numbers that £34,500,000 will probably have been paid in, and £34,000,000 expended. The balances of some of the Companies will, by that date, have been considerably overdrawn, while those of others will be very small: and none will be at all sufficient to complete the works which have been sanctioned.

5. Without entering on any detail as to the financial position of India it is sufficient to state the fact that by May next, or shortly after, the cash balances here will certainly be reduced to the lowest point at which it is possible to carry on the Government of the country; and, adverting to the prospects of next year and to the risk of deficient revenue and of extra charges which may be caused by the famine, it would certainly be highly imprudent to reckon on advances from the Treasury here for carrying on railway works on an extensive scale. In fact, a state of things is possible, or rather probable, in which, in the event of funds not being supplied from home, in anticipation, to carry on the Railway works, the Government of India would have no alternative but to order their abrupt and complete suspension.

6. Under these circumstances it becomes of extreme urgency to know as soon as possible what the Companies and the Home Govt. are prepared to do. The expenditure is now going on at the rate of rather more than £8,000,000 a year, viz., about £2,250,000 in England and £6,000,000 in India.

7. Should the Home Govt. decide on proceeding uninterruptedly with the whole of the Railways sanctioned, it will require an expenditure in India of from £5,000,000 to £6,000,000 a year for each of the next 3 or 4 years. If it be impossible to provide this amount in addition to that which may be required for expenditure in England, it will be clearly impossible to finish all that has been sanctioned, and, in that case, it will be of vital importance to spend what capital can be raised in completing lines or sections of lines which are already far advanced, rather than in commencing new works or prosecuting sections on which no great progress has been made; without the assurance of being able to finish them. With this view we have made enquiries as to the actual state and progress of the different lines, and although our information is not, on some points, so complete as we could wish, yet, as we believe the results to be substantially correct, and the matter is extremely urgent, we think it better to lay them before you without delay.

8. It appears, then, that upon the following lines the progress made has been such that the idea of suspending them could not be entertained unless upon the gravest emergency :—

Class I.

Lines.	Estimated Capital in excess of that spent up to 15th November 1860 required to complete the several lines.
	£
East Indian.—Main line from Calcutta to Delhi, with Singarrun Branch and Burrakur Extension (Raneegunge)	4,790,681
Madras.—Main line from Madras to Beypoor and Bangalore Branch ...	559,964
Great Indian Peninsula.—Bombay to Sholapoor ... ... Do. do. do. Bhosawul Junction Do. do. Bhosawul to Hurdah towards Jubbulpoor (?) Oomrawuttee towards Nagpoor	4,182,508
Sind Railway	201,513
Indus Flotilla	88,300
Punjab.—Mooltan and Umritsur	1,596,685
Bombay Baroda and Central India.—Bombay to Ahmedabad	1,081,000
Carried forward ..	12,500,651

£4000-000
[illegible]

	£
Brought forward ...	12,500,651
Eastern Bengal (right bank of Ganges)	822,225
Calcutta and South-Eastern	58,736
Great Southern of India.—Negapatam to Trichinopoly	231,709
Total £	13,613,321

9. The following lines are either not commenced or have made so little progress that no serious loss would ensue from their suspension beyond that of the retardation of the benefits of Railway communication :—

CLASS II.

Lines.	Estimated Capital in excess of that spent up to 15th November 1860 required to complete the several lines.
	£
East Indian.—Jubbulpoor Line, Allahabad to Jubbulpoor	1,805,170
Madras.—Bellary Line, Arconum Junction to Moodgul	2,984,072
Great Indian Peninsula.—Sholapoor to Moodgul...	1,500,000
Do. do. Hurdah to Jubbulpoor..	1,764,000
Do. do. Oomrawuttee to Nagpoor (?)	774,000
Punjab.—Umritsur to Delhi	2,850,000
Total £	11,677,242

And one or two minor lines or sections are in an intermediate position, which makes it doubtful whether they could be suspended, as the Bangalore Branch and the portion of the Great Indian Peninsula Railway between Bhosawul Junction and Hurdah towards Jubbulpoor which have been included under Class I ; whilst the portion of the Great Indian Peninsula Railway between Oomrawuttee and Nagpoor has been entered in Class II. These, however, do not materially affect the general result, which is that the railways may be classed in two categories ; one which must be completed at all hazards at a cost of about £13,600,000 to be spent mainly in the 2½ years commencing 15th November 1860 ; another which it is very desirable to complete, but which might, in case of urgency, be suspended without grave loss.

10. Feeling the importance of not allowing the Government to be committed further in respect to the latter class of lines, we have issued orders to suspend the commencement of any new works and to enter into no further contracts or engagements generally upon lines in Class II, until we can receive instructions from home as to the extent of expenditure which can be safely undertaken.

11. If we hear that in addition to providing the £13,600,000 indispensable in the next 2 or 3 years to complete advanced lines, you can see your way to provide another £11,700,000 to be spent in the next 3 or 4 years in carrying out those portions of the general scheme which are yet scarcely begun, we shall cheerfully give orders for their active prosecution.

12. In fact we are fully sensible how desirable it is to complete all those lines without delay if possible, and more especially that which will unite Bombay with Calcutta viâ Jubbulpoor, to which we attach the utmost importance.

13. But, on the other hand, nothing could be more lamentable than after undertaking works beyond our means, to be compelled from want of money to suspend them in a half-finished condition.

14. We shall forward as soon as possible a more detailed estimate of the Railway expenditure for India for 1861-62, on the two suppositions of our proceeding only with works of urgency, or of our prosecuting all that has been sanctioned. But, in the meantime, you may base your financial arrangements on the assumption that there will be required, irrespective of expenditure in England, for Indian Railway expenditure in 1861-62 the sum of £6,000,000, for urgent works, and that after 1861-62 the expenditure on Class I would as rapidly decrease as that on Class II would rapidly increase.

15. We have only to add that in case the difficulty of raising the requisite capital to complete these lines should open the question of new arrangements with the Companies, we believe that considerable economy might result from the Government itself undertaking the completion of the remaining works. No difficulty would be experienced in executing these works through Contractors, or otherwise, on an efficient but far more economical scale than has hitherto prevailed, and much of the extravagant expenditure which has unfortunately characterized Railway works in this country might be avoided by unity of administration.

16. The Companies might, if desired, be still maintained on their existing footing, the only change being that, if unable to complete these lines for their original capital, the Government would do it for them instead of advancing them the money to do it themselves.

17. Even if not adopted universally, it might be worth while to try this system in certain cases where a large amount of work remains to be done, and the Company has no prospect of raising sufficient capital without a higher rate of guarantee, which we should earnestly deprecate, as lowering the credit of India, and entailing an unnecessary burden on her finances for the sake of perpetuating a system which experience has proved to be extravagant.

& which can
never be remunerative

18. If, unfortunately, it should prove impossible in England to raise a sufficient capital during the present year to carry on all the works comprised in Class I, then it will be highly desirable that the Government should at once make some arrangement by which it would be enabled to devote the whole of the limited capital which it could raise by loan, to the prosecution of the two lines which are of primary importance, viz.:—the East Indian Main Line, from Calcutta to Delhi, and the N. E. Line of the Great Indian Peninsula, from Bombay to the Cotton Districts.

19. In the event of any of the Companies failing to carry out their original engagements so as to require a modification of the terms of their contracts, it is scarcely necessary for us to remind you of the great importance of altering the condition relative to the rate of exchange by which India is made a heavy loser, and also to point out that a charge of 5 per cent. interest on any advances of the Government in India is below the market rate at which we can raise money, and ought to be at least 5½ per cent.

We have the honour to be,
Sir,
Your most obedient and humble Servants,

H. B. E. FRERE.
C. BEADON.
S. LAING.

Documents to accompany.

Letters to Govts. of Madras, Bombay, Bengal, N. W. P., and Punjab, Nos. 316 to 320, dated 2nd February 1861.

Copy.

PUBLIC WORKS DEPARTMENT.

FORT WILLIAM.

RAILWAY.

Letter No. 5, dated 2nd February 1861.

From

The Government of India,

To

The Right Hon'ble the Secy. of State for India.

Regarding the present state and prospects of Railways in India in connexion with the question of the supply of funds for their completion.

Enclo. in a letter from the Secy. to the Govt. of India. Finl Deptt. No. 3059 Confidential. d/ 16 March 1861.

Con. 1861. Depr.

/

Confidential.

No. 3059

To,

The Secretary to the
Government of
Madras.

Financial Deptt. } Sir,

The completion of the Regular Estimate for the year 1860/61 has led to a review of the actual financial position and prospects of the Government the result of which is contained in the accompanying Financial Letter to the Secretary of State No. 16 of the 5th February 1861 and Railway letter No. 5 of the 2nd February 1861.

2. The extreme gravity of the position induces this Government to lose no time in addressing the Government of Madras confidentially as His Excellency in Council is satisfied that the difficulties can best be surmounted

by full communication with the Local Government, both to have the benefit of their experience and advice before decisions are finally taken, and to ensure their co-operation in carrying out the measures which maybe decided upon.-

3 The situation as described in the Financial Letter is shortly this:

That by May next the Cash Balance will be reduced to a *minimum*.-

That the Government are actually spending in 1860/61, £6.670.000 beyond their Income or allowing for the Mutiny Compensation which will not recur say in round numbers £6.000.000.

That the Government cannot rely apart from new Taxes on any very material increase of Revenue for 1861/62 over 1860/61 especially as the large increase depending on the present high prices of Opium

is very precarious.-

That under existing circumstances the necessity of raising further Loans in India would be greatly tobe deplored.-

That the Railways even those which are most urgent and which are advancing towards completion can only be continued by the aid of Capital from England for which no provision has yet been made.-

4.- To which maybe added that since the date of the abovementioned letter private advices have been received from Sir Charles Wood to the effect that the Cash Balance in England is nearly exhausted; that the Railway Companies may probably be unable to raise money; that the state of the money market renders loans there extremely difficult; and that he must look to India for larger remittances in the course of 1861/62 to enable him to meet the Home Expenditure of upwards of £5.000.000.

5. It is evident therefore that the most vigorous measures of further reduction are immediately incumbent upon the Government. Large reductions have been already made, and others are in course of making in the Army, Marine Police and other Departments.-

6.- In the case of Madras these reductions have been in a great measure carried out and in the other Presidencies they are in progress and will shortly be completed but assuming that all these reductions are carried out as fully as in Madras, and even to the full extent recommended by the Military Finance Commission, the only figures which the Government have before them in any practical and tangible shape do not show a larger saving than about £3.000.000 on the Expenditure of 1860/61 and even this will not be fully realized within the Financial year 1861/62 as the reductions of Native Troops will in some cases cause immediate expense, and the Surplus European Force cannot all be shipped off before the next cool season.-

7.- A deficit therefore of about £3.000.000 will remain less the produce of the License Tax.-

8.- It is evident that this Tax, limited as it is to Arts and Trades, will not produce enough to meet this Deficit. The objections to a resort to any new and large measure of general direct taxation such as an extension of the License Tax to large masses of the Population are so grave that they put that expedient out of consideration.-

9.- The only course that remains then is that of carrying reductions still further, and of increasing the Revenue by a revision of Local and indirect Taxes which are not sufficiently general or burdensome to unite large classes in opposition to the Government.-

10. As regards reductions, the revision of the Estimates which are now being sent in by the Local Governments will afford the Governor General in Council an opportunity of suggesting any further measures of retrenchment which appear practicable.-

11. Assuming, however, as is probable, that after having carried reduction to the utmost limit – which is at present safe or practicable, there still remains a deficit of from £ 1.000.000 to £ 2.000.000 after taking credit for the Income Tax and License Tax, the question is how to deal with this deficit.

12.- The Governor General in Council has given this question the fullest consideration and has arrived at the conclusion that the following measures will afford the best means of meeting the difficulty Vizt-

1st - A moderate increase of the Salt duties.-

2nd - A transfer to Local Governments of a certain portion of the allotments proposed to be given for Public Works giving them in exchange powers of Local Taxation.–

13.– I proceed to explain more fully the specific mode in which it is proposed to apply these measures to Madras in order to have the benefit of ascertaining the views of the Local Government before steps are taken to carry them into effect.–

14.– As regards Salt, The rates of duty on Salt in 1859 were as follows:–

	Rs	a	
Bengal	2	8	per maund
Madras	.	14	
Bombay	.	12	
North West	2	"	
Punjab	2	"	
Oude	2	"	

The Government of India proposed in May 1859 to raise the duty in Madras and Bombay to Rs 1 – a 8 – but after correspondence with the Local Governments the following

following rates were adopted in December 1859:–

	Rate adopted Rs	a	Increase on old Rate Rs	a	Estimated increase of Revenue Lacs
Bengal	3			8	32½
North West	2	8		8	12½
Madras	1.			2	6.
Bombay	1.			4	7.
Punjab	2.	2		2	1¼
Oude	2.	8		8	3.
Burmese Provinces	as 8 per pit				¾
					63.

15.– The expectation of increased Revenue has been fully realized. The produce of the Salt duties (exclusive of Customs) has risen from £ 2.602.000 in 1858/59 the last complete year before the duty was raised to £ 3.391.000 in 1860/61 showing an increase of £ 789.000 to which must be added about £ 100.000 for the increase of duty on Imported Salt levied through the Customs.–

16.— The detailed accounts of the progreſs of the Salt Revenue in different Governments confirm this general result and show that the increase of Duty has neither checked consumption nor introduced smuggling.

17.— A return furnished by the Board of Revenue Madras, shows that for the 16 months succeeding the rise of duty, the average monthly consumption rose to 480.000 maunds as compared with 456.000 maunds for the last 16 months of the old Duty.—

18.— In fact a rise of price of 12½ per Cent did not prevent an increase of consumption of 5 per Cent, and the Revenue gained was 13 per Cent, or at the rate of £ 97.000 a year.—

19. In Bombay an increase of 33 per Cent in the Duty has raised the Revenue 36 per Cent, showing here also an increase of consumption.—

20. In Bengal there has also been a large increase of consumption coincident with a rise of 20 per Cent on the Duty though it is more difficult to give the exact per centage in this case owing to the Imported Salt being mixed up with the question.—

21.— There can be no doubt however from the Returns of Revenue that the consumption has increased in Bengal even more than in Bombay or Madras.

22.— The Accounts from the North West are equally favorable and Government have just ordered an increase of 8 Annas per maund assimilating the rate to Bengal on the assurance of the Board of Revenue that it can be easily borne without checking consumption.— The last customs report of the North West says "The increase of Revenue on Salt has thus been considerably above 26 Lacs in the present over last year or more than 66 per Cent, the percentage of increase being somewhat higher in the North West than in the Punjab."— Thus an increase of 25 per Cent in duty has been attended with an increase of 30 per Cent in consumption and 66 per Cent in Revenue and what is remarkable as showing how little Taxation within certain limits affects consumption, the increase of consumption has been

larger

larger where the Duty was raised 25 per Cent than where it was raised only 7 per Cent— To some extent this increase may be attributable to Oudh being included and the manufacture of Salt there prohibited; but there has been, on the whole, a large increase— From these facts it seems evident that some further increase in the present Salt Duties might be made without oppressing the people and with every probability of increasing the Revenue, especially as the approaching opening of Railways will in many places in the interior cheapen Salt so that it may bear some increase of Duty without raising the price to the consumer.—

23.— It has been stated that the Government of the North West have already agreed to an increase of Duty of 8 Annas or from Rs a 2-8 to Rs 3 which has been carried into effect

and

and in Bengal the duty has just been increased from Rs 3 to Rs a 3-4 per maund with the full concurrence of the Local Government.-

24.- The Duty at Madras being only Re 1 per maund, a larger increase might have been proposed there, but as the circumstances are exceptional and the Governor General in Council is anxious not to disturb existing arrangements by any great rise of prices, he only proposes to raise the Duty at Madras by as 4 or from Re 1 to Rs a 1-4 + per maund.- It will be open to the Government of Madras to make any arrangements they see fit for establishing Depots of Salt in the interior or otherwise cheapening the price to the consumer, and with the improvement of communications from the Salt works to the interior it is hoped that there may be no material enhancement of the selling price notwithstanding the slight increase of Duty.-

+ duty - adding the prime cost & charges the monopoly price will I suppose be raised from 1-2 to 1-6 per maund

25.- The rate of Rs as 1-4 per maund being within the legal rate the Government may, if they see fit, raise the duty at once, as has been done in Bengal- A corresponding increase will of course be made in the Customs Duty on imported Salt.

26. II. As regards Local Budgets

In the event of a deficiency still remaining in the General Treasury it is evident that a reduction must take place in the amount proposed to be assigned to each Government for Public Works.- However lamentable a suspension of useful works might be there would be no alternative, as the faith of the Government cannot be broken or its liabilities be left undischarged even for the desirable object of making

Roads and Canals.-

27.- Any curtailment, however, of such works is greatly to be deprecated and it is desirable to provide means for their rapid and general prosecution.-

28.- Accordingly His Excellency the Governor General in Council proposes to make over to the Local Governments certain subjects for Local Taxation by means of which they might each in their own way and in the manner best suited to the peculiarities of their respective positions raise a Local Revenue wherewith to supplement any deficiency of Imperial assignment for Local Public Works.

29.- As regards the subjects of Local Taxation, the principle must be clearly established that the consent of the Governor General

General in Council is requisite before the imposition of any new Local Tax is taken into official consideration or made the subject of public enquiry and again before it is finally adopted.-

30.- Local Taxes can only be permitted when they do not interfere with Imperial Taxation or with objects of general Policy, but subject to these conditions there are forms of Taxation, which Local Governments, acting with a large discretion of suiting the Tax to varying Local circumstances, might make productive and which might be cheerfully submitted to for beneficial Local objects, while any attempt to include them in a scheme of uniform Legislation for all India might cause discontent and yield little Revenue.

31.- The Governor General in Council is of opinion that Tobacco might be handed over to the Local Governments as a subject for Local Taxation, as it is apparent from the Reports received from different Governments relative to the proposed Tobacco License Tax, that no large amount can be realized from this source by any scheme of Imperial Taxation, while a considerable Revenue might be derived from it in many cases by Local Governments if left, to carry it out in their own way.-

32.- There are probably other subjects for Local Taxation which will suggest themselves to different Governments and which the Governor General in Council will, upon the suggestion of the Local Government, be ready to consider. At present he will only observe that it is by no means necessary that such Local Taxes should be uniform throughout the same Presidency or Government. On the contrary it will be quite open to the Local Government to propose purely Local or district Taxes for Local objects.-

33.- His Excellency in Council would observe further that the scope of this scheme of Local Budgets goes further than the immediate object of relief to the Imperial Treasury.-

34.- Arrangements may be made between the Local and Supreme Governments to give the former Credit in their Local Budgets for the savings, or a portion of the Savings, which can be effected by them in their Estimates as settled by the General Budget.-

35.- Thus if a Government which is now spending a large sum on Establishments for superintending Public Works can reduce that expense, the whole saving might be at once made available for increased works and a liberal proportion of any saving in other Establishments effected by the action of the Local Government might be credited to the Local Budget.-

36.- A foundation would thus be laid for a larger degree of Local financial management and self-Government, and an inducement be held out to Local Governments to practise ~~strict~~ strict economy in Local Expenditure.

The

37. The Governor General in Council will be glad to receive from the Government of Madras any suggestions which may occur to them in regard to the applicability to Madras of such arrangements as have been here indicated.

38.- Should Local Legislative Councils be extended to the Presidencies or principal Governments, it is evident that the supervision of such Local Budgets and Estimates and the passing of Local Legislation incident thereto, would afford them an useful and appropriate occupation; but the adoption of Local Budgets need not be delayed for the institution of such Councils, as an Act might be passed by the present Legislative Council of the Governor General giving the force of law to Regulations proposed by the Local Governments and approved by the Governor General in Council.-

39.- The above is a general outline of the scheme proposed. The Government of Bengal has agreed to provide for 15 Lacs of its Expenditure on Public Works by such Local Taxes on Tobacco and other subjects as have been suggested.

40.- The assignment for Public Works to Madras being larger than to Bengal an equal sum at least might have been proposed in their case, but looking at the relative resources and taxation of the two Presidencies as well as at their assignments for Public Works, the Governor General in Council has thought it more equitable to propose to Madras to take 10 Lacs only- or in other words that the assignment to Madras for Public Works for 1861/62 shall be diminished by 10 Lacs, giving in exchange powers of levying Local Taxation on Tobacco or such other Local Taxes as may be suggested by the Government of Madras, subject to the approval of the Governor General in Council and when requisite to Legislative enactment.-

41.- I am only to add that, in considering the above measures, it will be necessary for the Government of Madras to bear in mind that the financial situation admits of no hesitation or delay, and that any proposals for increasing Revenue must be considered not with reference to the abstract desirableness of avoiding any new Taxes, but to the necessity of adopting alternative measures of a more objectionable nature.

It

It must be remembered also that on account of the approach of the period when it is necessary to settle the Imperial Budget for 1861/62, any observations which the Government of Madras may wish to make on this communication should be forwarded with the least possible delay. It is scarcely necessary to point out that this letter must be considered as strictly confidential.–

I have the honor to be
Sir,
Your most obedient Servant

Fort William
The 16th March 1861.

Secretary to the Govt. of India

Confidential 1861. Deptt.

From
The Secretary to the
Govt. of India
Financial Departt.
No. 3059

A. L. No. 4

D/16th March 1861.

2 Enclos.

No. 6

Answered 22nd April
1861 No. 4 S.D.

Govt House.

52

My dear Sir William

I send the Confidential letter recd from the Supreme Govt yesterday – When you have read it will you be so good as to send it to Mr Maltby and ask him after perusal to pass it on to Mr [illegible] – I am sorry to say have been called out suddenly to Chingle-put on account of Mr Fullerton who is much worse —

The question of local taxation may be considered more at leisure — but I think, as does Mr Bourdillon to whom I have shown the papers, and whose note I append, that the rise in the price of salt (from 1 R 2 annas to 1 R 6 annas a maund 82 lbs avoirdupois) should be made at once — It should be done without warning to prevent the merchants from laying in stores in anticipation of the enhancement of price — and instructions should be

and simultaneously
by Telegraph to the Collec-
-tors of the Districts along
the Coast to do the
same. If the first ap-
-proves I will arrange
this with Mr Bour-
-dillon.

Believe me

Yours very truly

T Pycroft

29th

March 29. 1866

My dear Pycroft

I return the papers with thanks

Yours truly

Bourdillon

Certainly looks black:

should much like to

what reductions have really

been made in the Military

& Civil establish-

-ments in South India.

With regard to the

Tobacco Tax, the idea

of taxing the growth or

the rise in prices, but I

have nothing

to do, for my part,

higher wages of labour

& compensate the

practically

cost of salt to the labouring classes.

production was discussed
in 1859 & rejected for
any sufficient reasons
as impracticable. [illegible]
[illegible] then the plan of li-
-censing the sale of tobacco
was started; at first
proposed to be distinct from
the Trades & professions
License Bill, & afterwards
as a part of that. This
is not impracticable; but

it would produce no
very large sum.

I presume that the 1 per
Cent of the license tax
will certainly be given up
as local taxation. This
will give next year about
5 lacks.

The increase in
the selling price of salt
is, I presume, to be
made immediately. See

the corresponding increase
has already been made in
Bengal – Licences to be given
without giving time to new
then Commissioners to take out
large stocks in anticipation
& sh^d have effect on the
order reaching the Supt
at each station – I think
on the whole they let us off
cheap in this item – but
If our roads are improved
the Salt Rev. will go on
increasing notwithstanding

---

13 April 65

My dear Sir [illegible] Wilson

Returned the Calculation
Letter &c – The price of
salt is as of course [illegible] at
[illegible] [illegible], & I think we
should do this

If I mistake not an
analysis such as you [illegible]
of the taxes prepared for
[illegible] [illegible]
to one

[illegible] [illegible] [illegible] [illegible] of his financial paper — that expenditure can be largely decreased in respect to the Military arrangements of Beng^{l} & Bombay — if only altered the difficulty is to get them to reduce — why the army should cost more than before the Mutiny I cannot understand — it certainly ought not to be

20 —

If they curtail us 4 lakhs we must have credit given us for the increase cost of ~~[illegible]~~ salt — I mean it must be paid to us as one of our means of retrenchment — & not credited to the general funds of the Supreme Govt —

We must almost at once

be answer

credit to wheat - a money payment, in the room of the Grain Seer hitherto paid as a sort of voluntary cess -

On Tobacco we can have no tax - & really it is difficult to see where we can impose new taxes nor is it right that we should do so - so long as reductions to be made

The

Carlt House

69

My dear Morehead,

I send these papers at once. - It seems to me that orders should be given for an instantaneous increase in the price of salt as suggested by Pycroft. - Other points can be settled more at leisure -

Yours very truly

30 March.

Govt House
24 March
73

My dear Maltby

I send you the confidential Papers received from Calcutta and a more unsatisfactory set of documents I have never set eyes on— I should very much like to enter into an analysis of the Revenue & Expenditure of Madras; and to see whether in this Presidency we are not quite able to pay our way; the whole system of the Genl or Supreme Govt appears to me to be a puzzle— and the proposed scheme of taking away 10 lacs and of permitting us to raise these ten lacs by additional local Taxation has very much the aspect of a Thimble Rig – I am amused with the care taken to limit the action of the local Govt. to make every step subordinate to the approval of the Govr in Council –

I feel quite certain that the Military expenditure especially in Bengal might be reduced to a very great extent but of course until I know the force of the Army I cannot give any opinion as to details. It appears now that the cost of the Army is greater than it was before the Mutiny and I know that we had then a force of 300000 men of all sorts – I believe that we have now under arms upwards of 260000 men and of these I feel certain that we could get rid of 40000 gradually without impairing our efficiency. I look over the Papers and then send them to Morehead and ask him to return them to me when he has done with them as I should wish to have the benefit of both your views before I make up my mind or embody my opinions in a minute –

Yours truly

W Denison

turn over

I send you a note from
Pijcusps & another from
Bourdillon –

2.3.61

Minute

The financial statement con:tained in the confidential letter from the Secy to the Govt of India, and explained more fully in a Despatch No 6 of 5 Feby 61: addressed to the Secy of State is calcu:lated to create the most serious apprehensions as to the solvency of the Govt — It would seem from these documents that, while the Revenue for the present year will fall short of the Expenditure to the extent of 6.072000 £, there is no reason to believe ~~that~~ any great increase of Revenue will take place in the year 1861-62 — while the diminution of Expenditure will not exceed 3 millions — so that, under existing circum:stances, the deficit of 6 million & upward in 60-61 will be increased by an addition of 3 million & upwards in 61-62. —

2 The only mode of meeting this state of things, are
1st Reduction of Expenditure
2 Increase of Revenue
3rd a combination of both

The first of these heads is of far the most importance — *

It may be possible to draw from the country a small portion more of its surplus ~~Revenue~~ Income, but when we consider the extent to which Taxation has already been pushed — when we see that Exports are taxed as well as Imports, and a check thereby imposed upon the Industry of the people — when we see that the ingenuity of financiers has been brought out in order to discover modes by which money may be taken from the people & placed in the Treasury — and when we see that a very large proportion of the Revenue thus collected is employed for purposes in which we cannot suppose that the native population can sympathize. We cannot but feel that the Prosperity of the Govt. of India and its hold upon the people [illegible] would be more enhanced by reducing [illegible] its Expenditure than by raising its Revenue —

3 I propose then to consider the statements made by the Govt. of India with reference to reduction of

Expenditure —

4 In Paragraph 6 of the confidential Despatch it is said "in the case of "Madras these reductions "(alluding to reductions in "the strength of the Military "force) have been nearly "carried out" — and in the "other Presidencies they "will shortly be completed"

If then the reductions in the other Presidencies have been or are about to be carried out on the same scale as those in that Presidency, I think that there is good reason to hope that by a searching investigation, such as the Govt. is about to institute in that Presidency, it will be found possible not only to save the 3 Millions alluded to by the Govt. of India, but by a reduction based upon sound principles [illegible] to bring down the Expenditure far below that [illegible] exhibited in the Estimates for the Indian Army in the year before the Mutiny —

when the nominal strength of the Indian Army was, I believe, above 300000 — what the actual strength is at present, including the large number of Irregular bodies raised since the Mutiny, I have no means of ascertaining — but judging from the actual ~~Estimated~~ Military expenditure, I have a right to infer, ~~that~~, after making every allowance for the greater proportion of European Troops, that it is not far short of the number above stated — If so I must express my opinion that a very large reduction might be made in the numerical strength without in any way impairing the efficiency of the Army or weakening our hold upon the Country —

I am aware however that these reductions are only prospective, while the Evil with which we have to deal is pressing and immediate — It will therefore be necessary to take some steps to increase the Revenue as well as to reduce the Expenditure under these circumstances I cannot refuse to carry out the proposal made by the Govt of India to raise the duty on Salt from 1 R to 1. 4 — as I conceive this to be the least objectionable form under which we can extract from the people the amount required — With reference to the suggestions contained in Paragraphs 28 to 40 — of the letter from the Govt of India, as they appear to embrace considerations of a political as well as of a financial character.

I propose to deal with
them separately –

Confidential 1861 Sepr

No 7

Minute by the Honorable the Resident.

C.L. No. 4. 9/

20/4/61 JJP

Minute

In the confidential letter from the Govt of India after indicating certain reductions which might be anticipated in the expenditure, and deprecating any increase in the duty upon Salt, it is pointed out that in the case of a still existing deficiency of Revenue the only course to be adopted would be the reduction of the amount appropriated to Public works — —

2 This it is said, would be a ~~[illegible]~~ be avoided if possible, and accordingly it is proposed to make over to the local Govt certain subjects (Tobacco being one) of taxation by means of the money derived from which the local Govts might supplement any deficiency in the assignment from the General Revenue for Public works. —

It is also suggested that there might be an understanding between the local & Supreme Govts by which any savings effected in the Estimates might be credited to a local budget for such public works; and it is further hinted that should a local legislative Council be appointed the supervision of such local budgets would be for such bodies an useful & appropriate occupation.

It is then proposed that Madras should undertake to provide, by such local funds, for whole of the amount estimated for Public works, which sum, it is inferred, the Supreme Govt proposes to reserve in order that it may be in readiness to meet the anticipated deficiency —

3/ The scheme proposed may be considered 1st as a financial

arrangement

2nd as affording an opening for the introduction of something analogous to municipal action in the country districts —

3rd in its relation to the introduction of some local legislative action

4th as opening up, incidentally, the question of the anomalous position in which the local Governments are placed with relation to the Supreme Govt ~~at~~ at Calcutta, & to the Secy of State in England —

4
1 It is under these four heads ~~that~~ I propose to consider ~~[illegible]~~ this scheme —

I may in the first place observe that the necessity of making any reduction at all is not shown to exist — were ~~because~~ the Govt of Madras to commit itself to the imposition of local taxes, & thus to burden a population already too heavily taxed, for the purpose of executing Public works for which a sufficient sum has already been provided in the Estimates. It would expose itself very justly to obloquy — In the second place I would observe that in selecting the works which it would be desirable to postpone common sense would direct us to commence with those which are unproductive, and at the same time Costly. And in applying this common sense principle to the present case, I think it would be found advisable to Stop those works upon which the Govt. is called upon to pay a heavy Interest, and from which it derives no equivalent benefit — I mean the Railroads.

5/ It would appear from the Despatch to the Secy of State ~~that~~ 56 Millions will be required to complete the projected lines of Railway; even should so marvellous an event take place as their completion within the Estimate — Of these 56 Millions 32 M. have been expended and upon them the Govt. is paying Interest to the extent of upwards of 1600000 per annum while the net returns from the Railway amount to £ [illegible]3160 or little more than 1 per cent per annum on the Capital — I have a firm conviction that all these long lines will never pay the Interest upon their Capital — and that the Country will therefore have to provide a large sum annually for the Interest guaranteed — If then any public works ought to be given up it should be those which like Railways are running us into debt, rather than those which like Irrigation works return a large Interest upon the outlay —

6 I am aware ~~that~~ in Railway companies with borrowed Capital the stoppage would only relieve the Govt. from the payment of Interest

upon the annual outlay
but this would amount
in the coming year
to 300000 £ and in a
few years to 1·200000 £
in addition to the amount
which we are already paying
It is possible that by making
the reductions suggested in
my former minute, and
by increasing the duty upon
Salt any reduction in the
amount to be expended
on public works in 1860-62
may be avoided. If
however reduction be re-
quired it should operate
upon the Railway expen-
diture, rather than upon
the productive outlay
upon Irrigation —
Should however the
Supreme Govt. still
decline to appropriate
the whole amount which
we require for our public
works, I would rather
submit to this privation
than impose fresh Taxes
upon a population al-
ready too heavily burthened —

11 I will now consider the
scheme as affording an
opening for the intro-
duction of something

Letter from Madras
Govt to Govt of India
Home Dept – 11 June
1859 No 774

analogous to a municipal
system —

8 It is true that the Supreme
Govt. alludes in the first place
to the imposition of a Tax
or an excise duty on Tobacco —
which would be of a general
character — this however
must have been suggested
in entire forgetfulness of
the report elicited from
this Govt. in 1859, when it
was stated that by no pro-
cess could a Tax on Tobacco
be made productive in
this Presidency — but in
Para 32 it is said that
purely local Taxes might
be imposed for local ~~[illegible]~~
objects —

9 There is, I confess, much in
this to render the scheme
attractive — hitherto the
Policy of Govt. has been to
attribute to itself every
portion of power, to cen-
tralize everything in
itself — I should rejoice,
I confess, to see some power
of local action given over
to those who are interested
in public works of a local
character — but I am
at the same time bound
to admit that the slight
experience which I have
had of the character of the

people does not lead me to believe that they would appreciate the boon if coupled with the condition of a local Rate or cess – while I do not think that they could be trusted to administer for the Inhabitants of any locality, Funds raised by the Govt either generally or locally – Still perhaps something might be done in this direction hereafter –

As a further inducement to the Govt of this Presidency to entertain the scheme above alluded to – Some possible contingencies are hinted at, none them specified distinctly, under which a portion of the savings made by the local Govt upon the items of the General Estimate might be handed over to the Govt to be applied to local purposes – and it is further said that the appropriation of these savings and of the local Fund generally would be an appropriate and useful occupation for the suggested local Legislative Council –

11 with reference to these anticipated or hypothetical savings I do not understand how they are to be calculated – Is the Estimate for the present year to be made the standard by which these savings are to be calculated? or is it meant that any saving in the amounts of the Expenditure as Estimated annually is to receive a local application? If the latter be intended there is a direct inducement offered to the framing of high Estimates of departmental outlay – –

12 However without attempting to discuss this question further, I would observe that the savings resulting from any reduction of Expenditure should be applied as speedily as possible to the diminution of Taxation – It is perfectly evident that we have pushed Taxation to its limits – we have taxed Imports & Exports we have established Monopolies – we have a

Taxation in income: we have Stamp duties - and a species of excise. Our best and wisest Policy whether we look to the stability of the Government or to the comfort and happiness of the people would be to commence as speedily as possible the reduction of Taxation; and I feel certain that this would be appreciated by all classes of people as a much greater advantage than any which they could possibly derive from the Establishment of a Legislative Council, more especially when the powers of such a Council would be so jealously limited as they are proposed to be in the Confidential letter —

13/ This leads me to the consideration of the fourth head under which I proposed to discuss the question referred to me from Calcutta —

I mean the anomalous relation in which this Gov^{nt} stands to that of the supreme Gov^{nt} of India — by the 3 & 4 Will 4 Cap 85 "It is enacted that the Superintendence, direction and Control, of the whole "Civil and Military "Government of ~~India~~ "all the said Territories "and Revenues in India "shall be, and is hereby "vested in a Gov^{r} Gen^{l} & "Councillors to be styled "the Gov^{r} Gen^{l} of India "in Council" —

14/ I believe that this enactment originated in a wish on the part both of the Directors of the E I Company and of the Gov^{nt} to check that tendency to independent action on the part of the Governors of the different Presidencies which the power of disposing of an efficient Military force was sure to generate — and in a desire at the same time to maintain a general control over their expenditure —

I do not however believe that either the Directors, or the Legislature contemplated an interference on the part of the Govr Genl in Council with all the trifling details of local management by which the Governments of the different Presidencies are placed in a position in:ferior to that of the Muni:cipal authorities of a Corporate Town

15) In the confidential letter of the Supreme Govt after stating that it was the intention of the Govr in Council to make over to the local Govts certain subjects of local taxation the following significant warning is given as to the amount of freedom of action which was to be allowed —

" As regards the subject of " local Taxation it must " be understood that the " consent of the Govr Genl in " Council is requisite " before the imposition of " any new rate can be " taken into official consi:" deration, or made the " subject of Public enquiry " and again before it is finally " adopted —

This if interpreted according to the simple & plain meaning of the terms used, would in:dicate that the Govt of a Presidency must not even venture to think, or to make enquiries which would tend towards a right conclusion, with reference to any local Rate without first obtaining the assent of the Govr Genl in Council. I cannot believe that such was the intention of the Govr Genl in Council when the Secretary was directed to write that confidential letter, which I may remark commences with an appeal to the local Govts and ter:minates with a threat, — but the fact that these expressions have found a place in such a document indicates the view taken by the Supreme Govt of its relation towards the local Governments.

While however the Supreme Govt has been gradually appropriating to itself the superintendence and control of all matters civil & military, local & general. The general tendency of legislation elsewhere has been towards a system alto:gether opposed to this centralization of authority. To the Colonies generally have been conceded powers of self Government, and though, in many instances, it would probably have been for the benefit of the Colonies themselves that their powers of self Govt should have been restricted, the fact that they have been almost unlimited would I think justify the conclusion that, in acting as it has done, the Supreme Govt has taken a mistaken view of the meaning, or at all events of the intention of the Legislature in conferring upon it the general superintendence & control over the whole of India. I am quite prepared to admit that the terms used in the Act are sufficiently comprehensive to admit of the interpretation which has been put upon them - but while I admit this, I am decidedly of opinion that the system of centralization which has been the result of this interpretation, has acted most injuriously both on the financial and administrative functions of the local Governments.

16. It seems to me then that it would be deserving of the consideration of Her Majesty's Government whether, in accordance with the principles which have been acted upon pretty generally of late years, it would not be advisable to give to districts which are so far separated from the centre of Government as to be dependent in great measure upon the mail steamers which ply but twice a month between Madras & Calcutta for the regular means of communication, a greater amount of power in determining matters of local interest than has of late been allowed.

17 It appears to me that the local Governments in India, should stand to the Supreme Govt in a position somewhat analogous to that in which the states of the

of the American Union stand to the Federal Govt at Washington.. that all power which have a general character should be exercised by the Genl Govt. It should have the sole and entire control of the Army & Navy - It should conduct all correspondence with foreign states or those being within our boundaries - Any questions at issue between two or more of the local Govts should be determined by the Genl Govt. - It should have the charges of the Post office. the Telegraph offices &c. - questions as to the lighting of the coast should be decided by it -

In order to meet the charges which these would impose upon the Genl Govt it would be necessary that a contribution should be paid from the Revenue of each Presidency upon some definite principle perhaps the simplest

would be to take the ratio which the Revenue of the Presidency bears to the total Revenue. -

18 There however are details upon which it is unnecessary to dilate - the principle which I wish to see established is the separate action of the local & general Govts - The local Govt should have the power of determining in accordance with instructions received from the Secretary of State all local matters, whether relating to Revenue or to Civil administration - the Genl Govt should, under similar limitation regulate everything which had reference to the Military occupation of the country. its defence against aggression &c &c.

[illegible]

By such an arrangement we should get rid of the anomaly of having three Armies with three Commanders in chief and three separate Staffs for the defence of one country and which should also [illegible] by the necessity of referring to Calcutta for leave to appoint an officer to perform a duty however important which may not have been sanctioned in the Estimates. — however it is unnecessary that I should on the present occasion go into any further details – that which I have said has been drawn from me by the expressions used in the letter from the Govt of India

Confidential: 1861 Departm

Minutes

No. 8

Minute by the Honourable the President.

D/-

Minute

20/4/61
J.P.

The late letter to us the Con-
fidential letter which we
have received from the Sup-
reme Govt. in respect to
the State of the Finances for
the coming year is not a
cheering one — It more
over shows that while
this has been done in the
other Presidencies to-
wards reducing their
present

rate of expenditure — this
state of matters, seriously
affects this Presidency, &
renders ~~it~~ difficult for
us, to carry out the views
of the Supreme Govt, as
now submitted to us —

2. The aid we have been
asked to give — is first
by increasing the price
of our

salt — this has been
done — ~~& I must~~ the
price might have
been raised to the full
limit permitted by law,
that is to Rupees 3 annas
8 — per Indian Maund.
This additional two
annas — would not have
been felt — & it would
have added some
three or four

cost more to the revenue.

3 The ~~worst~~ next proposal made to us is that we must be prepared to give up, should the State of the General Treasury demand it, 10 lacs of the amount entered in our Public Works Budget. This sum, we are however told, they are ready to aid us in making

107

good, by the imposition of such local taxes as we may deem advisable.

4 I concur with the President, that at this moment it is impossible, justly, to impose any local taxation, ~~that~~ to ~~could~~ meet the Treasury deficiency, & that therefore to attempt it would

be a serious mistake
I do not however con-
sider - that to the ex-
tent of 10 lacs, the ex-
ecution of important
and useful works, need
be impeded, or alto-
gether put a stop to
this amount, or nearly
so I am satisfied, is
to be obtained, & that
readily,

by the introduction
into the department
of the reforms, at pre-
sent under conside-
ration -

5 Previous to the intro-
duction of the present
constitution of the P. W. D.
the largest sum expended
in any one year was about
24 lacs - our present
Budget reduced by

the sum contemplated
will still leave us an
a ~~[illegible]~~ balance far in excess
of the above amount
for expenditure — and
if this sum is properly
husbanded & care=
fully expended I do
not apprehend, that
in reality — the interests
of the Presi=

dency will in any
way suffer by the
proposed deduction
of the 10 lacs in question
from the budget of
the P. W. D. —

6 With reference ~~to the~~
President's remarks
about giving up the
further construction
of Railways in India

~~[illegible] precedents~~

I conclude that the several orders issued in regard to these have restricted their construction to the full extent, that the Govt desire to take, or that they can legally do -

W. M.

Confidential 1861 Depr.

No. 9

Minute by the Honorable W. A. Morehead.

D—

20/4/61 JP

1 — I have given my attentive consideration to the confidential letter of the Govt of India ~~to these papers~~ which certainly shows that the Finances of the Empire are in a ~~a most~~ critical position. — Immediately on its receipt ~~of the instructions of the~~ ~~Supreme Govt~~ orders were issued by us to increase the selling price of salt from Rs 1-2- per Indian Maund to Rs 1-6-.. and I concur with Mr Morehead that the ~~price~~ rate might be further advanced to the legal Maximum ~~legal~~ ~~rate~~ of Rs 1-8-, without ~~the sales~~ any additional check to the sales being perceptible. — ~~[illegible]~~ But after this step I share the President's opinion that the limits of Taxation will have been reached. — The impending License tax which is ~~about~~ to be imposed for Imperial purposes, will extend the existing Moturfa to all those classes & individuals who now escape it, and I am ignorant of any new source from which money can be raised either for Imperial or local purposes in this Presidency. —

2 If therefore the necessities of the Empire oblige 10 Lacs to be struck off our Public Work Budget for the ensuing year I see no alternative but to ~~reduce the~~ stop the execution of works to that extent, unless

such savings as we can make in the Establishment of that Dept. (a subject which is now under consideration) are allowed to supplement in part the amount struck off the Budget. –

3 – In referring to the probable necessity of reducing the Public Works Budgets, the Supreme Govt. express an intention of allowing the subordinate Govts. to make up the deficiency by local taxation – and observes that "a foundation would "thus be laid for a larger degree of Local "Financial management & self Govern-"-ment". – I ~~earnestly wish~~ should be glad that this prospect was likely to be realised, but to attain such a beneficial result it appears to me that the subject must be treated in a much more broad & liberal mode than that laid down on this occasion. If the consent of the Govr. General in Council is to be needed before "the imposition of any

P29 "new local Tax is taken into official consideration "or made the subject of public enquiry, and "again before it is finally adopted" m(~~pa~~) and if "Local taxes can only be permitted "when they do not interfere with Im-

P30 "-perial Taxation", ~~although the existing~~ which taxation already affects every spring of Industry, the Local Governments will in my opinion ~~really~~ occupy the same restricted position as before –

4/ If they ~~to give them~~ are to enjoy real liberty of action & self-management ~~they should have~~ it seems to me, that the Act of Parliament affecting India must be altered so as to give them a control over the general taxation & expenditure within their range, subject to the condition of supplying a fixed contribution to the Imperial Treasury. — ~~And~~ I would with all deference point to the present papers as a proof how impossible it is that the Central Govt., overwhelmed with Political & other great questions, should successfully master the details of local administration throughout our extensive Empire – Thus it is thought an advantageous concession to allow the Madras Govt. to raise a local revenue from Tobacco, to supply the place of 10 Lacs to be cut off our Public Works Budget,

Letter to Govt. of India Home Dept. 11 June /59 No 774 } although we lately pointed out most strongly & impressively that such a tax was opposed to the land tenures & circumstances of this Presidency - that it would yield little revenue, & would bring back those serious evils on account of which it was formerly abolished.

~~- The Madras Govt has shown such practical earnest-ness in reducing the public expenditure that I may abstain on this occasion from discussing measures for relieving the Imperial Deficiency, especially as I should only have general remarks to offer. - As the extension of taxation is pronounced impracticable relief must be chiefly sought in economy, and Commissions are sitting to ascertain what reductions of expendi-ture can be effected. - The existing sources of revenue must also be carefully attended to, & this Govt. lately made a suggestion for increasing the efficiency of the Stamp Act. - It is un~~

5 - With respect to the Imperial deficiency, as an extension of taxation is pronounced impracticable, relief must be sought chiefly in economy, & this Govt. will not cease its endeavours to reduce expenditure - But the existing sources of Revenue may be improved & we lately pointed out a mode of increasing

See letter to Govt. of India with Budget esti-mates 23 March 1861 7 D No 153

the efficiency of the Stamp Act, by altering the ~~Clau~~ Section which exempts from its operation all transactions with which the Govt. is even indirectly concerned. - It is undoubtedly to be deplored that Railway liabilities should have been ~~an encumbrance~~ a drain on the Treasury at a time when Govt. ~~has~~ had to meet the expenses resulting from the Mutiny. Eventually, I trust, that the beneficial effect of Railways on the prosperity of the Country will more than reimburse their cost to the State but this result may be slow in arriving, & meanwhile if the Imperial Income & Ex-penditure cannot be balanced by adminis-trative economy, it seems to me that money for this special & extra Demand might be raised by a Loan, according to the principle followed on a recent occasion when Funds were required for promoting Public Works —

20 April 1861 —

Confidential 1861 Depᵗˢ

No. 10

Minute by the Honorable E. Maltby.

d/ 20 April 1861.

O.L. No 4.

Despatched on the 22ⁿᵈ April 1861 for the Steamer

Confidential.

April 22 - 1861

No. 4

To,

The Secretary to the Govt. of India - in the Financial Departt.,

Sir,

I am directed by the Governor in Council to acknowledge the receipt of your confidential letter under date the 16th ultimo, Financial Departt. No. 3059, and of copies of the Despatches to the Right Honorable the Secretary of State which accompanied it.

W.M.

2. In this letter after a review of the present financial condition

condition of the Empire, and the probable income and expenditure for the Official year 1861/62 about to open, the conclusion is arrived at, that assuming the utmost practicable reductions to be made and taking credit for the proceeds of the Income Tax and License Tax, there will still remain a deficit of from one to two Millions Sterling.

3. The means which have occurred to His Excellency the Governor General in Council, as the best for meeting this difficulty are stated to be:

1. A moderate increase of the Salt duties—
2. A transfer to the Local Governments of a certain portion of the allotments

proposed

proposed to be given for Public Works giving them in exchange powers of local taxation.—

In para 31 of your letter Tobacco is primarily indicated as a subject for local taxation — but it is remarked that there are probably other subjects which will suggest themselves.

4. With regard to Salt, you will have learnt from my Telegraphic Message of the 3rd instant, that, immediately on receipt of your letter, orders were issued for raising the monopoly price of Salt in this Presidency 4 Annas per Indian Maund.

5. In respect to Tobacco, I am to

observe

Para: 10.

observe that credit has already been taken in the budget estimates of 1861/62 for Rs: 251,000 on account of the tax on Tobacco Licenses. In my letter of 23rd ultimo, Financial Department it was noticed that the tax had not yet become law, and that the Estimate of the revenue which it might be expected to yield could not be depended on— In regard to raising a revenue from Tobacco in any other mode, I have to solicit attention to Mr. Secretary Bourdillon's letter Revenue Department 11 June 1859 No. 774 and to the report from the Board of Revenue

21st

21st April 1859 which it enclosed— In this latter paper the question of ~~drawing~~ deriving a revenue from Tobacco was very fully gone into, and in the opinion of this Government it was conclusively shown, that there were insurmountable objections against the realization of a revenue from that article, unless in the shape of a tax on the Shops where tobacco was sold— i.e. a license tax— and that the produce of that tax would not be considerable× — certainly not more, I am to add, than the sum Rs: 251,000 already assumed under that head in the Madras Budget.—

× See particularly para: 6 clause 1 of the Board's letter.

The

6. The Madras Govt. also although most anxious to give every possible assistance to the finances of the Empire, much regret that + ~~it is not in their power~~ to suggest any other subject of taxation; but on this point, as well as upon the question of local taxation generally, I am instructed to request attention to the Minutes of the Honorable the President the Honorable Mr. Morehead, and the Honorable Mr. Maltby which are herewith transmitted.

+ while they cannot undertake to raise any revenue from Tobacco (beyond that entered in the Budget) they are at the same time unable.

Fort Saint George,
22d April 1861.

Local Taxation

Confidential

No. 4.

To,

The Secretary to the
Govt. of India
Financial Deptt.

D/. & Despd. } 22d April 1861.

answered 6th May/61
No. 5278

Financial Letter to the
Govt. of India No 208-A
d/ 22-4-61 B. nos
52A & 52B.