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Government of Madras.

Financial DEPARTMENT.

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Proceedings of the Madras Government, Financial Department, 7th March 1868.

Read the following papers:—

No. 15. MINUTE by the HONORABLE Sir THOMAS PYCROFT, K. C. S. I.

(Circular from the Government of India, Financial Department, dated 19th September 1867, *No.* 2823).

The proposal submitted in the Memorandum which was enclosed in the above Circular, and on which our views are requested, is that certain charges or sections of charges be transferred from the Imperial Budget to us, in common with other Local Governments and Administrations, to be defrayed from certain branches, or sections or branches, of Imperial revenue, which are also to be transferred to us.

At the outset, until the necessary Local Financial Departments can be organized, say for one year, "the *form* of the Imperial accounts is not to be changed, nor the system of dealing with expenditure. The Local Government may still in form act as though the alteration had not been made. All sanctions before necessary may still be obtained *pro forma*. At the same time, it would be understood that the Government of India would not interfere, unless for some very obvious reason, with the detailed application of the assigned revenue to local purposes." Thereafter, apparently, the only control exercised by the Supreme Government would be that mentioned in paragraph 47 of the Memorandum. "The rules, however, regarding creation of establishments would for the present not be altered; but for all but gazetted appointments a reasonable discretion would be allowed to the Local Government." The arrangement, tried at first on a small scale, is to be gradually extended hereafter, until, it is to be hoped, it has had its ultimate development in the transfer to the Local Governments of *all* local charges and revenues, with provision made for their contributing to the Central Government their due quotas for defraying Imperial charges, as the Army interest on the public debt and the like. Mr. Massey has sketched a scheme for the first assignment of charges and revenues, but this is mainly in illustration and elucidation of his views and proposals. It is open to the Local Government to suggest any modifications of it.

Memorandum, paragraph 46.

Memorandum, paragraph 48.

2. It seems to me that the Madras Government may express their approval of Mr. Massey's proposal generally, as a step in the right direction, and as paving the way to further results, and more complete decentralization. Into his special illustrative scheme I cannot now, on the eve of quitting office, enter fully. Meanwhile, I would note a few remarks which occur to me.

3. The scheme proposes to transfer to the Madras Government charges to the amount of £486,100, and, to meet these charges, revenues in the aggregate of £462,100. The upshot would be a loss to us on the whole arrangement of £24,000, which, however, would sink to £12,700 or £4,200, according to the mode in which the charges for Public Works are calculated.

4. The charges stand as follows :—

	£
1. One-sixteenth of land revenue charges	23,800
2. Cost of collecting income and license taxes at 5 per cent. on receipts	2,500
3. Charges for Law and Justice	106,400
4. Police charges met by contribution, and Railway Police	34,100
5. Education, Science, and Art—Miscellaneous	7,700
6. Medical Service, excluding general establishment and Chemical Examiner	33,900
7. For stationery and printing	33,100
8. Miscellaneous, excluding financial and certain (what ?) other charges	33,800
9. Public Works	210,800
Total	**486,100**

5. To meet the above charges the revenues to be transferred, are

	£
1. One-sixteenth gross land revenue	269,100
2. One-quarter income tax	35,500
3. One-quarter license tax	17,500
4. Law and Justice	73,500
5. Police	34,100
6. Education	4,800
7. Miscellaneous, exeluding financial items	19,000
8. Public Works	12,600
Total...	462,100

6. The second of the above branches of revenue has as yet no existence, nor does it appear whether it will ever have any. The other items of revenue and charges, I must take on trust as I find them, as I have no time to verify them, nor to ascertain of what detailed items they are made up. They will, however, need to be carefully scrutinized, both as to their amount and composition.

7. The aggregate revenue proposed to be transferred is shown to be £462,100, or Rupees 46,21,000, being about 7½ per cent. on the gross revenue of the Madras Presidency for 1866-67. It must be admitted that the experiment is being tried within very narrow limits.

The gross revenue for the year ending 31st March last, 11 months, was Rupees 5,62,13,194, or rateably for 12 months Rupees 6,13,23,484; but from adversity of season 1866-67 was an unfavorable year. The gross revenue for the preceding year 1865-66 was Rupees 6,33,17,129.

8. Some of the charges proposed to be transferred seem likely to increase, *e. g.*, that for Jails, £86,200, and perhaps Education, Science, and Art, Miscellaneous, £7700. It will need careful consideration whether the revenues to be assigned will increase in a like ratio. The only item in Table No. 2 which appears capable of much expansion is the sixteenth gross land revenue, Rupees 26,91,000. From a return before me, I find that in the eleven years 1855-56 to 1865-66, the receipts from land revenue increased from Rupees 3,58,91,715 in the former to Rupees 4,29,02,557 in the latter year, or by Rupees 70,10,842, being at the rate per annum of Rupees 6,37,349, one-sixteenth of which is Rupees 39,834, giving but a narrow margin to meet an increase in charges.

9. The mode in which the charges are proposed to be transferred seems inconvenient. Then we are to defray one-sixteenth of the land revenue charges. How are the charges falling under this sixteenth to be distinguished from those coming under the remaining fifteen-sixteenths? Are the revenue servants of one district to be paid from transferred or provincial funds, and those in the next from retained or Imperial revenue? This would be awkward. It would be preferable to transfer charges under any appropriate head in entirety. Thus, the total estimated land revenue charges for 1867-68, excluding survey and settlement, but including allowances to village officers are set down in Table No. 1 at £381,700, being about 9 per cent. on the total land revenue, £4,305,500, as shown in Table No. 2. The whole of the above land revenue charges might be transferred to us, and one-ninth, or thereabouts, of the land revenue to defray them. Or a higher percentage might be granted, so as to provide for roads as well as land revenue charges, should it be deemed absolutely necessary so to provide for roads from assigned revenue. Abkarry is not transferred, "because it seems likely to be capable of being made hereafter a fair set-off against the charges for Police, to meet which the Abkarry duties were, it is believed, first raised." Then, why not make over to us the Abkarry revenue and Police charges, and, as the former will somewhat exceed the latter, throw in charges from some minor head to complete the adjustment? Other arrangements of a like kind will, no doubt, suggest themselves when the subject is more closely examined.

Memorandum, paragraph 15.

10. On the whole, then, it seems to me that the principle proposed in the memorandum may fairly be accepted by this Government, but not the scheme which accompanies it. It appears to

me, also, that in introducing the principle, it is of great importance at the outset to proceed with a well matured scheme, such as will, in all probability, admit of being worked out, and will not, by its failure at starting, bring discredit on the principle involved in it. The Government, in communication with the Board of Revenue and the Accountant General, could, I doubt not, produce a well-considered, workable scheme, but it will be necessary that it should be deliberately weighed and put into shape: reference may have to be made to the Government of India, and perhaps to the Secretary of State, and it is questionable whether it will be ready for the Budget of 1868-69. But it will not matter much if it be deferred for another year. We are going on very well now, and can afford to wait, in the assurance that the principle will be carried out ere long.

11. Among their queries in paragraph 14 of Mr. Secretary Lushington's letter of 19th September last, the Government of India ask "whether this Government has at the present time in view any special sources of income which it thinks could be made available", if required, in aid ofsuch transfers of revenue as have been suggested, or in preference to any of them."

12. I am unable to suggest any such special sources. Our Road Cess Fund would, of course, be available for the repair of roads in conjunction with the proposed assignment, £179,300, from Imperial revenue, although the former is primarily applicable to local, and the latter to Imperial roads, but I am not sure that this is meant by the question.

13. With reference, however, to the conversation which passed in our last Council on the suggestion that a special cess be levied on irrigated lands in this Presidency to provide for the maintenance and repair of the chief works of irrigation, I would wish here to express my dissent from any such proposal.

14. By the old and well known custom of the country, the ryots in certain districts are bound to execute certain minor irrigational repairs, as the keeping clear the smaller branch channels, providing labor and materials for closing breaches in embankments. Their obligation to perform this duty has been recognized and enforced by Act I of 1858, but, hitherto, I believe, that enactment has practically been nearly inoperative. To the commutation of such smaller services for a money payment, I see no objection—indeed, it is very desirable.

15. To throw upon the ryots the cost of maintaining the large works of irrigation anicuts, tank banks, main channels, their head works and sluices, is quite another matter. By prescriptive usage, ever since the country came into our possession, the maintenance of such works has always fallen upon Government. In all our earlier—as indeed in our recent—settlements, this has formed no part of the ryots' charges, in reference to which the assessment was calculated; and when any special fees for such purposes as Tank Merahs had descended to us from the Native Government, they were merged in the settlement. Some of the settlements, as in the Godavery, Kistna, and Trichinopoly Districts, have lately been revised; and the new assessments, which do not include these among the ryots' charges, have been formally sanctioned by Government. Whether such revised assessments should be declared permanent, may be a question, but it has never been doubted that they should run for a long term of years. To saddle the ryots under any settlement, new or old, with charges hitherto borne by Government, and which were not held debitable to the ryots when those settlements were made, would be a departure from the principles of those settlements, and of the calculations on which they were based, and would, in my opinion, be subversive of all confidence among the agricultural classes.

In fact, why do the Government charge a much higher rate of land tax on irrigated than on unirrigated land, but that they are at the cost of storing and distributing the water for the former class of land, of constructing and maintaining the chief works connected with such storage and distribution? Indeed, the Secretary of State has directed that, in the revision of our land assessment now in progress, the system of charging a consolidated land and water assessment on Nunjah lands be, as far as possible, abandoned; that, as in many other parts of India, the land be assessed according to its ascertained productive quality as dry land; and that a separate charge be made for water, to be taken or not according to the will of the cultivator—such charge, as in the case of water supplied for domestic purposes by English Water Companies, being, of course, in full pay-

ment for the water supplied. This order has been carried out in the revision of the assessment of the Nunjah land in the Godavery and Kistna Deltas and in the lands under the Kurnool Canal. Can the Government now clap an additional water cess for the repair of irrigation works on the back of this water tax? Hardly.

It should be borne in mind that the Government demand on the irrigated lands of the Madras Presidency, even as reduced in the late revisions of the assessment is higher than that obtaining in most, if not in all, other parts of India.

The liability of Government to maintain at their own expense works of irrigation has, moreover, been recognized in the arrangements recently made in some districts, under which small tanks have been made over to the village communities, to be henceforth kept in repair by them at their own charge, in compensation whereof *an abatement* has been made in the assessment on the Tank Nunjah Ayacut, or area of land under the tank and capable of being irrigated from it.

16. The levy of road cess, either in part of the revised assessments, or as a general measure, under our local Act No. 3 of 1866 (Madras), furnishes no analogy to, and forms no justification of, the imposition of a cess for the maintenance of works of irrigation. As for the first, the revisions of the old assessment resulted frequently in large reductions of the public demand, and the Government might not unreasonably reserve a small proportion of the remissions thus to be given for so important an object as local roads. The cess too was incorporated in the assessment as sanctioned by Government, and forms an integral part of it. As respects the general cess under Act III of 1866, Government are under no obligation to construct and maintain roads—at least gross roads—as they are main irrigation works; and the burden might properly be laid on the landed classes whom they especially benefit.

17. The above remarks may seem irrelevant, or at least premature, as irrigation works are excluded from Mr. Massey's present scheme, as "special works which, at all events at the outset, may better be left under the old system of control." But the question may be considered by Government in discussing this present scheme, and as I would not wish my sentiments on this subject to be misapprehended I have embraced this my last opportunity of placing them on record.

28*th October* 1867.

(Signed) T. PYCROFT.

No. 16. NOTE by the Revenue Secretary on the Government of India's Circular, No. 2823 of 1867.

Mr. Massey's proposal for Madras, according to the "illustrative scheme," really resolves itself into the transfer of Imperial revenues, aggregating £462,100, and Imperial charges *in excess* of those revenues by £24,000 or about £27,000,* according to the several modes shown of calculating them; the main item of charge transferred being for the construction and maintenance of roads, and it being left to the Local Government so to improve the revenues, or to economize the charges, as to adjust the balance. I believe that in this Presidency the transfer of road repairs and construction to the local funds from the Imperial Budget, sanctioned in connection with the introduction of the Road Cess, and the supplemental Local Fund Budget, will have already adjusted the balance, or very nearly so.

2. But it needs to be considered whether the other transferred charges are not likely to grow, *e. g.*, Jails. Here the transferred charge aggregates £106,400, and the 'Law and Justice revenue,' transferred is only £73,500. Of course, Mr. Massey's argument is that part of the other transferred revenues is properly assignable to meet this charge, and I don't say no—only, if the charges grow very rapidly, the excess over the transferred revenues may increase to an extent which would prove embarrassing.

3. On the whole, however, I see no *difficulty* in the way of *our* accepting the proposed responsibility, but the measure seems to me trifling in its immediate effect, which would be to transfer from Imperial to local sources of revenue an estimated deficit of £170,000, and I am not clear as to the policy of some parts of transfer.

What is included under "Jail" charges, estimated annually at £86,200 (Rupees 8,62,000)? And are none of the items really Imperial, and not either Provincial or Local? Or, under our Jail reforms, have they attained, or nearly so, what is likely to be their normal amount? And so, as regards the "Miscellaneous" *Educational* charges, and the *Medical* charges (excepting fixed establishments), which it is proposed to transfer, are not many of these strictly Imperial, and more especially in the latter case, when Military and Police demands probably led to the bulk being incurred?

4. As to the queries at the close of the Financial Secretary's letter, I have already stated that the *amount* of the proposed transfer would create no difficulty in this Presidency, and I think it probable that, on carefully analyzing our Budget of receipts and charges, we might be able to recommend more extended transfers. On the *principle* of the transfer, I would claim that a percentage of the *salt* revenue be assigned to us for aid towards the improvement and maintenance of our roads—a perfectly legitimate demand, and a very necessary aid, as it seems to me.

5. I scarcely know what is meant or contemplated by the second query. I don't see that any *detailed scheme* is necessary beyond the precise instructions necessary to ensure that the Local Government received credit for *all* the revenues it would be entitled to administer, and were not debited with any charges which should properly be provided for by the Supreme Government.

6. On the third query I am not aware that it is considered we have in this Presidency left any promising source of revenue untapped, or code unworked. Mr. Massey's scheme seems to contemplate the re-introduction of the income tax on the wealthier classes, retaining the license tax for petty traders. It has sometimes occurred to me that we ought to tax the sale of intoxicating drugs, but I doubt whether the proceeds would pay the cost. It might, however, be included in our Abkarry farms.

7. I am disposed to think that our forest revenue and charges might be transferred to us with advantage. The Government should not, for many years to come, look to obtain a surplus revenue from this source. There is an immense deal to be done in opening up sources of supply of timber and fuel, forming fuel reserves, and re-planting special tracts, as great river springs and early courses; rearing plantations of special woods—as teak, black wood, sandal, redwood—all of which are in danger of over demand; and to do all this properly will tax the resources of the Department for many years to come to the utmost. This, however, rather belongs to the first than the third query.

8. It is *not* proposed to transfer any irrigation works, at least for the present. I think a 'Kudi Maramut' Commutation Cess would be welcomed by the people, who do not deny their liability to customary labor on minor works, but complain that it is not fairly exacted. The *maintenance* of minor irrigation works would be transferred with it.

9. I do *not* think the land can fairly, on correct principles, be charged specially with a rate for constructing or maintaining the higher class of irrigation works, nor do I think the transfer of these works from the Imperial Public Works Department at all desirable. The difficulties connected with them are increasing every year, and threaten to become very serious, and incapable of remedy, save by a large scheme of new works of an important class. No amount of mainte-

Memorandum, paragraph 33.

	£
Civil charges transferred	275,800
Public Works do. do. on estimates of 1867-68	210,800
Total...	486,100

	£
Civil charges transferred	275,600
Public Works do. normal actual charge	191,000
Total...	466,500

*P. S.—I have made a mistake here I see. The deficit is £24,000 according to Statement No. 3, in which the transferred land revenue is reduced only by the transferred charges of collection. But in Statement No. 5, it is proposed to reduce the transferred land revenue by other deductions, amounting to about one-third of the whole of the deductions shown in that statement, the result being an excess deficit of £8,500. If one-third of this is taken as due to the "other deductions," then the total deficit may be assumed at £24,000+($\frac{8500}{3}$=) 2,833=£26,833.

	£
Jails	86,700
Registration and "Tulubana"	20,200
Total...	106,400

nance labor will prevent tanks and channels from silting up gradually, and, especially in the former case, gradually becoming useless.

10. Our present Local Fund Revenue is noted in the margin, but the whole is in a very transition state, and charges are likely to grow more rapidly than these receipts.

Road Fund.	Rs.
Income in 1865-66	6,53,354
Road Cess estimated at a low rate	13,00,000
	19,53,354

Village Jungle Conservancy and Planting Fund.	Rs.
Income of 1865-66	95,890

Cattle Trespass Fines.	Rs.
Income in 1865-66	1,65,759
Transferred to District Road Fund	1,04,132
Balance	61,627

11. The Endowment Fund, the Travellers' Bungalow Fund, the Village Service Fund, and the Process Service Fund, though included under the major head of Local Funds in the accounts, are not available for any other than the special purpose indicated by their names, and scarcely come under the designation of "local taxation."

23*rd October* 1867.

(Signed) W. HUDLESTON,
Secy. to Govt., R. D.

No. 235.

No. 17. Memorandum by the Secretary to Government in the Public Works Department, on the Government of India's Circular, No. 2823 of 1867.

It would seem from the allotments shown in the marginal table that the amount of charge proposed to be transferred in statement II of the accompanying printed Memorandum for expenditure under certain heads of public works outlay is very nearly equal to the average assignments under the same heads in the Imperial budgets for the last three years, and the proposals now under consideration would, therefore, little affect the Public Works Department; for, although a deficiency of Rupees 2,40,000 would have to be made good, this will probably be more than covered by reductions in the cost of the maintenance of various lines of roads now falling upon Imperial revenue, but hereafter to be transferred to the charge of district road cess collections. The budget allotments, however, for the construction and maintenance of roads in this Presidency, large as they may seem, have never been equal to our requirements, and, although some relief will be afforded after a few years by the completion of the roads and ghauts in Wynaad, which at present absorb a large sum annually, it would not be safe to assume that the yearly expenditure on roads can be reduced much below the present average, as Mr. Massey seems to contemplate.

Years.	Communications.			Civil Buildings.	Miscellaneous Public Improvement.			Tools and Plant.	Total allotment.
	New Works.	Repairs.	Total.	Repairs.	New Works.	Repairs.	Total.		
1865-66	4,47,724	12,00,615	16,48,339	1,35,984	51,597	30,545	82,142	1,50,000	20,16,465
1866-67	6,94,536	11,44,330	18,38,966	1,32,471	64,950	26,745	91,695	1,50,000	22,13,132
1867-68	6,65,000	11,28,000	17,93,000	1,02,000	30,000	24,000	54,000	1,59,000	21,08,000

2. The Government of India having called upon this Government to complete in four years the Madras portion of the mail line of road between Calcutta and Madras, at a yearly outlay of 5½ lakhs of Rupees, it should be stipulated, in agreeing to Mr. Massey's proposals, that this sum should be granted annually as a special assignment till the road is finished.

Fort Saint George,
2*nd November* 1867.

(Signed) C. A. ORR, Col., R. E.,
Secy. to Govt., P. W. D.

No. 18. Read the following letter from F. LUSHINGTON, Esq., Accountant General, Madras, to the Chief Secretary to Government, Fort Saint George; dated Fort Saint George, 8th January 1868, No. 316.

Budget and Resource Department.

I have the honor to acknowledge the receipt of the Order of Government in the Financial Department, dated 2nd November last, No. 485, forwarding, with a letter from the Financial Secretary to the Government of India, a Memorandum prepared by the Honorable Mr. Massey, suggesting the transfer to the Local Governments of certain State charges, with a portion of the revenues to meet the same; and directing me to submit, with my opinion on the general scheme proposed by Mr. Massey, an analysis of such charges and revenues under the general heads proposed to be transferred, showing the items of which they are composed, and stating in regard to each whether they may be considered now to stand at their normal amount, or may be expected to increase or diminish.

2. In compliance with the foregoing requisition, I beg to submit an analysis of the revenues and charges proposed to be transferred, accompanied by a separate Statement showing the average amounts for five years of the several items therein exhibited. For facility of reference, these results have been shown in four Statements prepared in a similar form to those appended to Mr. Massey's Memorandum, and the two sets of figures stand in juxtaposition, Mr. Massey's being shown in red ink.

3. In the first column of Statement No. 1 a considerable difference will be observed between the two amounts, which is due to Mr. Massey having erroneously included in the Land Revenue charges a sum of Rupees 3,92,000, being the Budget allotment for "petty constructions and repairs" recently transferred from the Revenue to the Public Works Department, and which ought, therefore, to have been shown in Statement No. 5, rather than in No. 1.

4. On comparing the average results of the last five years with the figures given by the Financial Secretary, it will be found that the total of the charges proposed to be transferred is less by Rupees 2,16,000, and the revenues by Rupees 3,76,000, than is shown in Mr. Massey's Memorandum. But looking to the fact that both the revenues and the expenditure are steadily progressing from year to year, it does not appear to me that a satisfactory estimate of the future financial position of this Presidency can be gained by looking back to the results of former years, and I am of opinion that of the two sets of figures shown in these Statements, those given by Mr. Massey, and which are taken from the Budget Estimate of the current year, are decidedly the more reliable standard.

5. With the exception, therefore, of Mr. Massey's estimate of the yield of the income and license taxes, which, judging from the experience of past years, appear to me unduly high, the figures given by him may, I think, be accepted as representing the probable amount of revenues and charges which would be transferred to the Local Government were the scheme carried out as proposed.

6. In regard to the soundness of the general principle of Mr. Massey's scheme, which would give to the several Local Governments, and to the people, a direct interest in the administration of a portion of their revenues, there cannot I conceive be two opinions. But I do not consider that the charges and revenues which have been selected by Mr. Massey for transfer to the Local Government are for the most part appropriate for that purpose; and his proposition to divide those revenues and charges into fractional portions, of which one is to be assigned to the local Administration, while the others are to be retained by the Central Government, cannot fail, in my opinion, to be productive of serious complications and embarrassments between the two Governments, as well as of confusion in the public accounts.

7. It seems to me very desirable that, wherever practicable, the management of the entire department or source of revenue, and not a portion only, should be made over to the Local Government; and as Mr. Massey's scheme is obviously intended to result in further local taxation, it is very important, in the selection of the charges to be transferred, that the choice should be limited as closely as possible to those branches of the Administration in which the people have a direct beneficial interest, and in respect of which it may be reasonably required that they should, if hereafter found necessary, bear a portion of the burden.

8. The measures of Government are unquestionably more closely watched and more intelligently appreciated by the people now than formerly, and, as education continues to progress, very great caution will be needed in dealing with measures of taxation. Keeping, then, these two objects in view, namely, the transfer of entire branches of the Administration and the popularity of the service transferred, the charges which I should select for transfer, in preference to those named by Mr. Massey, would be (1) the construction and maintenance of the roads; (2) agricultural repairs; (3) Police; and (4) Education—in all of which the people have undoubtedly a large interest, and for the furtherance of which they might be reasonably required to contribute, should the exigencies of the State at some future time demand further taxation. These charges amount in the aggregate to Rupees 73,54,000.*

* 1. The construction and maintenance of the roads
2. Agricultural repairs
3. Police
4. Education

	Rs.
	17,93,000
	7,00,000
	39,00,000
	9,61,000
	73,54,000

9. The expenditure on account of the construction and maintenance of roads and for agricultural repairs clearly forms a legitimate charge on the land revenue, and to meet it, therefore, I would propose that $\frac{1}{16}$th of the net Land Revenue after deducting all charges, as shown in Statement No. 5 appended to Mr. Massey's Memorandum, should be transferred to the Local Government, together with Public Works Receipts, excluding Irrigation Income. These two charges, as entered in the Budget Estimate of 1867-68, amount to Rupees 24,93,000†, while the above receipts, according to the same estimate, would be Rupees 24,94,000‡.

† Roads
Agricultural repairs

	Rs.
	17,93,000
	7,00,000
	24,93,000

‡ $\frac{1}{16}$th of net Land Revenue
Public Works Receipts

	23,68,000
	1,26,000
	24,94,000

10. I have not thought it necessary to take objection to the charges deducted by Mr. Massey from the Land Revenue, as the amount which I have proposed to transfer seems sufficient to cover the expenditure. But if the niceties of adjustment laid down in Mr. Massey's scheme are to be observed, it must not be forgotten that Collectors and their establishments have other important duties besides collecting the land revenue, and which cannot, therefore, be fairly held chargeable with the entire cost of their salaries.

11. It will be observed from Mr. Massey's Memorandum that he apparently contemplates being able to make a reduction in the Imperial grant hitherto made for the construction of roads, in consequence of the additional funds which are at the disposal of Government by the introduction of the road cess. It is sincerely to be hoped that this proposition, which, as it seems to me, strikes at the very root of the system of voluntary taxation, will not be carried out. This system is only just commencing to make a start in this Presidency, and requires to be most carefully fostered, and every encouragement given to it, to make it bear fruit hereafter. But if, at the very outset, the people see cause to suspect that the funds voluntarily given by them for some specific purpose, instead of supplementing the Government grant heretofore allotted for such purpose, will be used in reduction of that grant, it is not very likely that they will be found willing to come forward and tax themselves for any other special object hereafter.

12. To meet the other two charges which I have suggested for transfer to the Local Government, namely, the Police and Educational Departments, which amount to Rupees 48,61,000§, I would propose that the entire receipts of the two Departments should be made over to the Local Government, supplemented by a special grant from the general revenues equal in amount to the balance of the estimated expenditure. There is no particular source of revenue which can be considered as specially chargeable with the cost of these Departments, nor any single branch of it which would give the sum required exactly, or even nearly, to cover them. Nor does there seem to be any valid reason why these two Departments should not be charged against the general revenues, as all branches of the Administration benefit more or less by the maintenance of the Police, while all classes of the people partake of the benefits of education.

§ Police
Education

	Rs.
	39,00,000
	9,61,000
	48,61,000

13. In offering the above suggestions, I beg that it may be understood that I view the present scheme altogether as an experimental measure, having for its main object the divesting the Supreme Government of the responsibility and supervision of certain branches of the Administration which it is naturally felt can be more easily, and at the same time more effectively, controlled by the local than by the central authority. The Educational Department, however, it must be remembered, is still in its infancy, and it must be expected, therefore, that, as the system is more fully developed, its expenses will increase, and this increase will have to be covered either by an addition to the State grant or by local taxation. The present system may, and no doubt will be, made in course of time more self-supporting than it now is; but with the new taxes which have been or are about to be introduced, namely the Income, License, and Municipal Taxes, and the Road Cess, the estimated yield of which is close upon 30 lakhs, it appears to me that taxation has reached a point beyond which, in this Presidency at least, it would not be safe at present to proceed. If, then, the principle enunciated by Mr. Massey, that the transfers once made are to be "final, and that the Government of India will thenceforth attend to no claims for additional "funds to meet increased expenditure under the head of Charges Transferred", is to be rigidly enforced, I think that the Local Government would be scarcely justified in accepting the transfer of the Educational Department, as it is certainly very undesirable to impose any check on the progress now being made in the work of educating the people.

14. In conclusion, I have only to remark that, as before observed, it has not appeared to me either necessary or desirable, in the transfers which I have recommended, to maintain those niceties of adjustment between Revenue and Charge which are observable in Mr. Massey's scheme. The time will, no doubt, arrive, and I hope at no distant period, when the entire financial administration of the revenues will be vested in the Local Government, each Province and Presidency being merely required to contribute its own proper quota to the Imperial expenditure, and then it will certainly be both proper and necessary to consider and weigh most carefully every item of revenue and charge in order to adjust more evenly the burden of taxation throughout the Empire, and to determine with precision what are local and what are purely Imperial receipts and charges; for there are, assuredly, many items of expenditure now classed as the latter, which would not bear that character if closely and intelligently scrutinized. But in an experimental measure of the limited character of that now under consideration such minute adjustment and divisions appear to me not only as needless, but as likely to be very prejudicial to the successful working of the scheme, and I am convinced that they would give rise to many and serious complications between the two Governments. I have not ventured to discuss the principle upon which the proposed grants have been made in Mr. Massey's Memorandum, as it is hardly within my province to do so, but in his scheme, which professes to place all Administrations on a footing of equality, there are certain anomalies which must, I think, be patent to all, and especially is this observable in the grants for roads.

An analysis of the Charges and Revenues under the general heads proposed to be transferred to the Local Government.

Receipts proposed to be transferred.	Rs.	Rs.	Rs.	Rs.	
Land Revenue	.....	.....	4,30,55,000	.....	Progressive.
Deduct :—					
Four-fifths of Collectors' salaries and Establishments.....	29,44,800	.....		.....	This is with reference to Mr. Pelly's proposed scheme.
Miscellaneous.....	90,000				
Petty construction and repairs since transferred to Public Works Department	3,92,200	.....		.....	This is a special provision made in 1867-68, which has since been transferred to Department Public Works.
		34,27,000			
Allowances to District and Village Officers..	.....	3,90,000		.....	This will gradually disappear, the receipts and charges being transferable to Local Fund.
Assignments, compensations, and alienations of revenue allowances to Zemindars, Jagiredars, and Inamdars, &c.....	2,91,220				
Annuities to landed Proprietors in Malabar, Madura, and Madras Districts.....	2,91,120				
Pagoda and Mosque allowances in lieu of resumed lands, offices, and privileges	6,98,890				
Pagoda and Mosque allowances.....	60,640				
Refunds of Land Revenue.....	.....	13,42,000		.....	Almost fixed.
	.....	11,000		.....	Fluctuating, depending mostly upon the state of the season.
			51,70,000		
One-sixteenth of the above, say.....	.....	.....	3,78,85,000		
Estimated Income Tax at 2 per cent.....	.....	.....	23,68,000		
Estimated License Tax....	12,60,000 7,00,000				
Deduct cost of collection at 5 per cent...	.....	19,60,000 98,000		.....	This seems to be an over estimate.
		18,62,000			
One-fourth of the above, say.....	.....	.....	4,65,000		
Carried forward...			28,33,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Receipts proposed to be transferred.—(*Contd*).	Rs.	Rs.	Rs.	Rs.	
Brought forward...			28,33,000		
Law and Justice.					
Fees, Fines, and Forfeitures including Registration Fees.....	.....	6,60,300		.....	Progressive.
Proceeds of unclaimed and intestate property.....	.....	11,700		.....	Fluctuating.
Proceeds of Jail labor.....	.....	40,000		.....	Susceptible of increase.
Miscellaneous.....	.....	23,000		.....	Variable.
			7,35,000		
Police.					
Municipal contribution and Miscellaneous.....	.....	.....	3,41,000	.....	Susceptible of increase.
Education.					
Fees and contribution on account of Education....	.....	13,640			
Proceeds of school books....	.....	33,060			
Miscellaneous.....	.....	1,500			
		say.....	48,000	.....	Progressive.
Miscellaneous.					
Subscriptions to the Presidency and District Gazettes.....	.....	25,000			
Proceeds of work done by Government Presses.. ..	.....	5,500			
Fees for stamping weights and measures..	.....	20,000			
Hospital Stoppages.....	.....	7,000			
Sale proceeds of Durbar presents and fees for registry of Passports.....	.....	1,000			
Sale proceeds of public property.....	.....	21,500			
Unclaimed deposits remaining on the books, fifteen years	.....	17,500			
Miscellaneous Receipts ...	.....	92,820			
		Say	1,90,000	.....	Fluctuating.
Public Works.					
Tolls, dues, fees, and refunds, including value of materials received from old buildings	.....	50,000			
Rents of buildings	.....	18,000			
Sales of produce...	.....	12,000			
Do. buildings and of tools and plants	.....	41,000			
Canal Collections	.....	5,000			
			1,26,000	.....	Susceptible of increase.
Total...	.....	.....	.....	42,73,000	

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Charges proposed to be transferred.	Rs.	Rs.	Rs.	Rs.	
Jails—					
House of Correction at the Presidency	.....	63,690			
Inspection and General Superintendent	.....	33,712		.....	Progressive.
District Jails—					
Superintendents of Central and District Jails and their establishment.	1,45,713				
Rations and Hospital expenses...	5,93,255			.....	An increasing charge.
Purchase of raw materials, &c...	25,600				
		7,64,568			
		Say	8,62,000		
Registration of Assurances—					
Salaries and establishments.....	.....	30,768			
Miscellaneous, including commission, &c..... ...	.....	1,71,462			
		Say	2,02,000	.....	Depending upon receipts.
Police—					
Portion equal to receipts in amount.....	.....	.....	3,41,000	.....	Do.
Education—					
Miscellaneous—					
Grant for purchase of books.....	.....	35,000		.....	Progressive.
Grant for agricultural exhibitions.....	.....	26,000			
Grant for experimental plantation of firewood.	.....	10,000			
Allowances to School Book Society...	.....	2,000			
Donation to the Agricultural and Horticultural Society..... ...	.....	4,200			
		Say...	77,000		
Medical Services—					
Vaccine Establishment ...	.....	79,800			
Government Hospitals and Dispensaries.....	.....	2,31,550			
Lunatic Asylums	.....	27,270			
		Say...	3,39,000	.....	Do.
Stationery and Printing—					
Stationery Office.....	.....	16,272			
Provision of Stationery ...	.....	76,800			
Printing Establishments and charges.....	.....	2,37,978			
		Say...	3,31,000		
Carried forward...	.....	.....	21,52,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Charges proposed to be transferred.—(*Contd*).	Rs.	Rs.	Rs.	Rs.	
Brought forward ..	.....	.....	21,52,000		
Miscellaneous—					Some of the items under this head are fixed, while others are dependent upon the amounts of local contributions, which are in many cases progressive.
Donation for the maintenance of strangers and indigent persons	.....	6,288			
Do. diet to insane persons.	.....	264			
Do. Foundling Hospital ..	.....	492			
Do. for the Idiots' Asylum.....	.....	6,046			
Do. Sailors' Home.	.....	1,200			
Do. Native Poor Asylum.	.....	9,388			
Do. Black Town Civil Male and Female Orphan Asylums.....	.....	600			
Do. Military Orphan Asylum...	.....	18,460			
Do. do. Female do. at the Presidency.....	.....	23,818			
Do. Orphan Asylum at Vizagapatam...	.....	7,320			
Do. Native Choultries...	.....	10,000			
Do. Taylor's Fund... ...	.....	600			
Do. Friend-in-Need Society	.....	8,400			
Do. Lungerkhana at the Presidency, Vellore, and Arcot	.....	19,092			
Do. Bungalow Fund... ..	.....	10,000			
Do. Roman Catholic Orphanage, Bellary.	.....	1,800			
Do. do. Madras and the Parcherry Poor School..	.....	2,820			
Registration of deaths. ...	.....	8,000			
Reward for killing wild beasts and snakes	.....	19,000			
Contribution to the Municipal Fund...	.....	1,00,000			
Stamping weights and measures.....	.....	9,090			
Transit of agricultural implements.....	.....	2,000			
Conservancy charges... ...	.....	996			
Purchase of rain gauges...	.....	1,000			
Assessment on the value of Government buildings.....	.....	19,884			
Allowances of Major Hamilton, employed on Special Commission. ...	.....	9,465			
Cotton experiments.... ...	....	2,564			
Bangalore Pensioners' Widows and Orphans Fund.	.....	300			
Miscellaneous and unforseen charges...	.....	38,002			
		Say...	3,38,000		
Carried forward...	.....	.....	24,90,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued.*)

		Rs.	Rs.
Charges proposed to be transferred.—(*Continued*).			
Brought forward...		24,90,000	
Public Works Charges.	Average of 4 years.	Estimate 1867-68.	Normal.
	Rs.	Rs.	Rs.
Roads { Construction...	6,60,000	6,65,000	8,00,000
Roads { Repairs...	10,68,000	11,28,000	8,00,000
Civil buildings and repairs.....	1,07,000	1,02,000	1,10,000
Miscellaneous works.....	48,000	54,000	50,000
Tools and plants...	1,70,000	1,59,000	1,50,000
	20,53,000	21,08,000	19,10,000
Total charges...			19,10,000
Deduct receipts...			44,00,000
Excess charges...			42,73,000
			1,27,000 or £ 12,700

FORT SAINT GEORGE,
ACCOUNTANT GENERAL'S OFFICE,
8th January 1868.

(Signed) F. LUSHINGTON,
Accountant General.

No. 1.

STATEMENT of proposed transfer of charges based on the actuals o.. st five years compared with the estimates of 1867-68.

	Total Land Revenue charges, excluding Survey and Settlement.	Total allowances to Village Officers.	Civil charges to be transferred to Provincial Accounts.									
			One-sixteenth charges on two preceding columns.	Income and License Tax, cost of collections at 5 per cent. of receipts.	Law and Justice.		Police charges met by contribution and Railway Police.	Education, Science, and Art.	Medical Services.	Stationery and printing.	Miscellaneous.	Total.
					Jails.	Registration and Tulubana.		Miscellaneous.	Excluding general establishment and Chemical Examiners.		Excluding financial certain other charges.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Estimates of 1867-68...	34,27,000	3,90,000	2,38,000	25,000	8,62,000	2,02,000	3,41,000	77,000	3,39,000	3,31,000	3,38,000	27,53,000
Average of the past five years.	30,65,000	3,63,000	2,14,000	15,000	8,02,000	1,83,000	3,41,000	64,000	2,68,000	3,15,000	3,35,000	25,37,000
												2,16,000

No. 2.

STATEMENT of proposed transfer of revenue based on the actuals of the past five years compared with the estimates of 1867-68.

	Total land revenue.	Total estimated 2 per cent. Income Tax over Rupees 2000.	Total estimated License Tax below Rupees 2000.	Revenue to be transferred to Provincial Accounts.								Grand Total.
				One-sixteenth gross Land Revenue.	One-quarter Income Tax.	One-quarter License Tax.	Law and Justice.	Police.	Education.	Miscellaneous, excluding Financial items.	Public Works, excluding Irrigation Income.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Estimates of 1867-68.....	4,30,55,000	12,60,000	7,00,000	26,94,000	3,15,000	1,75,000	7,35,000	3,41,000	48,000	1,90,000	1,26,000	46,21,000
Average of the past five years.	4,25,12,000	7,00,000	5,00,000	26,57,000	1,75,000	1,25,000	6,72,000	3,41,000	46,000	1,03,000	1,26,000	42,45,000
												3,76,000

No. 3.

STATEMENT showing the balance of Revenue transferred to Provincial Accounts which would be available for expenditure on Public Works, and the proposed application of it, 1867-68, as entered in Mr. Massey's Statements Nos. 3 and 4.

	Grand total Civil charges transferred.	Grand total Revenue transferred.	Balance available for Public Works.	* Public Works charges to be transferred.							Reverses in excess of charges.	Charges in excess of Revenues.	Special grants.
				Roads, new works, and repairs.	Civil Buildings.		Miscellaneous works.		Tools and Plant.	Total Public Works charges transferred.			
					Repairs.	New works.	New works and repairs.						For what objects needed.
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.			
Estimate for 1867-68	25,39,860	42,45,200	17,05,340	17,28,000	2,00,000	Excluded.	50,000		1,50,000	21,08,000	...	42,000	.....
Normal assumed by Mr. Massey	.....	.....	.....	16,00,000	1,10,000	Excluded.	50,000		1,50,000	19,10,000	...	.....	.....
Average of past four years, as given in Mr. Massey's Statement No. 4	25,39,860	42,45,200	17,05,340	17,28,000	1,07,000	.....	48,000		1,70,000	20,53,000	...	3,47,660	.....

No. 4.

STATEMENT showing modifications required to be made if the share of net Land Revenue transferred was calculated after making a deduction of all alienations and refunds, as well as charges of collection, compared with the estimates of 1867-68.

	Gross Land Revenue.	Deductions from Land Revenue.							Net Land Revenue after all deductions.	Reduced balance of Revenue after meeting Civil charges,		Special grants needed to cover deficiency.
		Charges for collection, omitting Revenue Survey and Settlement.	Allowances to Village Officers.	Assignments, compensations, and alienations of Revenue.	Refunds of Revenue.	Interest on refunds.	Total deductions of all sorts.	One-sixteenth net Land Revenue, as shown in No. 2 Statement.	One-sixteenth net Land Revenue after all deductions.	In excess of normal Public Works charges.	Less than normal Public Works charges.	
	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	.....	.....	...
Estimates of 1867-68	4,80,55,000	44,27,000	3,00,000	13,42,000	11,000	...	60,80,000	24,63,000	78,85,000	.....	.....	...
Average of the past 5 years	4,25,12,000	30,64,500	3,63,100	13,14,370	70,000	...	48,11,970	23,56,000	3,77,00,030	.....	.....	...

(Signed) F. LUSHINGTON,
Accountant General.

FORT SAINT GEORGE,
ACCOUNTANT GENERAL'S OFFICE,
8th January 1868.

No. 19. From the Secretary to the Board of Revenue, to the Chief Secretary to Government, Fort Saint George, dated 27th January 1868, No. 625.

I am directed by the Board of Revenue to acknowledge the receipt of the Government Order, in the Financial Department, under date 2nd November 1867, No. 485, referring, for the opinion of the Board, certain proposals regarding the financial arrangements of the Empire.

2. From the papers which accompany this reference, it appears that early in 1866, the Finance Minister, anticipating a deficit of about a million sterling in the Imperial Budget, proposed to throw on the Local Governments the duty of making it good by local taxation. The Revenue and Expenditure of the Empire were, in fact, to be balanced by transferring the surplus of expenditure or deficit to the Local Governments, which were to devise their own means of meeting it, in addition to existing local taxation and without any diminution or transfer of existing Imperial taxation.

3. This proposal, in the words of the Financial Secretary, was not received "with any enthusiasm," and in March last an amended scheme appears to have been brought forward, according to which the sum to be raised locally was reduced from £1,200,000 to £800,000, and, as a set off, the expected proceeds of the License tax (then about to be imposed) were to be made over to the Local Governments.

4. The proposal now submitted for the consideration of Government is an extension of the second scheme. Its main features are described as the transfer of charges with an adequate share of existing taxation wherewith to meet them and independent control over the branches of administration so transferred.

5. It is declared that the principle on which the new proposal is based is "*that, so far as is found practicable, the entire responsibility of managing the Local revenues and expenditure should be placed on the Local Governments,*" and the end aimed at, it is added, is "*to divest the Central Government of all detailed concern with those items of expenditure which pertain to branches of the administration, the details of which it cannot, in fact, control.*"

6. A measure of this extensive scope, *if fairly initiated and carried out*, cannot fail to be eminently conducive to efficient and successful administration, as well as acceptable to the Local Governments and their subjects.

7. The present centralized system of Government in India is described (so far as the Public Works Department is concerned) with great truth in Sir Bartle Frere's Minute of the 15th November 1866, paragraphs 78 to 85. The picture there drawn of one branch of the administration is in a very great measure true of every other.

8. Any change in such a system can hardly fail of being an improvement, and the voluntary and extensive abnegation now proffered by the Supreme Government of a control which it cannot exercise with efficiency, and which becomes more injurious the more energetically it is exercised, must be regarded with the utmost satisfaction by all who take an interest in the welfare of the Empire.

9. The Board, therefore, have no hesitation in urging upon Government in the strongest manner the acceptance of the *principle* on which the proposed change is based, and the Board are satisfied that the Government may confidently reckon on the heartiest efforts of their officers in every department to carry it out to a successful issue.

10. But while thus cordially assenting to the *principle*, the Board consider that the method of carrying it out, illustrated and explained by the Financial Secretary, in his memorandum is open to very serious objections. It is obvious that a change of the nature proposed must be based on broad, intelligible, and impartial principles, and cannot be treated as a mere matter of administrative arrangement or convenience. Yet it is very much in the latter spirit that the Financial Secretary's scheme is devised. "The first object," he explains, "has been to select for the series

of charges now to be transferred to the local authorities, those items of expenditure which, being least susceptible of control by the Government of India, give, as a whole, an amount of such dimensions as will not be difficult to manage and yet will be of sufficient importance to indicate that the measure is intended to be a reality and a step towards a more complete transfer of the Financial administration to the Local Governments."

11. The total Revenue proposed to be transferred is, for all India, £2,765,900, or not quite 6 per cent. of the gross revenues of the Empire, and the largest sum assigned to any Government is only £694,200. But besides being open to the objection of comparative insignificance, the measure, as illustrated by the Financial Secretary, is complicated and incongruous in the extreme.

12. The plan sketched is to make over to each Government one-sixteenth of its Land Revenue after deducting one-sixteenth of the charges for collecting that Revenue, one-fourth of the License-tax and the like proportion of the Income-tax, (supposing the latter to be imposed,) after deducting one-twentieth of the proceeds to cover the cost of collection, and the receipts under five petty heads of revenue. Against this income are set the charges on account of Roads and Jails, and no less than eleven miscellaneous items;—the net result being that the charges exceed the revenue by £135,500 according to one, and by £185,000 according to the other of the methods of computation proposed. It certainly is desirable at the outset to devise a less complicated scheme than this, and one less likely to lead to frequent differences with the Supreme Government.

13. Before, however, discussing the details of this plan, it will be well to consider on what general principles such a policy as that indicated should be founded. The end which the Supreme Government has in view might obviously be obtained in either of two ways;—one method is to determine with care and rigid impartiality what charges are really of an Imperial character, and either requiring each Government to contribute its fair quota of these charges, or reserving certain sources of revenue of equivalent amount wherewith to meet them, to leave the rest of its revenue at the disposal of each Government for its other purposes. Thus the Public Debt, the Army, the Post Office, the Telegraph, and other similar sources of expenditure would in India, as in England, be regarded as Imperial; and to the administration of these departments to the conduct of the Home, Foreign, and Political relations of the country, as subjects of national importance, the Central Government would confine itself. Towards the expenses of these departments, each Government would, year by year, have to contribute its fair share, or the Supreme Government might secure itself against the possibility of local mal-administration, by reserving exclusively to itself certain sources of revenue (*e. g.*, the Income and License taxes) equivalent to this contribution, with a margin for contingencies. The Local Governments would be "thus placed on a common footing," and would have free scope to administer their affairs in the manner most suited to their peculiarities and requirements: the Central Government being their guide and adviser.

14. The other method is to limit the future demands of the Local Governments on the Imperial Treasury, and thus obtain prospective, if not present, relief. This is the course selected by the Supreme Government, and it no doubt has its conveniences for a financier. But in proportion as it lessens the future responsibilities and difficulties of the Supreme Government, does it increase those of the Local Governments. Owing to the rigid economy practised of late years, the general expenditure is at its minimum. In Sir Bartle Frere's words, "it is useless to conceal from ourselves the unquestionable fact that, whatever room there may be for a well directed economy in some departments, our expenditure as a whole is increasing and must increase." This is especially true in respect to the Madras Presidency, and as the very limited scope of the proposed arrangement leaves little room to expect that either "the expansion of the revenue transferred," or the further exercise of an economy already pushed to the extreme, will suffice to provide funds to meet the additional expenditure which is the natural consequence of increasing civilization, the Government must fall back upon "additional local taxes," and in paragraph 28 of the Financial Secretary's Memorandum, this is expressly urged in the case of one Government, viz., that of Bengal.

15. The Board cannot but think that it is much to be regretted that the Supreme Government have not adopted the first of these alternatives. There should be no real difficulty in the matter if the public accounts have been properly kept, and the adoption of this course at the outset would remove the difficulties which under the plan proposed the Local Governments must sooner or later encounter. If the Imperial burden were first fairly adjusted among the different Governments, these could with greater confidence look to their subjects for further contributions as occasion required. It would be patent to all that the burden of taxation was fairly distributed, and that all were placed in a position of equality, and it is hardly necessary to point out how far this would naturally tend to reconcile the people to additional taxation. But till this step is taken, there will be a general feeling of doubt whether the finances of the Empire are administered with economy and impartiality.

16. In Madras for instance, the pressure of taxation is unquestionably greater than elsewhere, notwithstanding that the Presidency enjoys fewer natural advantages. It has always been the complaint of its Government that it has not received a share of the general revenues commensurate with its just claims, and no better illustration of the truth of this could be desired than is afforded by the Public Works Budget of next year. The total amount assigned for Public Works throughout India is 702 lacs of Rupees, of which Bombay gets 159½, Bengal 106½, the North-Western Provinces 98¾, and the Punjab 93, while the portion of Madras is only 89. Again, Madras is charged with the entire expense of her Army, though nearly a third of it is employed beyond her frontier, while Bengal, the North-Western Provinces, the Punjab, Oude, &c., are not charged with the cost of the Bengal Army. And the Civil Budget, as will presently be shown, contains many large items charged to Madras and Bombay, but not to Bengal and the other Administrations.

17. The increasing wealth and education of the people have begotten a spirit of independence and intelligence which cannot prudently be ignored. The measures of Government are now keenly scrutinized and intelligently discussed by increasing numbers of our subjects; and if the new policy is to be a permanent success, and not a secret element of smouldering discontent, it must be introduced and carried out with the strictest justice and good faith, and with a prescient avoidance of all that will excite suspicion or beget unpopularity. It must be remembered that the pledge of administrative independence which the Supreme Government holds out, has not the same attraction for the people as for their rulers. The great mass of the tax-paying public being neither represented nor engaged in the administration of the country are not cognizant of the injurious effects of the present system of centralization; and unless the new system be prudently introduced, will probably regard it as simply a financial expedient for extracting more money from them. And so far as the Government are concerned, it must not be supposed that merely terming a tax "Local" instead of "Imperial" renders it less a tax in the eyes of the people or invests it with any peculiar degree of acceptability or facility of imposition.

18. The period which has elapsed since the mutiny of the Bengal Army has been marked by a very large increase of revenue and taxation. In Madras, in the interval between 1856-57 and 1865-66, the Revenue from Land has risen from £3,750,000 to £4,290,000; that from Salt from £540,000 to £1,000,000; and that from Stamps from £70,000 to £300,000. The entire gross revenue has increased from 5½ to 7¼ millions, notwithstanding the intermediate transfer to Bombay of a province which used to yield a quarter of a million sterling annually. There has also been much additional taxation locally imposed. Hitherto the construction and repair of roads of every description devolved on the State, and were accepted by it as an obligation incident to its position. Within the last year, however, a Road Cess of six pies in each Rupee of assessment, equivalent to a tax of 7½*d.* in the Pound of rental, has been imposed on all land, and yields about £180,000 per annum. By the institution of Municipalities, the State has relieved itself of half of the cost of the Police in the Town of Madras, and three-fourths of its expence in other towns, and has compounded with the residents of each town for Municipal and Sanitary improvements, hitherto devolving wholly on itself by a grant of 25 per cent. of their cost, the other 75 per cent. being raised by the people themselves. In Education, the people have to maintain, what may be called their Primary Schools

by self-taxation, the State contributing grants-in-aid only; and the expense of Civil Dispensaries has also, in some measure, been thrown on the people. All these charges, as already remarked, have hitherto fallen *wholly* on the State.

19. Thus during a very brief period the people have been subjected to largely increased taxation, Imperial as well as Local. The expenses of Administration have doubtless also increased; but the people will find it hard to believe that, with due economy and care, so largely augmented a revenue can be insufficient in a time of peace, and the doubt will only be increased when it is found that this large revenue is to be further supplemented by an Income tax, while loans are also to be contracted for Public Works. The people are rapidly ceasing to be an ignorant unreasoning mass, implicitly confiding in the wisdom of their rulers, and contentedly acquiescing in the justice and necessity of every fresh demand on their means. They will not fail to see that the new policy practically involves further taxation, and if it is to be a lasting success, it must be initiated and carried out on principles which will commend themselves to their intelligence as necessary and equitable. No measure could be more effectual to enlist their willing assent to the new system, than first fairly determining and then fairly distributing the burden of national taxation. They would then feel that they were not being unduly taxed for the benefit of more favored Provinces.

20. The Board have directed me to make these somewhat trite remarks, because in the communication of the Supreme Government they see no indication of importance being attached to these considerations. The Finance Minister in his confidential Circular makes no allusion to the probable feelings of the people, while the Financial Secretary in his Memorandum seems to entertain no other apprehension than a "risk of confusion in the public accounts," and to see no other requirement than "to educate the Local Officers in matters of financial administration."

21. The Board, however, venture to think that it is also to be regretted that the Supreme Government have not given the preference to the first plan mentioned in paragraph 13 above for the sake of *Imperial convenience*. It is impossible to say what contingencies from war, rebellion, famine, or other causes, it may not have to meet; and if the revenues of each Province are in a great measure hypothecated for local purposes, without first determining and securing the funds required for Imperial purposes and contingencies, the Central Government may find itself in a very embarassing position. If, for instance, one-fourth of the Income and License taxes is pledged to the Local Governments, and circumstances compel the Supreme Government to double these taxes, one-fourth of the increase will go to the Local Governments, though imposed solely to meet Imperial necessities. If on the other hand circumstances should lead the Supreme Government to reduce these taxes, the Local Governments will find themselves in an embarassing position. If, however, each Government be assessed with its quota of the Imperial burden, that quota might more easily be rateably increased, the Local Governments providing the additional sum by economizing expenditure or by levying fresh taxes.

22. As, however, the Supreme Government have decided otherwise for the present, it only remains for the Board to suggest the best means of carrying out their wishes, on the plan adopted.

23. It is, as has been already stated, a prominent feature of the new scheme, that sooner or later, according to circumstances, recourse must be had to additional local taxation to supplement the present assignments of revenue. This being the case, it is of the first importance that the charges transferred be such as the people are especially interested in and most fully appreciate, as it may reasonably be concluded that it is for these that they will most readily pay.

24. The next point of importance is that the service transferred be one of which it can justly be said that the State is now doing as much as can reasonably be expected from it as the recipient of the general taxation, or one in respect to which the obligations of the State can be fairly estimated and adjusted. In other words, the assignment of revenue transferred with the service must be adequate to fulfil these conditions. If this be not the case, the Government will be compelled to resort at once to additional local taxation. In this Presidency, however, local taxation has, for the present, reached its maximum, and it would be impolitic in the extreme to attempt any increase of it for some time to come. It is doubtless true that the burden of local taxation in England

is, as the Finance Minister points out, far heavier than in India. But the circumstances of the two countries are too dissimilar to admit of any comparison being instituted between them in this respect. If due allowance be made for their comparative poverty, the share of local expenses borne by the people of India would probably not be regarded with contempt even in England, especially when it is considered that the State takes quite 5*s.* in every Pound of rental as Land-tax alone. If landed property in England were thus taxed, it is not unlikely that many charges now thrown upon it, as local, would find their way into the National Budget. The poverty of the people of India cannot be better illustrated than by the fact that an Income-tax of 2 per cent., or nearly 5*d.* in the Pound on incomes above £200 per annum, is estimated to yield only £768,000 in all India. But probably even in England a rate for Parish roads of 7½*d.* in the Pound of rental, like the Madras Road Cess, would be considered not a bad beginning in the novel work of local taxation.

The Madras assessments are formed on the principle of taking *half* the net profit, or 10*s.* in the Pound, as the Land tax.

25. A third point of vital importance is that the measure be introduced with even handed justice. The Board cannot at all concur with the Financial Secretary that it should be carried out simply "on the basis of existing actual expenditure." The qualifying words, "at first," used by the Financial Secretary in enunciating this doctrine are of equivocal import, for it is distinctly declared that the transfers once made are to be "*final*," and that "*the Government of India will thenceforward attend to no claims for additional funds to meet increased expenditure.*" Of course, "great theoretical refinement in the adjustment of the relative claims of the various provinces to participate in the revenues" is not attainable; but there is a great difference between desiring this and accepting "the existing actual expenditure" as fairly representing those claims. In justice to its subjects, the Local Governments are bound to require a *fair* adjustment between the different portions of the Empire, and to see that the assignment of revenue to each is not only adequate, but relatively fair. The "existing actual expenditure" can be accepted as the basis of a transfer only when it complies with these conditions. It will be seen hereafter that the arrangements proposed by the Supreme Government are unduly favourable to certain Provinces, and, as the transfers when made are to be "final," it behoves each local Government to see all inequalities rectified at the outset.

26. Lastly, I am to urge that the transfers should be of *complete branches* of the administration, and not of a heterogeneous mass of incongruous petty items, as proposed in the Financial Secretary's Memorandum. This is necessary for the security of the people, as well as for the satisfaction of the Central Government. The Board can scarcely suppose that the Supreme Government can really mean to divest itself of all future responsibility in respect of the branches of administration transferred, or that it will, in practice, leave the Local Governments to do as they think right and proper. Such a supposition is, in fact, precluded by the suggestions contained in the latter part of the Financial Secretary's Memorandum, which will leave the Government little, if any, more freedom of action than they now possess. But it is not for the good of the country that the Local Governments should be left entirely uncontrolled, for the consequences of their mal-administration will affect the Empire generally, as well as their own unrepresented subjects. The Supreme Government, so long as it exists, cannot abdicate its functions thus entirely, though it should restrict its control and guidance within legitimate limits. Now the transfer of entire departments or branches of administration will enable the Central Government to exercise this proper and necessary control, with effect but without injury. Supposing, for the sake of illustration, that the Police of each Presidency is transferred with an assignment of revenue equivalent to its present cost, the Government of India may prescribe, as a condition of the transfer, that, *without its previous consent*, there shall be no reduction in the strength or pay of the force as transferred. Its argument would be that lengthened enquiry and experience had shown that that number of Policemen and those rates of pay, &c., were actually requisite for the due performance of the Police duties of the province, and that on this conviction the grant of revenue had been made. So again with Roads—the Central Government may with perfect justice require that the full amount of revenue assigned shall be exclusively devoted to their construction and maintenance, and that no portion of the grant shall be diverted to other purposes, *without its previous permission*. The Local

Governments will be perfectly free to expend as much more as they can raise, but they will be debarred, without the consent of the Central Government, from expending less than is allotted for each specific purpose. That consent, it must be presumed, will always be accorded, on good cause being shown, and thus while the Local Governments will not be debarred from exercising greater economy wherever practicable, the present efficiency of each Department will not be imperilled. But under the arrangement sketched in the Financial Secretary's Memorandum, this salutary restraint will be impracticable. According to this plan the Government will receive a share of certain revenues, out of which they will have to provide for a number of objects. As the total amount of the revenue will not exceed—indeed as sketched out it is £135,500 less than—the existing actual expenditure—it follows that any increased expenditure which becomes necessary in one of these items must be met by withdrawing funds from some other. It is of course impossible to raise Local taxes to meet such exigencies, and many of the items, *ex. gr.*, Stationery and Printing, are of such a nature as not to admit of such taxation. The Local Governments must, therefore, be allowed to exercise their own judgment in apportioning the total grant among the numerous services transferred, and the Government of India must either carry its control to the length of meddlesome interference in matters of detail, or incur the hazard of finding, at some future day, that services of great importance have been rendered inefficient owing to their claims being considered of less consequence than those of other branches. In one Province Roads may be sacrificed to Jails, in another Police may receive an undue share of expenditure, and so on. As regards the people, it will be matter of great difficulty in this Presidency to raise a general Local Fund applicable, at the option of the Government, to various purposes. Such a mode of taxation implies either a primitive state of society or great faith in the Government. The people of Madras have emerged from the former, and the policy of Government has not been altogether of a character to engender and confirm the latter. In Madras, the system of levying special taxes for special purposes has been introduced; thus the Road Cess is imposed solely for district roads; the Village Service Cess in lieu of fees to the village Officers, is solely applicable to the remuneration of the village establishments; the Education rate is exclusively for local schools. There can be no doubt that this is the correct principle, and the only one that will stand the test of time. It enlists the interests of the people in the service towards which they contribute; it acts as a wholesome restraint on the varying tendencies of successive Governments, and it induces economical administration. The transfer of entire branches of service with specific assignments of revenue also gives the people some security that their submission to a local tax will not in time lead to their being deprived of their fair share of the general taxes. That such security is not unnecessary is shown by the proposal in paragraph 34 of the Financial Secretary's Memorandum to reduce the road grant to Madras, because "a special Road Cess of half an Anna in the Rupee on the Land Revenue is being levied for road maintenance and construction." In other words, the Madras agriculturist is to be deprived of his share of the general revenue, because, notwithstanding his heavier Land-tax, he has been specially taxed by his own Government for his district roads.

27. The four principles just set forth are, in the Board's judgment, those on which the proposed change must (in default of the larger measure suggested in paragraph 13) be carried out, if it is to be successful and acceptable to the people.

28. The scheme sketched out by the Financial Secretary accords with these principles in only one particular, namely, the selection of roads as one of the charges to be transferred. There can be no question but that Roads are the branch of service in which, at present, the people of this Presidency take the liveliest interest. They already pay a heavy tax specially for local and cross roads and, provided that this is not made, as threatened, a reason for depriving them of their just share of State assistance, they will doubtless hereafter be not averse to increased taxation, if found to be actually necessary. Further, this is one of the branches of the administration in which the relative claims of the different portions of the Empire can be adjusted in a fair and impartial manner by the simple expedient of granting to each the same proportion of the Land Revenue, which represents the chief interest of the State in the service, and is the measure of its taxation on the land. No attempt at "theoretical refinement" is needed; the charge, as the Financial Secretary explains, falls primarily and chiefly on the land which yields half the revenue of the Empire; and though other interests are affected, they are so, less directly, less materially, and in a degree which

cannot be determined without difficulty or adjusted without cavil. Lastly, as the Government is already raising and expending a large income on this service, they are in a position at once to assume the management of the department in its entirety.

29. In the selection of Jails as the other chief branch of administration to be now transferred, the Financial Secretary is not in the Board's opinion, equally felicitous. It is impossible at present to enlist the interest or the sympathies of the people in this subject; they are, with a few exceptions, utterly unable to understand or appreciate our treatment of criminals, and regard with astonishment the humane principles of our system. Further, the department, in this Presidency at least, has not reached that stage of development which will admit of such an assignment of revenue as will adequately represent its normal requirements, and be a fair adjustment of the claims of the different Presidencies. It will be shown in a subsequent part of this letter how greatly the charges vary in the different Provinces, and how insufficient and inappropriate are the revenues offered. It is true that in England the charge of Jails is with certain exceptions thrown on the counties, and no doubt *cæteris paribus*, this is a correct principle; but the circumstances of India and England are widely different, and a system which in England has been the growth of centuries cannot be introduced in a day in India. For the present, therefore, the Board would strongly deprecate the transfer of Jails, as proposed in the Financial Secretary's Memorandum. There would be no great difficulty perhaps in calculating what would be a *fair* grant for each Province, but this would involve considerable delay, and the better plan is to reserve Jails for one of the next "steps" in the new policy.

The Parliamentary Returns show that in 1864-65 H. M.'s Treasury contributed £108,336 towards the expense of County Jails, £394,055 being raised by local rates, and that the charge of the Convict establishments borne wholly by the State was £240,057. There was also a State charge, £35,179, on account of Criminal Lunatics. The State expenditure on prisons is thus considerable in England.

30. For similar reasons the Board would deprecate the transfer of "Education" at present. The department is still quite in its infancy, and in this Presidency, it would be hardly feasible to resort to local taxation for its support. The system here in force is to levy fees in the schools maintained by the State, to encourage the people by grants-in-aid to establish schools supported by voluntary rates in the localities where they are opened, and to induce the extension and improvement of private schools by grants and inspection. The means, however, of keeping up existing and opening new Colleges and Schools on behalf of the State, and of continuing grants-in-aid and inspection, the expense of which obviously will increase yearly, must be furnished from the general revenues. The people would certainly demur to a general tax, whence these means could be derived, and would urge with reason that they could not fairly be thus taxed, and also be required to pay for the particular schools in which they are interested. Such a tax would also be extremely difficult to administer with satisfaction to the people, who would object, naturally enough, to their contributions being applied, as they very often must be, to institutions by which they do not directly benefit. And there is this further objection to this system, that it would practically devolve on the State the education of the Empire. The State has enough on its hands already without assuming this vast obligation, even if it were altogether certain that one universal uniform system of State education is the best for a country. The disproportionate expenditure allowed for education in different parts of India, and the inexpediency of accepting the partial and petty transfer proposed in the Financial Secretary's Memorandum, will be shown hereafter.

31. On the other hand "Police," which is one of the Departments originally proposed by the Finance Minister, might, the Board think, with advantage, be at once transferred to Local management. The interest of the people in this department is clear and paramount; it is especially desirable to enlist their sympathy and co-operation in its management; it has of late years been most carefully revised and re-organized throughout India; the "existing actual expenditure" consequently forms a sufficiently fair and adequate basis for the transfer, and the Local Governments have had the experience of several years to guide them in its present management and future improvement. It is, in fact, eminently a department of which the Supreme Government may reasonably hold that the State is fairly fulfilling its legitimate obligations, and the future requirements of which it may therefore, with some justice, leave to local self-taxation. To accept the petty transfer of a

portion of this branch, as proposed in the Financial Secretary's Memorandum, would not, in the opinion of the Board, be expedient. It comprises on the receipt side payments made by Municipalities and Railways for Police purposes, and, per contra, the services rendered in return for those payments. In the Punjab, Madras, and Oude the receipts and charges, as might be expected, balance each other. In the case of the Central Provinces the receipts include £2,336, expected to be realized from the Jubbulpore school of Industry, but the expenses of that Institution, £3,892, are not transferred, and remain chargeable to the "Police." Thus an establishment which involves a net loss of £1,556, is brought into the account as yielding an available revenue of £2,336. In Bengal the East India Railway Company pays only £7,055 for Police services which cost the State £7,907. But apart from these anomalies, the proposal is too insignificant to be regarded with serious consideration.

	Receipts.	Charges.
	£	£
Bengal	52,000	47,900
N. W. P ...	55,800	56,800
Punjab.....	44,900	44,900
Madras ..	34,100	34,100
Bombay ...	12,400	5,800
Oude	14,500	14,500
Central Provinces.	16,800	14,000
Burmah ...	15,000	11,500
Total...	246,100	229,500

32. There is another branch of the administration, however, which might, with undoubted advantage, be made over to the Government in this Presidency, namely, the future maintenance of tanks and their subsidiary channels. It is a service of vital importance and of the deepest interest to a large section of the Agricultural community, and it is one which the Central Government cannot, in fact, control. The mere fact that the number of Government tanks in this Presidency exceeds 25,000 and that they are scattered over 130,000 square miles of country, or thrice the area of England and Wales, is enough to show that none but the Local administration can satisfactorily deal with the question. The Board have too often brought the subject under the consideration of Government to admit of the fact being now questioned that the repair of the minor works of irrigation in this Presidency has been greatly neglected owing to the inadequate funds at the disposal of Government. If this neglect entailed only loss of public revenue, it would be of comparatively less moment and it might even be justified on the plea that the same outlay on large works like the Anicuts yields better returns, and is therefore more advantageous for the nation at large; but it also involves very serious loss and injustice to the owners of land irrigated from the works. They pay an enhanced assessment on the express understanding that their tanks shall be kept in repair by the State, and on the faith of this compact they have sunk capital in the purchase, or the improvement of the land, or its adaptation to such culture. It is true that when irrigation fails, the assessment is remitted; but this does not compensate the holder for loss of time, loss of interest on his capital, loss of seed and labour, and loss of income.

33. It may of course be a matter of opinion what exact amount of revenue should be assigned, but certainly 10 per cent. on the revenue derived from the works is reasonable, and assuredly not more than will suffice. This would amount to about £150,000 per annum, or about double the present grant. An incidental advantage of the transfer of this branch of service is that with the certainty of having funds at their disposal wherewith to fulfil their pledges, the Government would be in a position to induce the landholders to contribute in money, labour, and materials towards the maintenance of the works, and even to contract for them to the relief of the Department Public Works Establishments. Of course large works, such as those connected with the Godavery and Kistna anicuts, and works executed from Loans, would not be included in this arrangement. On the other hand, the payment of the Tank-establishments would have to be met out of the grant, and there would be a rateable contribution towards the cost of the Public Works Establishment.

34. The transfer of the various petty and miscellaneous items suggested in the Financial Secretary's Memorandum will be more conveniently considered in connection with the revenue proposed to be assigned to them in that paper. The Board have, therefore, directed me only to remark here that they deprecate the transfer of them generally, on the terms mentioned, or as parts of this scheme and I am now to proceed to state their views as to the assignments of revenue to be made with each of the services which they would propose to take over.

35. 1*st*. *As regards Roads.*—This charge, as pointed out in the Financial Secretary's Memorandum, falls most appropriately on the Land Revenue, and from this source the Board

would propose to make a specific assignment. Considerable stress is laid in the Memorandum on the propriety of deducting from each assignment, a sum equivalent to the cost of collecting it. Thus the assignment of one-sixteenth of the Land Revenue is to be charged with one-sixteenth of the Charges incurred in collecting that revenue, and the grant of one-fourth of the License and Income taxes is reduced by one-twentieth of the expected proceeds of those taxes to cover the like charge in respect to them. The position assumed is not by any means unassailable; but as a principle it loses its importance when it is considered that the present is but the first step towards the transfer of the entire revenue with all its charges. The question then resolves itself into one of practical convenience; and there can be no doubt that it will be a more convenient as well as expeditious arrangement to grant a somewhat lower per-centage of the gross, than a higher one of the net, revenue. It will be a matter of some difficulty, and probably of protracted discussion, to determine what are fairly "Charges for collection." So far as this Presidency is concerned, exception must be taken to the statement that these charges amount to £342,700. This sum includes upwards of £30,000, temporarily transferred from the Public Works Budget as a mere arrangement of administrative convenience and since retransferred to the Department. Again Collectors in Madras, (besides being Magistrates, for which an abatement of charge is made in the Budgets,) are Collectors not only of the Land Revenue, but also of every other source of Revenue, Salt, Stamps, Income-tax, &c., &c., and with their establishments perform a multitude of miscellaneous duties. It is not fair moreover to charge the whole expense of the Village Officers (£39,000) to the Land Revenue. These officers are also Magistrates, and perform various other duties. Bombay again is charged £345,700 for Village officers, and £598,900 for "assignments, compensations, and alienations of revenue," Bengal being apparently altogether free from such charges. It is doubtful whether the Bombay Government will acquiesce in such a heavy deduction as £1,245,300 on account of Revenue charges, and certainly the entire absence of "alienations, compensations, and alienations of revenue" in Bengal, the Punjab and Oude, while the charges amount to £598,900 in Bombay, and £134,200 in Madras needs investigation, to determine whether the absence of such expenses is not owing to some difference in the local forms of account. I am directed to mention these merely to illustrate the objections which must be expected; and it is on account of the difficulty and delay which such discussions will create that I am to advocate a per-centage on the gross, in preference to one on the net, revenue *for the present*. The latter adjustment may most conveniently be left for the Local Governments to carry out, when the entire revenue is made over to them. The expences of collection will then be a first charge on the revenue, and the assignments to each service will naturally be made out of the net proceeds. The Central Government will thus avoid all embarrassments and complications at the outset of a new system. The deduction of expences will also involve delay, because the public accounts cannot be closed until all the charges have been audited and adjusted.

36. But supposing that the Supreme Government adhere to their plans of deducting charges, the arrangement proposed in Statement 5, which comprises *all* Land Revenue deductions, and carries the principle of basing the assignments on the net revenue considerably further than the plan sketched in Statements 1, 2, and 3, seems the best. In this event the Board would propose that one-sixteenth of the Land Revenue, *less* one-sixteenth of the charges of Collection, *plus* the Public Works Revenue proposed to be made over, as calculated in this Statement, (with the necessary correction in the case of Madras,) should be the specific assignment for roads. For all India this would amount to £1,180,416 or £194,116 more than the charge for roads named in Column 5 of the Financial Secretary's third Statement, which charge is in fact the aggregate of the estimates for 1867-68. This is not a large sum considering that the revenues of the Empire are 46 millions; but the excess will be reduced to about £50,000, by recoveries on account of Tools and Plant, (the provision for which is £68,500,) and by the rateable charge of 10 per-cent. on the sums expended by the Department of Public Works as a contribution towards the cost of its establishment. This charge is made on the Local Funds of Madras, and the Board can see no reason why the system should not be universal. Indeed the orders of the Supreme Government on the Public Works Budget of Bombay indicate this intention.

37. But while thus in excess of the proposed assignment, it will, allowing for these recoveries, fall below the actual expenditure of the last four years which is given by the Financial Secretary as £1,163,600. Even without these recoveries it will exceed the actual expenditure by only £16,816 for all India, and it will, therefore, virtually comply with the Financial Secretary's condition that this "measure should be carried out in a practical manner on the basis of the existing actual expenditure." The excess is trifling in respect to a Department of which the Supreme Government are anxious to be relieved in order that "the general revenues shall no longer be "saddled with *the constantly increasing charges* for road construction and maintenance."

38. In calculating the amount of revenue to be assigned, it seems to the Board that there can be no doubt that the average actual expenditure of the last four years is the safest and best guide as regards the *total amount*, though not as regards the allotments to each Province, which, as will presently be shown, have not been fairly regulated. None of these have been years with such large surplus revenues as to induce or permit of lavish expenditure; and it is an indisputable fact that the requirements of the country have been much beyond the grants made. The Government are fully aware of the unfinished condition of the Imperial lines of road in this Presidency, and it is unnecessary to enter into particulars regarding them. One significant illustration may be, however, permitted, and that is furnished by the recent offer of the Supreme Government to make a special grant of £200,000 for the completion of the Trunk line between Madras and Calcutta, if the Government can provide the balance of £50,000 required for the purpose. When this is the condition of a line of such great importance, the state of the other roads may be fairly inferred.* The sum proposed to be assigned in Statement No. 3, attached to the Financial Secretary's Memorandum, namely, £986,300, is only the *estimated* expenditure of the year. It must be remembered that before the estimates are prepared, the Government of India notify the sum they will probably be able to grant to each Province for Public Works in the ensuing year, and the estimate for each branch of the service is regulated accordingly. These estimates do not, therefore, by any means represent actual requirements, but only the degree in which these can be met out of the funds expected to be available.

* The mere fact that the annual allowance for making and maintaining the roads of a country as populous and thrice the size of England and Wales has been under £175,000 is an ample confirmation of this opinion.

39. The amount which the Board have directed me to propose very fairly, in their opinion, represents the sum which the people may reasonably expect from the general revenues, in consideration of the degree in which the Government in its various capacities is interested in roads. Throughout India the Government may be said generally to occupy the position of a Landlord, and it derives half its revenue from the land. In this Presidency, the general basis of the settlement is an equal division of the net produce of the soil between Government and the land owner; in other words, Government professes to take 10s. in the Pound of rental, and its interest in the land is equal to that of the owner. Besides its Land Revenue of 20 millions, the State realizes from Salt, Customs, Forests, and other sources more or less affected by the condition of the roads, a gross of revenue of 26 millions. Moreover, the State is interested on account of the transport of Troops and Stores, the conveyance of Mails, and in a variety of other ways, including Railroads; the interest on which it has guaranteed, and which are so dependent on feeding communications. It is of course impossible to calculate what should be the contribution of the State for each and all of these, but a contribution of 5 shillings in every hundred pounds of Revenue can hardly be deemed excessive or unreasonable. The State contribution would thus amount to £1,168,750 or less than the proposed assignment (£1,180,416) after deducting the recoveries already mentioned.

40. But the best proof, that the proposed contribution is not more than is really required for the purpose, is the fact that the average actual expenditure of the last four years has been greater. It may be added that, so far as Madras is concerned, the Government, in 1861, caused calculations

to be made of the sum likely to be required for completing those lines, which from their great importance should be regarded as Imperial. It was then found that the *completion* of these alone would cost Rupees 101,76,650, or in round numbers a million sterling, leaving the maintenance of them and of the then existing lines out of the question. Of course, since that date a good deal has been done; but much of the expenditure has gone in meeting the increased prices of labour and materials. It was at the same time ascertained that the completion of the *District* lines would cost Rupees 111,10,368, or about another million, and their maintenance about Rupees 1,30,000; the expected proceeds of the District Road Cess which has since been imposed for the purpose.

41. Viewed in all these lights the proposed assignment seems to the Board to be reasonable and equitable, and if adopted, it will be certainly a very moderate commutation of a liability, which, as the Financial Secretary remarks, is "constantly increasing." To avoid, however, the delays and discussions which are likely to arise, if the system of deducting "charges of collection" is adopted, the Board direct me to advise Government to accept at once the smaller assignment of five per cent. or one-twentieth of the gross revenue, *plus* the Public Works receipts. This will give, for all India, an aggregate assignment of £1,095,745, which is £67,455 less than the actual expenditure of the last four years, and only £85,745 more than what the Financial Secretary terms the "Normal" expenditure of the country. This excess will, however, be more than covered by the recoveries already alluded to.

42. The following statement shows the assignment which each Province will be entitled to receive under each of these arrangements, as well as if one-sixteenth of the Land Revenue, *less* one-sixteenth of the Charges given in the Financial Secretary's first Statement, be granted:—

	Public Works Revenue, excluding Irrigation (*vide* Column 12, Financial Secretary's Statement 2.	One-sixteenth *net* Land Revenue (as per Column 10, Financial Secretary's Statement 5) *plus* Public Works Revenue, Column 2, *ante*.	One-sixteenth *net* Land Revenue (as per Financial Secretary's Statements 1 and 2) *plus* Public Works Revenue, Column 2, *ante*.	One-twentieth of *gross* Land Revenue (as per Column 2, Financial Secretary's Statements 2 and 5) *plus* Public Works Revenue, Column 2, *ante*.	Average *actual* expenditure of four years, as per Column 7, Financial Secretary's Statement 4.	Estimate of 1867-68, as per Column 7, Financial Secretary's Statement 4.	"Normal" expenditure as per Column 7, Financial Secretary's Statement 4.
1	2	3	4	5	6	7	8
	£	£	£	£	£	£	£
Bengal... ...	18,500	240,800	241,800	210,070	252,000	193,700	200,000
North Western Provinces...	28,100	260,800	261,800	230,100	139,000	142,800	150,000
Punjab... ...	11,600	119,800	119,900	107,360	171,400	151,700	150,000
Madras... ...	†12,610	*257,516	*259,729	227,875	172,800	179,300	160,000
Bombay ...	16,700	161,800	199,800	195,045	275,900	149,200	180,000
Oude	1,000	70,500	70,600	60,040	41,700	56,000	50,000
Central Provinces ...	3,200	36,100	37,400	33,880	85,700	74,100	80,000
Burmah ...	2,500	33,100	33,200	31,375	25,100	39,500	40,000
	94,200	1,180,416	1,224,329	1,095,745	1,163,600	986,300	1,010,000

* Corrected by deducting £30,000 Public Works charges erroneously included by Financial Secretary.

† These are estimated by the Madras Government at £9,260.

43. It will be seen from the above Statement that the allotments to each Province vary materially in some cases from those hitherto made, and those now proposed by the Financial Secretary. This is, in fact, the result of placing all the Provinces of India "on a common footing" of equality. The chief loser by the arrangement will be Bombay; but as the Budgets show, the grants to this Presidency have always been on a most lavish scale. The Public Works Budget of 1867-68 includes

an extra grant of forty lacs or £400,000, which is said to be "debitable to the special Land Fund." The Board are not aware under what circumstances this Presidency is allowed to create a special Fund by sales of land; while to Madras, at all events, that privilege is denied; but however this may be, the Budget order of the Supreme Government remarks, that "the expenditure from this Fund is no "longer regulated by the income realized from sales of land, there being no probability of any "receipts during the ensuing year from this source: *so that the whole grant is virtually derived "from the Imperial resources.*" This special grant from a non-existing source of Local Revenue is very nearly half the total assignment for Madras. But the new assignment, though very much less than the grants hitherto made, is still in excess of what the Financial Secretary terms the "Normal" allowance of Bombay. What is meant by normal, and how the allowance is calculated, are not explained; but if, as the phraseology would imply, a Province that ought to have had only £180,000 per annum, has for years been receiving £275,900, the injury and injustice inflicted on the other portions of the Empire cannot be too soon redressed. There is no reason apparent why Bombay should not tax itself in the same way as Madras has done. The Punjab will also be a considerable loser. It is notorious that since its acquisition the expenditure of Public money on this Province has been most liberal. That this was good policy cannot be doubted; but the Punjab has now been a part of the British territories for a good many years, and can no longer expect to be treated exceptionally. It is difficult to understand on what principle it has hitherto received £30,000 more annually for its roads than the North-West Provinces, and only £1,800 less than Madras which is half as large again, has double its population, and yields twice its revenue. Bengal will also suffer by the arrangement, but its allotment will still be in excess of the Financial Secretary's "Normal" allowance; and it is well able, as he points out, to resort to local taxation, besides which, it has "other sources of special income." The Central Provinces will also lose; but as a recent acquisition, they may legitimately claim a special grant until their resources are duly developed. On the other hand, Oude, Burmah, the North-West Provinces, and Madras, will be gainers; in other words, they will for the first time be placed "on a common footing" with those portions of the Empire which hitherto have been unduly favoured at their expence. With their lighter taxation these last have better means of restoring the balance by self-taxation.

44. With advertence to the remarks regarding Madras, in paragraph 34 of the Financial Secretary's Memorandum, I am directed to point out that the mere circumstance that in Madras a larger portion of the annual Public Works grant is devoted to repairs than is usual elsewhere, proves no more than that, not having funds enough both to make new roads and to maintain the existing lines, the Government of Madras have considered it wiser to maintain those already made in good order than to allow them to go to ruin. If, however, this policy be unwise, and if the Government of Madras have devoted more to "repairs" and less to "construction" than they ought to have done, the surplus improperly assigned to the former should now be transferred to the latter and not altogether withheld as recommended by the Financial Secretary.

45. The Financial Secretary is also mistaken in respect to the Madras Road Cess. It is, by law, inapplicable to the construction or repair of Imperial roads, and it is to these alone that the Public Works grant is devoted. It is applicable only to *District* roads, and as these were estimated in 1861, when prices were much lower, to require £1,100,000 for construction, and £130,000 for annual maintenance, it will be insufficient for its own legitimate purposes, while from having been so recently imposed, any addition to it is at present out of the question. The injury which such diversion, as is here proposed, of local cesses from the purposes for which they are specially imposed, causes by shaking the confidence of the people in the good faith of the Government is well pointed out by Sir Bartle Frere in paragraphs 21 to 24 of the Minute already referred to.

46. While on this subject, the Board desire me to draw the special atttention of Government to the very different manner in which the Financial Secretary proposes to treat Madras and the Punjab. According to his scale of assignments, Madras has a deficiency of £24,000. "*This*"

he says "*may be regarded as due to extraordinary outlay on roads.*" The Punjab, too, has a deficiency of £39,700, which also, to use his own words, "*may be regarded as due to the extraordinary outlay on roads.*" Seeing that both Provinces are thus in exactly the same position as to their deficits, and both have received of late years, within a few hundred pounds, the same grants from the Treasury, it might be supposed that both would be treated in the same manner. But this is not the case. The Punjab with an area of 100,000 square miles, a population of 14½ millions, and a revenue of 3,$^{1}_{0}$ millions sterling is to have its deficit of £39,700 made good by a special grant; while Madras with an area of 150,000 square miles, a population of 25 millions, and a revenue of 7 millions, is to remain saddled with its deficit of £24,000!

47. *Then 2ndly, as regards Police,* I am to remind Government that this branch of administration has engaged the closest attention of the Supreme and Local Governments, for years, and that whatever opinion may be held of local differences, or of particular items of charge, there can be little doubt that the establishment now maintained in each division of the Empire is below, certainly not above, present requirements. According to the Budget Estimates of 1867-68, the net charge for the Police of the Empire is £2,181,346, or rather less than five per cent. on the entire revenues. It is impossible in respect to this branch of administration to lay down any general scale of charge, with reference to area, population, or revenue, and the only course is to accept the results which have been arrived at after most searching and careful inquiry, and which the experience of several years has demonstrated to be fairly correct.

	£
Gross charges.....	2,427,436
Receipts	246,090
	2,181,346

48. The following table gives the cost, &c., of the Police in each division of the Empire according to the Parliamentary Return of 1867. It will be seen from it that the charge in Burmah is excessively high; but this is to be expected in a country with a population of only 26 to the square mile, independent of other circumstances necessitating an exceptionally strong Police. In the N. W. Provinces and Bengal, on the other hand, where the population is denser, the Police charge is comparatively low:—

	Number of Police.	Cost of Police.	Population.	Area.	Population to square mile.	Proportion of Police to Population.	Proportion of Police to square mile.	Cost of Police per head of population.
		£.		SQ. M.		One to	One to	Pence.
Bengal (Lower Provinces, Calcutta and Suburbs)...	30,338	502,823	40,429,527	214,349	188	1,332	7·06	3
North Western Provinces.....	27,017	365,952	28,682,757	72,612	395	1,061	2·6	3
Punjab	19,535	286,311	14,737,554	99,849	147	754	5·1	4½
Madras	23,508	367,328	24,666,509	141,746	174	1,049	6·0	3¼
Bombay (Proper)...	16,349	214,628	10,531,489	98,067	107	644	6·0	4¾
Oude	8,356	202,633	8,838,151	53,242	166	1,057	6·3	5¼
Central Provinces	9,031	129,181	7,860,000	120,849	65	870	13·3	3¾
Burmah...	6,954	133,219	2,373,349	90,070	26	341	12·9	13½
Total...	140,088	2,202,077	138,119,336	890,684	155	986	6·36	3¾
England.....	...	...	...	...	...	902	2·5	10½
Ireland	...	...	...	...	...	425	2·7	15¾

NOTE.—This Statement is prepared from the Parliamentary Return of the 23rd May 1867 of the Police Force in India, on 31st December 1865. (Lord William Hay.)

49. The table shows also the impossibility of fixing the Police charge according to area, population, or revenue. If, for instance, it were sought to allow each Province one Policeman to every six square miles, (the average of the Empire,) then the Police of the Central Provinces and Burmah would be doubled, while two-thirds of the force of the N.-W. Provinces would have to be disbanded. Again, if the Police Establishment were regulated according to population, or.1 to about 1,000, the force in Burmah would be reduced by two-thirds, and that in the Central Provinces by one-fourth, while that of the North-Western Provinces would be increased. The table proves, however, that on the whole the wants of the Empire are fairly met in each Province, and that the total charge when compared with the experience of England and Ireland is moderate. So far as Madras is concerned, the latter consideration has been eminently attained, while the efficiency of the Police administration is undoubted. The Board would beg therefore to recommend to Government that they should offer to take over the Police, on condition of receiving a State grant equivalent to the actual net cost, the same arrangement being carried out in the other Provinces.

	Budgetted expenditure	Deduct recoveries.	Net grant.
	£.	£.	£.
Bengal.....	566,028	59,705	506,323
N. W. Provinces.	388,321	55,800	332,521
Punjab.....	314,883	44,890	269,993
Madras.....	383,651	34,140	349,511
Bombay	369,430	12,390	357,040
Oude..... ..	114,301	14,490	99,811
Central Provinces	142,698	16,810	125,888
Burmah.....	131,296	15,000	116,296
Total...	2,410,608	253,225	2,157,383

50. The marginal table shows the grant to each Province on this scale, the Budget of 1867-68 being the basis of calculation. It is very desirable, however, to eliminate charges for preventive Salt and Customs duties, (amounting in Madras to £16,000 per annum,) and restrict this head of service to purely Police work.

51. It seems scarcely necessary to enter into further particulars regarding the Madras Police, as the policy which the Supreme Government are about to inaugurate cannot be guided by a petty parsimony. It would be easy, however, to show that judged by what it does for the State and Public, it is an extremely cheap establishment, and that its institution has enabled the Government to effect reductions in the Military and other establishments of the Presidency in excess of its cost. It performs the watch and ward of 150,000 square miles of country, and protects the lives and property of twenty-six million people. It guards the Salt and Customs revenue of more than a million sterling; the Jails with 10,000 prisoners, the Treasuries with six millions of Cash. It has enabled the Government to reduce its Native Army by twelve Regiments, and to disband every Irregular Levy; while not a Soldier is employed in guarding Civil Treasuries or Jails, or escorting Treasure. The Military Force within the limits of the Presidency comprises only two Regiments of Native Cavalry, one Battery of European Horse Artillery, seven of do. Foot Artillery, three Regiments of European Infantry, and nineteen of Native Infantry. Six* large Districts have not a Soldier in them; six† others have but a single Native Infantry Regiment. Without an efficient Police, it is obvious that so small an Army would not suffice.

* Kistna, Nellore, South Arcot, Salem, Madura, Tanjore.
† Ganjam, Godavery, Cuddapah, Kurnool, Canara, Tinnevelly.

52. The Police grants for all the Presidencies should, the Board think, be made from the general revenues for the present. There is no one source of Revenue common to the several Presidencies which about equals the sum required in each division. The Financial Secretary has, in his Memorandum, alluded to the Abkarry as a suitable source, apparently because he thinks that tax was imposed primarily to cover Police expenditure. The Board do not believe that this was the case in Madras; but it matters not, for a glance at the subjoined table, extracted from the Budget of 1867-68, will show what the result would be. Madras would receive nearly £193,000, and Bengal £30,000 more than the cost of their Police. On the other hand, the Punjab would lose by £195,000, the North-Western Provinces by £164,000, the Central Provinces by £28,000, Oude and Burmah by £20,000 each, and Bombay by £3,500. Consequently it would not be feasible to transfer the entire Abkarry to Madras and Bengal, while in the other Governments it would be necessary to resort to

the system of special grants, which is objectionable as affording facilities for favoring portions of the Empire at the expense of the rest:—

	Net Abkarry.	Net Police.	Surplus of Revenue.	Deficiency of Revenue.
	£.	£.	£.	£.
Oude...	82,656	103,476	.....	20,820
Central Provinces ...	97,340	125,888	.....	28,548
Burmah	95,275	116,296	.....	21,021
Bengal...	537,286	506,323	30,963	.....
North-Western Provinces	168,630	333,521	.....	164,891
Punjab...	74,224	269,993	.....	195,769
Madras...	543,300	350,000	193,300	.....
Bombay	359,800	363,298	.....	3,498

53. Until therefore the entire revenues are made over to the Local Governments, when of course special assignments of particular sources for particular purposes will be unnecessary, the best and simplest course will be to grant the Police subsidies from the general Revenues.

54. In paragraph 18 of his Memorandum, the Financial Secretary notices with approval a suggestion that a definite share of the Income and License taxes should be assigned to the Local Governments in order to give them "a direct interest in working the taxation of this sort in the most profitable manner." Repudiating the unworthy insinuation conveyed in the suggestion, the Board consider that so far as these two taxes are concerned, there are objections of great weight to this plan. With the tax-paying public, the Income and the License tax, in India as in England, share the unpopularity of all direct taxes, enhanced by their necessarily inquisitorial character. It is desirable, for political reasons, that these taxes should be under the unfettered control of the Supreme Government; but this cannot be if a fourth of their proceeds are assigned to the Local Governments for local purposes. Again, it is one peculiar advantage of these taxes that they can be raised or reduced according as the exigencies of the State require or permit, without deranging the commercial or monetary transactions of the people; but this advantage will be materially curtailed if they are partially hypothecated to the Local Governments. There can be no doubt, an the Board's opinion, that, until the entire revenues are transferred to the Local Governments as suggested in paragraph 13 above, the best and simplest course is to grant specific assignments from the *general* revenues, when, as in the case of the Police, there is no special source of appropriate revenue.

55. As regards the third service which the Board would propose to take into the hands of the Local Government—the repair of tanks the revenue derived from the works forms naturally the proper source whence the assignment should be made, as already pointed out.

56. The general objections which exist against the transfer, *at present*, of Jails and Education, have been stated above. Additional and cogent reasons for postponing the transfer will be found in the widely differing charges on these accounts in the different Presidencies.

57. The following abstract gives these particulars for Jails, according to the Budget of 1867-68:—

	Gross charges.	Revenue transferred.	Difference. gain + loss.
	£	£	
Bengal	241,248*	223,850	—17,398
North-Western Provinces.....	89,389	84,760	— 4,629
Punjab	50,932	58,100	+ 7,168
Madras	86,197	73,500	—12,697
Bombay	85,649	138,950	+53,301
Oude	30,781	13,700	—17,081
Central Provinces	30,482	23,700	— 6,782
Burmah†.....	27,920	28,150	+ 230

* This includes a transfer of £26,252 to the Road Fund.
† A charge of £ 133,116 for the "Convict Settlement at Port Blair," is omitted, as also are its receipts £44,600.

It will be seen from this that while the expenditure in the North-Western Provinces, Bombay, and Madras approximate closely, the charge in Bengal is nearly thrice as large. The estimated Receipts and Charges of Madras for 1868-69 are respectively £76,100 and £92,300.

58. The following table gives the Educational expenditure of the five chief Administrations, and exhibits similar results. Here Madras and Bombay are nearly on a par and both much below Bengal and the North-Western Provinces, and the Board cannot advise Government to accept a transfer of either department on the basis of "the existing actual expenditure."

	Bengal.	N. W. Provinces.	Punjab.	Madras.	Bombay.
	£	£	£	£	£
University ...	* ...	...	...	2,089	3,927
Superintendence	28,826	30,936	11,496	15,260	16,376
Government Colleges	62,442	27,198	3,648	17,306	7,073
Do. Schools	59,091	20,636	19,178	21,283	36,326
Grants-in-aid	43,887	30,003	21,500	18,297	18,338
Scholarships, &c.	12,966	2,000	...	2,124	...
Science and Art	† 5,590	5,123	600	† 4,300	1,597
Miscellaneous	3,245	...	4,937	7,720	1,907
Reserve	6,982	...	...	...	...
Book Depot	...	...	6,246	455	10,062
Translators	...	...	...	240	...
Total charges...	223,029	115,896	67,605	89,074	95,606
Receipts...	31,550	6,900	6,940	4,820	9,730
Net charges...	191,479	108,996	60,665	84,254	85,876

* Charged to Government of India.
† Chinchona Plantations excluded.

NOTE.—The Madras estimates of Receipts and Charges in 1868-69 are £5,910 and £102,000 respectively.

59. I am now to proceed to notice the minor items and the sources of revenue proposed to be transferred with them.

60. In the case of Jails, the revenues are those classed in the Budget under the general head of "Law and Justice." They comprise "Fees, Fines, and Forfeitures," realized by the action of the Courts; "Tulubana" or fees for the service of processes, Fees on the Registration of Assurances and Deeds, and the proceeds of sales of intestate and unclaimed property.. It is hardly necessary for the Board to point out the incongruity of making such receipts applicable to the support of Jails. They ought clearly to be credited against the expenditure of the departments to which they appertain. The only legitimate item of Jail revenue is the net proceeds of the labour of the prisoners; but, while in Madras, this is credited to the State, in Bengal* and the North-Western Provinces† it is appropriated to the District Road Fund.

* £26,250.
† £1,640.

61. In Education again, the "Miscellaneous" items, which alone the Financial Secretary proposes to transfer, are of a very heterogeneous nature. Apart from the inexpediency of such a petty transfer forming part of the present scheme, it will be seen that while Madras would receive £4,800 and have to pay £7,700, Bengal would receive £31,600, and have to pay only £3,200. The revenues are derived chiefly from School Fees and the sale of books. As to the first, it is at least anomalous to apply such receipts, not in furtherance of Education, but to such purposes as "Dresses of honour for Tahsildars," Firewood Plantations, Agricultural Exhibitions, and the like. As to the second item, it is to be observed that the purchase of the books is provided for by a special grant in another part of the Budget. Hence by the Financial Secretary's plan the State will be purchasing and supplying the books, while the Local Fund will be appropriating the whole proceeds of their sale. The proper course obviously is, it seems to the Board, to retain those items of receipts which really appertain to "Education, Science, and Art," as a set off against the charges of Education, in which the corresponding items of expenditure will be included, while such items as Agricultural Exhibitions, Firewood, and Chinchona Plantations should appear as part of the miscellaneous expenditure of the Revenue Department.

	Charges.	Receipts.
	£.	£.
Bengal.....	3,200	31,600
N. W. Provinces ...	Nil.	6,900
Punjab.....	4,900	6,900
Madras. ...	7,700	4,800
Bombay ...	1,900	9,700
Oude	500	500
Central Provinces...	1,100	100
Burmah ...	600	

62. The "Medical Services" proposed to be transferred aggregate £155,700 for all India, and are exhibited in the following table. The first and fifth items are not included in the present arrangement:—

	Bengal.	North-Western Provinces.	Punjab.	Madras	Bombay.	Oude.	Central Provinces.	Burmah.
	£	£	£.	£.	£	£	£	£.
1. Medical Establishment	31,288	21,361	13,756	25,867	26,848	7,919	9,557	6,538
2. Vaccine do.	5,490	6,884	3,909	7,980	7,604	.....	1,142	735
3. Government Hospitals and Dispensaries	20,545	9,931	7,688	23,155	30,358	2,376	2,853	1,908
4. Lunatic Asylum	8,644	...	2,081	2,727	.....	1,097	1,100	.....
5. Chemical Examiners	642	300	240	832	240	.....	.....	.....
6. Grant for Medical purposes	3,430	3,751	.....	.....	251	.....	.....	.....
Total.....	70,039	42,127	27,674	60,561	65,301	11,392	14,652	9,181
Proposed to be transferred to Local Governments, namely, Nos. 2, 3, 4 and 6.	38,100	20,600	13,700	33,900	38,200	3,500	5,100	2,600

The Board have not the means in their Office of checking these charges and so ascertaining whether the grant is sufficient. The Board believe, however, that the Government are enlarging the Central Lunatic Asylum at Madras, and contemplate establishing several Provincial Asylums; consequently the grant of £2,727 for this purpose will be inadequate. The Madras estimate of 1868-69 for Items 2, 3, 4, and 6 amounts to £39,371 or £5,471, in excess of the sum shown in the above abstract.

	£.
Government of India	29,463
Bengal	36,640
North-Western Provinces	25,440
Punjab	6,
Madras	33,105
Bombay	26,68 2
Oude	5,231
Central Provinces...	2,500
Burmah	2,834
	168,056

63. *Stationery and Printing.*—This is a purely administrative charge, and no reason is apparent why it should be transferred more than any other similar charge. The Government could not levy any special tax on the people to defray such an item of expenditure; and as, in the nature of things, it is likely rather to increase than to diminish or remain at its present amount, it is obviously not a fit subject for transfer. The estimated charge for 1868-69 in Madras is £37,192. There is no specific transfer of Revenue with this charge.

64. MISCELLANEOUS, EXCLUDING FINANCIAL AND CERTAIN OTHER CHARGES, £143,300.—The items excluded or retained are not specified. The total charges under this head for all India are given in the margin, and without knowing for what items the Local Governments are in future to be responsible, it is impossible to judge how far the proposed commutation is adequate or fair. The items are of the most "miscellaneous" character imaginable.

	Total charges.	Proposed to be transferred.
	£.	£.
Government of India	70,762	...
Bengal	168,694	14,100
North Western Provinces	24,982	18,000
Punjab	21,917	16,700
Madras	70,699	33,800
Bombay	51,213	41,600
Oude	4,845	4,400
C. Provinces	15,989	13,100
Burmah	2,825	1,600
	431,980	143,300

65. The "Miscellaneous" Revenue to be transferred amounts to £151,300. The charges and receipts of each Province are given in the margin. Though the total grant exceeds the total charge, the distribution among the Provinces is most unequal. Besides which the items of revenue and expenditure are often of such extremely divergent character that the application of the receipts to payment of the charges would involve the most glaring inconsistencies.

	Receipts	Charges.
	£.	£.
Bengal	42,000	100
North Western Provinces	29,000	18,000
Punjab	16,000	16,700
Madras	19,000	33,800
Bombay	33,100	41,600
Oude	2,300	4,400
C. Provinces...	8,000	13,100
Burmah...	1,900	16,000
	151,300	143,300

66. The minor Public Works charges proposed to be transferred are the following:—

1. Repair of Civil buildings.
2. Miscellaneous new works and repairs.
3. Tools and Plant.

	£.
Bengal	46,500
North-Western Provinces	15,000
Punjab	4,000
Madras	10,200
Bombay	32,800
Oude	2,300
Central Provinces	3,400
Burmah	4,000

67. Under the first head, the charges for each Presidency are as marginally noted. The Board knowing how pressed the Government have been for money in the Public Works Department, could not venture to recommend them to accept £10,200 as fairly representing this expense, seeing that for the same purpose £46,000 are expended in Bengal, and £32,000 in Bombay.

	£.
Bengal	1,500
North-Western Provinces	1,800
Punjab	5,300
Madras	5,400
Bombay	21,200
Oude	.....
Central Provinces	1,000
Burmah	8,000
	44,200

68. The same may be said of the next item, "Miscellaneous new works and repairs." The Board are not aware what particular works come under this category; but it is strange that Bombay should require £21,000, and Burmah £8,000 for what seems to cost only £5,000 in Madras and £1,500 in Bengal. It would seem that there must be some diversity in the classification of these works in the different Presidencies.

	£
Bengal	8,500
North-Western Provinces	6,600
Punjab	9,200
Madras	15,900
Bombay	20,000
Oude	1,700
Central Provinces	4,600
Burmah	2,000
	68,500

69. The third head comprises "Tools and Plant." The principle which has dictated the proposal to transfer this item to the Local Government is not obvious. The total assignment for Public Works (excluding Railway charges) for all India is £6,637,500; the portion of this which it is, at present, intended to transfer to the Local Government is only £1,330,900, or one-fifth; yet these Governments are to provide "Tools and Plant" for the whole. As work cannot be executed without tools, the transfer of this item will obviously either place it within the power of the Local Governments very materially to hinder the proper execution of Public Works, or will leave an undesirable opening for the Supreme Government to interfere on the plea that the Local Governments are not providing a sufficiency of machinery and implements. In another respect, the arrangement is open to objection; the Local Governments have it in their power to reduce the demand for Tools and Plant to a minimum by resorting to contracts which include the provision of all necessary apparatus by the contractors, and by raising the wages of labour, in the case of work otherwise done, so as to induce the labourers to bring their own tools. The Local Government can thus practically shift the burden to the Imperial grant, and probably the cause of the great difference in this item in the different Presidencies, as marginally shown, is owing to more work being done on contract in some than in others of them. The Board think that there is no question but that the proper course is not to transfer this item, until the whole Public Works branch is transferred. Meanwhile, each Government should provide the tools and plant it requires for the Public Works actually made over to it.

	Total P. W. assignment of 1867, (excluding Railways, Establishment, Tools and Plant.	Provision for Tools and Plant.
	£.	£.
Bengal	819,500	8,500
N. W. P.	1,002,800	6,600
Punjab	786,300	9,200
Madras	669,300	15,900
Bombay	1,233,000	20,000
Oude	230,200	1,700
C. P.	268,600	4,600
Burmah	222,000	2,000

	Average expenditure of 4 years. Actual.	Estimate of 1867-68.	"Normal."
	£	£	£
Bengal	157,400	192,300	180,000
Punjab	32,100	30,900	32,000
Madras	75,700	74,400	75,000
Bombay	67,200	110,000	75,000
N. W. Provinces	74,000	113,700	80,000

70. The Board have desired me to reserve to the last the item New Civil Buildings, as it affords a notable instance of the inequality which characterizes the present proposals. This item is included only in the case of the North-Western Provinces, and the amount there entered is £113,700. The Financial Secretary's Statement No. 4, shows the expenditure under this head in the other Presidencies to have been as detailed in the margin. It will thus be seen that the North Western Provinces will, by the arrangement proposed, receive, in perpetuity, a sum exceeding their actual expenditure by £39,000 per annum, and their "Normal" expenditure (as calculated by the Supreme Government itself) by £33,000 annually. Even if the deficit of 14,000£ in the total revenue to be assigned to this Administration be not made good by a special grant, it will receive £25,000 more yearly than has hitherto sufficed for its requirements, £20,000 more than Madras has received, £32,000 more than has been given to Bombay, and £67,000 more than the Punjab assignment, during the last four years.

71. The Board have throughout regarded the "charges" as *grants*, because, in fact, they are such. The total revenue to be assigned will be under, at most will only just cover the charges to be transferred with it, and as these assignments and transfers are to be "*final*," and "*the Government of India will thenceforth attend to no claims for additional funds to meet increased expenditure under the heads of charge transferred*," it follows that if at the commencement any Government gets more for any particular service than it ought to receive for it, it acquires and will hereafter retain an undue advantage at the expense of the other Governments, and disproportionately reduce the common fund ultimately divisible among the several Governments when the final step is taken in this new policy. In other words, if any Government now receives a million more than it should receive, there will just be a million less of the gross revenue of the Empire for eventual division among the other Governments.

72. On the whole then the Board would strongly deprecate the transfer of any of these minor items. When the heads of service are transferred, they will naturally accompany them. Thus, when the Education Department is made over to local control, its "Miscellaneous" receipts and charges will simultaneously be made over, and so with the other items.

73. One very serious difficulty in the way of the proposed transfer of these items is that the desired finality which is to be coincident with each transfer can only be attained, as regards the particular items now composing it, and these vary in every Province. The Local Governments can hardly be expected to assent to the limitation of all future Miscellaneous expenditure to its present amount. In illustration of this, the Board would beg a reference to the Punjab Statements—its miscellaneous revenues are £16,000, and its similar charges are £16,700. The former, however, include a sum of £9,400, being the "sale proceeds of Government Tea Plantations and Tea," which can hardly be an annually recurring receipt, while among the charges are such items as "Improvement of Agriculture" £100, the tendency of which can scarcely be otherwise than to increase. And to show the inequality of the proposed arrangement, I am to draw attention to such items of expenditure as £2,000 in Bombay for "purchase of Law Books, and charges on account of legal Education of Civilians," which cannot be required every year, and is not incurred elsewhere.

74. The foregoing remarks will, the Board believe, also exemplify the superior advantages and conveniences of the arrangements proposed in paragraph 13. If the national burdens were revised and fairly distributed among the several Provinces, each would receive the balance of its revenue, and there would be no occasion for the careful adjustment of receipts and charges which must now accompany each transfer, in order to ensure the former being adequate to the latter, and to prevent the unequal treatment of different parts of the Empire; and further, the responsibilities of the Local Governments would be greatly lightened as there would be less risk of inconvenient deficits because increases in some items of revenue would counterbalance deficiencies in others, and, at all events, there would be a larger surface of expenditure over which to distribute any particular deficiency which could not be immediately rectified. This is a consideration of some consequence, for, as already remarked, owing to the rigid economy practised of late years, and in the nature of things, the expenditure must be expected to increase—(it is in fact to relieve itself from such increase that the present arrangement is proposed by the Supreme Government,) and though of course the revenue will also increase with the advancing prosperity of the people, fluctuations in it must be anticipated. The Government will therefore be undertaking to meet a certain expenditure out of a fluctuating income, and the limited scope of the proposed measure will of course cause fluctuations to be felt with greater intensity.

75. The following Statement shows what would be the result of the Financial Secretary's proposals in 1868-69 as regards Madras:—

Revenues transferred.	£	Charges transferred.	£
One-sixteenth Gross Land Revenue	272,187	One-sixteenth Land Revenue charges, excluding Survey and Settlement, but including allowances to Village Officers	22,490
One-fourth Income tax	31,500	One-twentieth Income and License tax Receipts	2,481
One-fourth License do.	18,125	Jails	92,306
Law and Justice	76,100	Registration and Talubana	20,764
Police	33,740	Police	33,740
Education	5,910	Miscellaneous Education, &c.	8,320
Miscellaneous, excluding financial items	17,700	Medical Services	40,371
Public Works, excluding, Irrigation income	11,416	Stationery and Printing	37,192
		Miscellaneous, excluding financial items	31,361
Total...	466,678	Total Civil charges...	289,025
		Public Works charges.	
		Roads (New Works and Repairs)	216,450
		Civil Buildings (Repairs)	11,000
Deficit...	69,197	Miscellaneous New Works and Repairs	4,400
		Tools and Plant	15,000
	535,875	Grand Total	535,875

It will be seen by this that there would have been a deficit of £69,197, the calculations being based on Statements Nos. 1, 2, and 3 of the Financial Secretary's Memorandum, and the Budget of next year. On the method of calculation illustrated in Statement No. 5, there would be a further deficit of £8,500.

76. The next matter the Board have had under their consideration is the proposal made in regard to the establishment necessary to carry out the suggested arrangements, for they presume, that as their opinion is asked upon the whole question their views on this point also are desired. The Financial Secretary states that "the first thing that would be required would be the organization of Local Financial Departments under the Local Governments," and he proposes to effect this "by transforming the Local Accountant General into a Financial Secretary also." This proposal however seems to be made in forgetfulness of the fact that the Madras Government has, and always has had, a Financial Department in its Secretariate, and that its Chief Secretary is also its Financial Secretary. This Department is now transacting and has hitherto transacted the *whole* of the Financial business of the Presidency, and it must therefore be equal to administer a fractional part of it. But the question naturally occurs—if it be necessary to organize a Department to manage 6 per cent. of the Revenue, what is to be done in respect to the remaining 94 per cent. ? Is it to be credited that the existing "Local Financial Departments" can manage the latter and yet not manage the former? Is it more difficult to administer a part than the whole of a Department? Independent, however, of this consideration, there is, in the Board's opinion, nothing in the proposed change to require any organization or re-organization whatever. The change in fact is no more than that 6 per cent. of *existing revenue* is to be transferred to the Local Governments *with an exactly corresponding amount of existing charges*. The Revenue will continue to be levied, exactly as it now is, and by the same agency, and when it is collected, the stipulated share will be transferred to the Local Governments. Here therefore there is no need for organizing any Department. So also with the charges, they are now actually incurred, and they are now actually disbursed, the only difference will be that instead of applying annually to the Supreme Government for permission to incur and pay them out of the gross Revenues, the Local Governments will pay them out of the transferred Revenues. Here again there is no need for organizing a Department. So also with the Accounts, they will be kept exactly as they now are and by the same agency. The only difference

will be that, instead of being part and parcel of the Imperial Accounts, they will be in a separate book; that is to say, those charges which are not transferred will be styled "Imperial" and kept by themselves, while those which are transferred will be styled "Provincial" and kept in a subsidiary book, but exactly in the same form, by the very same Agency and under the very same rules. Thus, suppose, the "Police" is made over to the Local Governments, Grant No. 18, of the Imperial Budget, will merely show the grants made for Police purposes to each Presidency; the corresponding Grant No. 18, in the Budgets of these Governments, will not appear, as they now do in the *Imperial* Budget, but, in a subsidiary *Provincial* Budget, in exactly the same form, and furnishing exactly the same information. The only difference, in fact, will be that they will be headed "Provincial." If the proposed change were at once to be carried out, all that would have to be done would be to take all these grants out of the Imperial Budget, stitch them together, and docket them "Provincial—Police." For this clearly no organization of a Department is needed. The changes under contemplation involve no change in the accounts, as such, or in the agency that keeps them, or in the Budget Rules.

77. It seems to the Board that if the character and extent of the contemplated changes be properly appreciated, it will be obvious that there will be no alteration in the present system of accounts, under the limited arrangement proposed, nor will there be any, when all the revenues are transferred; the accounts of the Presidency will then, as now, be kept by the Accountant General in exactly the same manner, and under precisely the same rules as at present. There is, therefore, no occasion for "transforming the local Accountant General into a Financial Secretary also." It is said that this arrangement will be "practically without additional expense," but experience has shown that the creation of new appointments always does involve expense. It would not be long before it was discovered that a "small" establishment was requisite, and the Accountant-General-Secretary would certainly need an Under-Secretary to take his place at the Council table, during his own absence from illness, or any other cause.

78. The *prima facie* and cogent objection to this arrangement, viz., that "the Local Government would not have the appointment of their Chief Financial Officers in their own hands" is admitted, and sought to be met by the suggestion that the Financial Secretary will not prove equal to the duties of his office. On this point, probably, no remark is needed from the Board, but it certainly seems probable that an Officer specially selected by the Local Government from the whole range of the local service, and who, from his necessary standing, must have had considerable and varied experience of the country, the people, and the business of administration, should possess the requisite qualifications. A supposed analogy between the position of the Local Governments, as they would be under this arrangement, and that of the Lieutenant-Governors of Bengal, &c., in respect to their Public Works Secretaries is brought forward in further support of the proposal. The Board, however, cannot admit the analogy. There is a very material difference between the status and constitution of the Governments of Bombay and Madras, and those of the Lieutenant-Governorships of Bengal, the North-West and the Punjab. The Governor and Members of Council of the former, like the Governor General and Council of the Central Government, hold their offices by direct appointment of the Home Government, each of these Presidencies has its own distinct Military and Civil Services, and its Government has always possessed the right of appointing its own subordinates—a power which, in fact, is a necessary attribute of responsible Government. The Lieutenant-Governors of the latter, on the other hand, receive their appointments from the Governor General, and the Provinces over which they preside, have one common Military and Civil Service. There is nothing anomalous, therefore, in the idea of the Governor General who appoints the Lieutenant-Governor himself, also appointing the Lieutenant-Governor's Secretaries, one or all. Moreover, as the Central Government does not appoint the Public Works Secretary at Madras and Bombay, the analogy fails in this respect also.

79. The Financial Secretary urges that the Accountant General "is now the referee of the Local Government on all questions that arise in relation to the finances." This, however, is hardly the case. The references made to the Accountant General relate almost exclusively to questions of account, the construction of the Leave Rules, the progress of the budgetted expenditure in comparison with the budgetted revenue, and such like. These are matters of account and book-

keeping, not *Finance*. The Accountant General is, in fact, simply what his name implies, and not, in any sense, the Financial Adviser of the Government. And the reason of this is self-evident. The Financial Department, as now organized, is a close department; the members enter at the bottom of the list, and gradually rise to the top; the mode of recruiting it precludes any certainty that the members possess the special abilities required for Financial business; and it is numerically too weak to afford a reasonable chance of producing men of mark, while its members necessarily lack experience in the administration of business, and have no opportunities of acquiring it. Their training, in fact, is calculated to render them excellent Accountants, and no more. Of the country and its resources, the feelings of the people, and the languages current in the different provinces, they are necessarily ignorant, and without these qualifications they can never be *Financial* Advisers, or referees. It so happens that the present Accountant General of Madras is a local Officer, conversant with the country; but there is only one other Madras Officer in the Department, and he is now Accountant General of Bombay. When, therefore, the present Accountant General retires, his office must be held, as it already has been twice, by officials who are strangers to the Presidency, and it can hardly be expected that the Government would rely on them with any confidence for advice on matter of taxation, or the like.

80. It would seem, moreover, that the Supreme Government contemplate uniting executive with ministerial functions in this officer. He is apparently to be Head of the Financial Department and also Financial Secretary. The qualifications which are required to form a good executive Head of a working Department are of a very different character from those required in a good ministerial Officer, and both are rarely found united in the same individual. The functions of the two offices are also wholly dissimilar, and the Board think that they ought certainly to be kept distinct. The saving of time and correspondence, which is alleged as one advantage of transforming the Accountant General into a Financial Secretary, would be very trifling indeed, for the business of Government is not transacted conversationally, and it would be more than counterbalanced by the disadvantages of the arrangement. As Accountant General, he would be acting under the direct authority of the Supreme Government, while as Financial Secretary, he would, in respect to the very same matters, be under the orders of the Local Government, and, as Secretary, he would often have to bring before the Government questions to which he had committed himself in his executive capacity. At present, the Board believe, the Accountant General's instructions require him to submit direct for the decision of the Supreme Government, any order which the Local Government may persist in issuing against his advice and remonstrance. Such a right or duty would, obviously, be altogether inconsistent with his position as a Secretary of the Government.

81. The suggestion that the Local Government might be consulted before any particular officer is appointed would be a mere formality. The Financial Department has not sufficient Officers of the grade to admit of choice or selection, even if, from acquaintance with its members, the Government were in a position to make a choice. It would be embarrassing, too, if the choice of Government fell on a junior, or if more than one Government had a preference for the same individual. The gravest objection to the proposal, however, is the precedent it involves. If the Supreme Government may appoint the Financial Secretary, they may, with equal justice, claim the right of appointing the other Secretaries, and as the realization of the revenue is more important than the subsequent process of keeping the accounts connected with it, they may equally claim the privilege of nominating every Collector and the Board of Revenue. Indeed, if the plea that the Central Government "should have perfect security that the Officer at the head of the Local * * * office is qualified to discharge his duties" be admitted, the Central Government might claim to be consulted in the appointment of the Governor, the Commander-in-Chief, and the Members of Council, whose duties are certainly more onerous, more important, more responsible, more fraught with good or evil for their Presidency and the Empire than those of "the Local Accountant General."

82. Of course, if the argument be sound that the Civil Accountant General should be Financiall Secretary, it follows that the Public Works Accountant General or Comptroller should be Secretary to Government in the Department of Public Works. The Board regard this proposal

as altogether so objectionable that they do not hesitate to advise the Government to reject the whole scheme, if this condition be not definitively abandoned. As already shewn, it is wholly unnecessary: it is derogatory to the dignity and subversive of the rights of the Local Government, and it would place them under the tutelage, not of the Governor General in Council, but of one of his subordinates. But, as already pointed out, the limited transfers proposed, create no necessity for any "organization of Local Financial Departments." The Madras Government already administer Local Funds to a very large amount, and the procedure is in strict accordance with the Imperial Budget Rules. To take, for instance, the Road Fund. The Collectors, as the Officers best qualified to know the requirements of their Districts, are primarily responsible for the selection of the works to be executed in the ensuing year—the Engineer Department executes them; but in the case of works not requiring professional skill, the Collector, with the concurrence of the Superintending Engineer, can undertake them. The Collector and Superintending Engineer prepare the Budget, after mutual conference, and submit it to the Board of Revenue, by whom one general Budget is in due course laid before Government. No work can be commenced until sanctioned by Government, and regular plans and estimates are required for all works exceeding 2,000 Rupees. No establishments can be entertained without the sanction of Government. In short, the same principles are followed as in the Imperial Budgets; the only difference being that the sanction of the Local Government is final. At the close of every year, a detailed report on the administration is submitted by the Board to Government.

83. If the repair of Imperial roads and tanks is transferred, as proposed above the Board will have no difficulty in managing those Departments also, as they now do the District Road Fund, on the same principles and under the same rules. When the entire revenues are made over, the Board will be the natural executive "Financial Department" of the Government. They now prepare the Budgets, and in fact manage the Departments noted in the margin, and could without difficulty undertake the remainder. They would submit the Budgets, &c., to Government, and practically occupy something of the position of the Treasury in London. And it seems to the Board that such an arrangement bringing as it would all the revenues and expenditure of the country under the cognizance of one authority, immediately under the Government, would be a great advantage, and would secure an efficient and economical administration of the Finances. If special Financial Agency *must* be provided, it should, in the opinion of the Board, be in the form of a Financial Member of the Council, not of a Financial Secretary appointed by Supreme Government, and owing a double and often conflicting allegiance to the Central and Local Governments. But there is no need of any such measures, and the Account Department is already sufficiently expensive.

Budget of 1867-68.	Rs.
Land	430,55,000
Abkarry	56,50,000
License tax	6,00,000
Customs	20,78,000
Salt	124,00,000
Stamps	40,05,000
	677,88,000
Local Funds.	
Miscellaneous.	

84. "The next step" it is said "would be the re-distribution of the income and expenditure" of the Local Funds. These, it is added, "include, in fact, a considerable income, which is truly public revenue in its nature, though applied exclusively under the Local Governments." This portion of the income and expenditure it is proposed to style "Provincial," the term "Local" being henceforth exclusively applied to such portion of the Local Funds as are "collected and disbursed by municipal or other local trusts, in a great measure, without Government interference." The transferred revenues and charges are "at once to pass into the condition of provincial expenditure and revenue." The Board gather from these expressions that the "*re-distribution*" means, in fact, the *resumption* of such portions of the Local Funds, as the Supreme Government may deem to be "truly public revenue." To this there can be no objection, so long as the condition, "truly public revenue," is adhered to, and the rule is impartially applied to *all* the Local Governments. No Government has a right to appropriate public revenue to purely local purposes, nor can the Supreme Government, in the interests of the Empire, permit such appropriation.

Financial Secretary's Memorandum paragraph 40.

85. The division of the Local Funds into two classes, "Provincial" and "Local," will not however suffice as regards this Presidency. The *transferred* revenues and charges may, with perfect propriety, be termed "Provincial," but there are Local Funds here, *ex. gr.*, the Road

Cess and Village Service Cess, which though exclusively administered by the Government are not public revenue at all, being special cesses in addition to, and independent of, the public taxes. They cannot be termed "Provincial," because they are not applicable to the Presidency at large, but only to the localities (the former to the district, and the latter to the village,) in which the collections are made; and, also, because to class them with the transferred "Provincial" revenue and charges would deprive the Local Government of that exclusive control over them, which they now possess and which the Law especially provides. It will be necessary, therefore, so far as this Presidency is concerned, to sub-divide the class "Local Funds." The nomenclature will then be—

I. Provincial, *i. e.*, transferred revenue and expenditure.

II. Local Funds.

a. Administered exclusively by the Government.

b. Administered by local trusts and Government.

II. *a.* would include the Road and Village Service Cesses, the Endowment and Bungalow Jungle Funds, &c.

II. *b.* would include Municipal and Educational Cesses.

86. In paragraph 42 of "his Memorandum," the Financial Secretary states that "there is somereason to think that the existing Local Fund Accounts are not everywhere in such a condition as to admit of an immediate adoption of this system," *i. e.*, apparently of the "re-distribution" abovementioned. It is not quite clear what this means, but it must, of course, be understood that any "re-distribution" that may be determined on must be applied impartially and simultaneously to *all* the Local Governments.

87. The table (A) annexed to this letter specifies every item of the Local Funds of Madras, under the Board's superintendence. It will be found that the Madras Government is not open to the charge of having improperly appropriated "truly public revenue." It is desirable that copies of the similar returns of Local Funds in the other Presidencies should be procured. The Statement is accompanied by brief explanatory notes, and it is only necessary here to remark on two items, namely, "Fisheries," £ 7,152, and the "Canal Fund" £4,400. The former comprises the rent of the privilege of fishing in rivers, streams, and tanks. The rents are almost exclusively taken by the villagers, and permission to apply the proceeds to local roads, was obtained from the Supreme Government in consequence of its appearing that in Bengal and other parts of India, this petty source of income had been removed from the Imperial to the Local lists. Till then the receipts were treated in Madras as Imperial; but there is no doubt that the realization of a revenue from this source, for State purposes, is regarded by the people as an undignified proceeding—the application of the proceeds to local purposes tends to reconcile them to it. The origin of the "Canal Fund" was similar. It appeared from the Budget speech of the then Finance Minister, Sir C. Trevelyan, that the tolls on the Calcutta and Nuddea Canals, had with their accumulated surplus proceeds, amounting to £66,707, been just made over to the Calcutta Municipality, on the ground that they were works of local interest and had more than re-paid the public outlay on them. Upon this the Madras Government claimed the similar transfer of Cochrane's and the Sadras Canals, with their accumulated surplus proceeds amounting to £39,255. It was pointed out that the circumstances of these canals were quite analogous to the circumstances of the transferred Calcutta canals, that they were equally of local interest, and that they also had more than repaid the public outlay on them. It was, however, only in last year that they were transferred; but even then, only with their current income; the accumulations have not yet been made over, though little more than half the amount given up in Bengal.

Letter of Madras Government, dated 17th November 1864, No. 2,110, Local Funds.

Note.—In their orders on the Public Works Budget of 1867-68 the Supreme Government write of this transfer as being "still under consideration".

There can be no objection whatever to the re-transfer of these Canals to the list of State works, *provided* the Calcutta canals are similarly re-transferred and the portion of their income and accumulated proceeds expended on other purposes than their improvement, extension or

maintenance, are repaid to the State. If this be no longer practicable, the accumulations of the Madras Canals ought, in justice, to be given up.

88. The next objection to the proposals to which I am to draw the attention of Government is the suggestion that the plan be placed upon its trial for one year.

89. In paragraph 43 of his Memorandum, the Financial Secretary suggests, that "to secure the accounts of the Government of India from all risk of confusion during the transition state of things," all business should be conducted as at present, *pro forma* "*say for one year.*" The Board can hardly suppose this proposal to be seriously intended, and certainly the spectacle of the Supreme and Local Governments practising the new system for a year "*pro forma*," would excite the ridicule of the public, while there is really nothing to warrant such apprehensions, or necessitate such tentative measures.

90. In paragraph 45, the Financial Secretary remarks that, "it would *of course* follow that any *surplus of the assigned revenues* remaining after the assigned outlay had been met, would belong *absolutely* to the Provincial Revenue Fund." With reference to this observation I am to remark that the "assigned outlay" *exceeds* the "assigned revenues" by at least £135,000.

91. In paragraph 46, the Financial Secretary provides for the more probable contingency of the provincial outlay exceeding the provincial income in any year. The difference is "to be made good without fail in the following year," and the Supreme Government is to "exercise a discretion in regulating the margin which should be required to be left to meet unforeseen fluctuations of the provincial revenues and charges." As the revenues to be assigned are £135,000 less than the charges simultaneously transferred, it is not quite obvious whence this "margin" is to be obtained. The difficulty will continue, even if this deficiency is made good by special grants, as in that case the revenues and charges will just balance each other, and there will be no "margin" at all. It might perhaps be urged that "the expansion of the revenue transferred," which the Local Governments are told, in paragraph 3, to look to as one means of meeting any future increase of charge, will meet this risk, or at least should do so. If, however, the recommendations now made by the Board be adopted, there will be no difficulty at all. The Police grant will be a fixed sum, and will need no margin, as the Budget of expenditure must be kept within it, and the Supreme Government will give no more. The grants for roads and irrigation repairs can very well be calculated on the actual collections of the previous year, *i. e.*, the entry in the Budget of 1868-69 would give 5 per cent. and 10 per cent. on the gross Land Revenue and "Nunjah" *collections* of 1867-68, which would or should be known to a rupee within two months after the year 1868-69 has commenced, and in ample time for any corrections that might be necessary. The Budget of 1869-70 again would give the like revenues on the actual receipts of 1868-69, while the ordinary reserve of 10 per cent. prescribed by the Imperial Budget and Local Fund Rules would amply provide for every possible contingency. The Board admit that such an arrangement is not so satisfactory as basing the assignments on the actual revenues of each year would be, but, as these evidently cannot be foreseen at the commencement of each year, it is probably the most convenient plan which can be adopted.

92. With regard to paragraph 47, it has already been proposed that the specific assignment shall not, without the previous sanction of the Supreme Government, be applied to any other purpose whatever. If the Financial Secretary's plan, however, be adopted, this will not be practicable in respect to any but the Road and Jails grants. The Financial Secretary has omitted a *third* way by which the "Major grants" may be increased, viz., local taxation. It also is not clear what is meant by "the reserve balance." If the usual allowance for unforeseen contingencies, then the restriction against the making grants out of it during the year should be objected to. The Government, as the year advances and the probabilities of the "contingencies" occurring lessen, must be free to utilize the money instead of keeping it idle. The Budget of each year always provides its own reserve, and it would surely be inexpedient to make further provision for contingencies.

93. In paragraph 48, it is said that the present rules, regarding creation of establishments, are to remain unaltered, but that "for all but gazetted appointments, a reasonable discretion would be freely allowed to Local Governments." the Board have already proposed that no change in the *assigned* revenues shall be made without the sanction of the Supreme Government; as regards *additional* revenues accruing from "expansion of the revenues transferred," or from local taxation, there must be no restriction on the Local Government. This is the fundamental principle of the new scheme. It is very desirable the Madras Government should come to a definite understanding with the Supreme Government, as to their future privileges and powers, so that they may not undertake the grave and extensive responsibilities which the new policy involves without acquiring sufficient freedom of action.

94. In paragraph 13 the Board have suggested that the preferable and safest method of initiating the new policy, would be to determine what should be considered the Imperial or National expenditure of the Empire; to distribute this fairly among the several Provinces; and requiring each to contribute its share, thus apportioned, year by year, as a first charge on its revenues, to leave its local administration in all other respects to itself—subject only to that *general* control which must exist to ensure due payment of its quota. The Board accordingly now direct me to proceed to analyze the Budget of Imperial Revenue and Expenditure for 1867-68, in order to indicate generally how this might be done on the basis of that Budget, in a sufficiently safe and practical manner for a commencement of the new policy.

95. The first portion of the Imperial Budget of Expenditure is styled "Government of India—General Administration." It amounts in the aggregate to £5,457,494, and comprises seventeen heads of charge or "Grants" as they are termed. The first of these, Grant 1, provides the Interest due on the "Funded and Unfunded Debt" of the Empire. This is essentially an Imperial charge, and is appropriately entered in the National Budget. The next item, Grant 2, is the Interest due on "Special Loans for Public Works." It amounts to £80,000, and clearly ought to be charged against the Governments which have benefitted by the loans, and thus transferred from the Imperial to the Local accounts. The Budget however, does not afford the means of apportioning it among them, and the Board have therefore left it, as an Imperial charge, for the present.

£3,711,040.

£80,000.

	£.
Interest on Treasury Notes in favour of Service Funds	49,000
Do. on Civil Service Annuity Fund	120,000
Do. on Civil Fund, ordinary	* 1,000
Do. on do. of 1st January 1850	
Do. on Bengal Military Fund	
Do. on appropriated Fund of the Medical Retiring Fund	19,000
Do. on Reserve, &c., of do	400
Do. on Uncovenanted Service Family Pension Fund	16,200
	205,600

Interest on Loans.

	£
1. From the late King of Oude	91,600
2. Do. from Colly Sunka Gosaul	240
3. Do. on Promissory Notes for Mysore Princes.	16,200
4. Do. on Book Debt Loans on account of Madhow Row	3,000
5. on Soldiers' deposit in Savings' Bank	5,000
6. Do. on Rohilla donation	184
7. Do. on balances of net Railway traffic receipts	18,000
8. Do. on do. of Administrator General	20
9. Do. on assets of Prize money	143,400
10. Do. on Bhow Begum's Stipend Fund	20,000
11. Do. on Miscellaneous accounts	5,000
	302,644

96. The third item, Grant 3, provides for the Interest payable "on Service Funds and other accounts." The Interest on the former is £205,600, made up as particularized in the margin. These are evidently charges connected with the administration of the Provinces to which the services pertain, and they ought to be debited to them, instead of being treated as a National item. Madras and Bombay are actually debited with the corresponding items connected with their services—Madras in the sum of £64,008, and Bombay in the sum of £89,870. There is no reason, therefore, why Bengal and the other Administrations should not be similarly treated. The balance of the Grant, £302,644, is composed of the marginal items. The description of Nos. 1, 2, 4, 10, and 11 is too brief to admit of any judgment being formed as to their being really Imperial or Local liabilities. No. 3, £16,200, seems debitable to Madras. The 7th item £18,000, should be transferred to the accounts

of the Local Administrations interested in the lines. The similar items in the Punjab (£1,362), Madras (£4,070), and Bombay (£17,090), are charged to those Governments. Item No. 5 seems doubtful. Similar charges appear in the Local accounts of Bengal (£3,200). Madras (£3,100), and Bombay (£8,016.) Deducting the items Interest* on Service Funds on Mysore† Promissory Notes, and on balances of net Railway traffic receipts, the net Imperial Grant becomes £268,444, instead of £508,244.

	£	
Total grant		508,244
Deduct—		
* £ 205,600		
† 16,200		
18,000		
	239,800	
	268,444	
‡	308,966	

97. Grant 4. "Allowances, Refunds, and Drawbacks," £63,400, (with the exception of a petty item, £200) comprises only refunds of Steam Postage Collections;" an Imperial charge, and needs no remark. Grant 6, "Forest," £2,975—Is clearly a local charge, and should be transferred to the accounts of the Governments for the benefit of which it is incurred. In regard to Grant 12, "Mint," £62,292, it is evident that the coinage of a country is essentially an Imperial matter. The revenues and charges of all the Indian Mints ought certainly therefore to appear in the Imperial and not in the Local Budgets. This involves the addition of £73,249 to the grant, being the aggregate cost of the Madras§ and Bombay‖ Mints. Grants 13, "Post Office," £481,120, and 14, "Telegraph," £520,528, are essentially Imperial, and call for no remark Grant 16, "Administration and Public Departments," £290,840, contains four minor items which need notice.

	£.
§	18,999
‖	54,250
	73,249

	£.
Central Provinces	290
Burmah	595
Bengal	600
N. W. Provinces	406
Madras	202
	2,093

	£
Central Provinces	1,541
N. W. Provinces	1,651
Punjab	2,252
Madras	7,231
Bombay	4,623
	17,298

	£.
*	1,912
†	1,224
‡ £4,238.	

	£.
§	2,093
‖	17,298
	19,391
¶	3,113
Net addition to grant.	16,278

98. The first of these is the "Money Order Department," £1,644. This Department is absolutely under the management of the Supreme Government, the Local Governments having no concern with or control over it: the entire revenues and charges should, therefore, be included in the Imperial Budget. The next is the Currency Department. This also is exclusively managed by the Supreme Government, and in their Budget of receipts, the profits appear. The charges, therefore, should also be entered in their Budget The third item is the payment of £17,300 to the Bank of Bengal for performing the duties of the General Treasury and Loan Offices. Part of this charge seems properly debitable to Bengal. Madras* and Bombay† are charged with the corresponding item in their Budgets. The fourth item is £3,113 for a Board of Examiners. This can scarcely be considered an Imperial charge. Madras‡ has to pay for its examining agency, so should the other Provinces. Adding the first§ and second‖ items and deducting the last¶, Grant XVI. will stand at £307,118, instead of £290,840 as at present.

99. Grant XVII, "Law and Justice," amounts to £149,042, and is composed of the following items:—

	£.
High Court	119,243
Law Officers	10,786
Convicts in the Eastern Settlement	19,013

The first two items are clearly chargeable to the Local Governments. Madras has to pay for its High Court and Law Officers (£52,037), so does Bombay (£83,581), and so also do the North-Western Provinces. There is no reason why Bengal should be relieved of the charge for its High Court and Law Officers. The third item might also be distributed among the Local Governments. On the other hand the charges of the Convict Establishment at Port Blair, £133,116, may fairly be regarded as Imperial, instead of being, as at present, debited to Burmah alone. Deducting the two first items and adding the fourth, the Grant will stand at £157,123.

100. Grant XVIII. "*Police,*" £10,664. This is the expense of the Thuggee and Dacoity Establishment, and should obviously be charged to the Provinces which enjoy the services of the Department.

101. Grant XX., "*Education, Science, and Art,*" £167,235. The first item is £5,580 for the Calcutta University. As Madras and Bombay pay for their Universities, Bengal should also pay for its University. The entry of £3,500 for the "Indian Museum," might be questioned, as practically such an Institution must be for the benefit of Calcutta alone. Deducting only the first charge, the Grant will be £161,675.

102. Grant XXI., "*Ecclesiastical,*" £9,373. This is a local charge, and is so treated in Bombay and Madras.

103. Grant XXIII., "*Stationery and Printing,*" £29,363. This is a purely administrative charge, and calls for no observations.

104. Grant XXV., "*Allowance and Assignments under Treaties and Engagements,*" £152,762. These are essentially territorial liabilities, and should be charged against the Provinces to which they relate. The first item, £120,000, to the Ex-King of Oude, is clearly chargeable to that Province, the sum of £1,200 to the Maharajah Dulleep Sing is debitable to the Punjaub; the Mysore payments again are charges against Madras, and so with the rest. Many charges of this nature are now debited to each Province (as for instance the allowances of the Nawab Nazim of Bengal (£73,255) charged to that Presidency, the payments to the Tanjore and Carnatic families (£234,000) debited to Madras, &c.,) and the rule should be made absolute.

105. Grant XXVI., "*Miscellaneous,*" £60,150. Some of the items under this head seem questionable, but the description of them is too brief to admit of any safe opinion being arrived at.

106. Grant XXVII., "*Superannuation, Retired, and Compassionate Allowances,*" £158,466. Under the first two heads are included several pensions in other than the Administrative Offices of the Supreme Government. These ought to be omitted, as they certainly are not Imperial charges. The heading "Compassionate" comprises grants aggregating £15,600 to Service Funds "on account of persons killed in the Mutiny," these no doubt are terminable liabilities. In the Grant is also included £120,000 on account of "Donations to Service Funds." Similar charges of course occur in Madras and Bombay, in connection with their Civil and Military Services. But they are charged against those Presidencies; Madras being debited with £189,862, and Bombay with £84,440. There is no reason why Bengal, the North-Western Provinces, the Punjab, &c., should be relieved of the charges connected with their administrative services.

107. The second head of the Imperial Budget is "*Government of India Political Administrations,*" £125,278. The States included in this estimate are those marginally noted. Of these Coorg and Hyderabad appertain to Madras; probably some of the others also should properly be regarded as appendages of the other Provinces. The Board do not, however, propose any change in the Grants, as the transfer of the revenues and charges of Coorg and Hyderabad would necessarily involve also transfers of the administration, for the Government of course could not undertake the responsibility of providing the revenues, if the expenditure were not also under their control. The Military expenditure at Hyderabad is very heavy, but it will of course annually diminish as the Military buildings in progress and contemplated are completed.

	£.
Bhopal	7,072
Coorg	22,165
Gwalior	8,662
Hyderabad	14,170
Indore	37,214
Nagoole	2,128
Nepaul	6,406
Minor administrations	15,478
Foreign do.	11,983
	125,278

	Charge	Receipt.
	£.	£.
Burmah.	25,574	8,920
Bengal	254,011	164,570
Punjab	25,053	3,000
Madras	19,970	3,200
Bombay.	225,287	71,530
	549,895	246,220

108. There is one source of expenditure "Marine," which does not appear in the Budget of the Imperial Government. It aggregates for all India £549,895, distributed as shown in the margin. The receipts amount to £246,220, so that the net cost of the Department is £303,675. The charges in Burmah, the Punjab, and Madras are moderate, and probably

only represent purely local expenses. In Bengal and Bombay on the contrary the disbursements are so heavy, that they must really include many items of a general nature in which all the Provinces are interested. The marginal items in the Bombay and Bengal Budgets must to some extent be of this character. Some indeed such as the cost of vessels employed at Aden and in Telegraph service, and the allowances of the Naval Commander-in-Chief, the expense of the Governor General's State of Yacht are altogether Imperial. The Budgets do not enable the Board to distinguish between the amount of the Marine expenditure of these two Presidencies which ought either to be placed on the Imperial Schedule or to be received from other Presidencies, and the amount which can be said fairly to represent their local requirements, and therefore can alone be justly charged against them.

Bombay	£.
Dockyard	14,710
Transport service	10,097
Vessels at Aden	5,066
Do. on Telegraph service	17,640
Naval C. in C.	1,000
Artificers	49,636
Victuals	14,000
Coals	31,726
Timber and Stores	24,600
Bengal.	**£.**
Kidderpore dockyard.	5,575
Sea going vessels	23,497
Governor General's Yacht	604
Artificers	16,800
Victuals	8,000
Coals	31,000
Timber, Stores, &c.	29,500

NOTE.—The Military Budget comprises the following grants for "Sea Transport charges:"

	£.
Bengal	62,000
Madras	38,500
Bombay	21,000
	£ 121,500

	£
Burmah	3,092
Bengal	29,400
Madras	7,200
Bombay	25,600
	£ 65,292

109. In the matter of "Subsidies to Steamboat Companies" also Bengal and Bombay seem heavily taxed in comparison with Burmah and Madras. It is, however, as already observed, impossible for the Board, with the limited information at their command, to discriminate accurately what amount these Presidencies ought to be relieved from, but for my present purpose it will be a sufficiently fair approximation to charge the Imperial Budget with the round sum of £200,000.

110. The next head of service is the "Army," which is entered (exclusive of payments in England) at £12,657,920 for all India. In the Military Budget the Armies of India are distinguished as those of Bengal, Madras, and Bombay. In the "General Budget Estimate of India," the former alone is charged to the "Government of India." The estimates are for the Bengal Army £6,774,365, for that of Madras £3,111,740, and for that of Bombay £2,771,815. The Madras Army garrisons permanently the Central Provinces and Burmah, and not only does the Presidency bear the actual cost of the considerable portion of its Army located in these territories, but the necessity of providing at reasonable intervals for the relief of the Troops thus employed on "Foreign Service" entails additional expense. The subsidy to which Madras is entitled for the Troops thus engaged is, the Board believe, about £700,000. The justice of the claim cannot be questioned, these being charges permanently incurred for the exclusive benefit of other Provinces, and not mere temporary arrangements, such as the present loan of Troops to Bombay in connection with the Abyssinian expedition. Bombay again is entitled to a subsidy on account of the Troops stationed at Aden, which is retained for the Empire generally, and not for the special or exclusive advantage of the Bombay Presidency. The like reason perhaps exists in the case of some of the political stations garrisoned from the Bengal Army.

111. It seems to the Board that the proper course is to treat the entire *Regular* Army of India as an Imperial charge. It is in reality maintained for the security of the Empire at large from internal rebellion and foreign aggression. The safety of the whole depends on the safety of each part, and it could never be permitted to any portion of the Empire so to reduce its Military Force, as to disable it from succouring any other portion in time of need, or so to increase it as to endanger the peace of the Empire. The Local Governments, no doubt, possess the best means of judging of the Military strength required for purely local objects, and certainly their advocacy of its increase and deprecation of its diminution ought never to be lightly regarded, but a natural confidence in the results of their administration, an undue belief in the loyalty and contented disposition of their people, and, above all, the painful knowledge of the vast extent of good which they might accomplish, if only funds were available, may lead to reductions and economies in the Army expenditure incompatible with the welfare and safety of the Empire. If the Armies of Bombay and Madras were now at the minimum requisite for local purposes alone, the former could not supply troops for the Abyssinian Campaign, nor could the latter take the duties of the troops thus

withdrawn. The Central Government can alone decide satisfactorily what the strength of the Indian Armies should be, to ensure the safety of the Empire. It has peculiar advantages for anticipating extraneous exigencies, and it can alone ensure that due counterpoise of races in its Military organization, on which the security of the country much depends. However much of its authority the Central Government may yield in the management of the Civil Administration of the country, its control over the Military forces must be so potential, as to render Local Government in respect to it, merely nominal. But while the Regular Army is thus treated as an Imperial concern, each Government may fairly be required to provide such irregular forces as local circumstances render necessary, the Central Government taking care that such levies do not assume dangerous proportions. The Board, therefore, in Statement B annexed have entered the entire expense of the Army in the Imperial Budget.

	£
Public Works ...	84,900
Loss by exchange in Railway transactions	36,633
	£ 121,533

NOTE.—There are some differences between the figures in the Civil and Public Works Budgets, but they are trifling.

112. "Public Works, Ordinary," is the next charge, £121,523, classed as shown in the margin. The first item relates apparently only to the minor administrations under the Supreme Government.* The second appears from the Public Works Budget to be the charge for Bengal alone, the like charges, for the Punjab (£90,616), Madras (£11,361), and Bombay (£46,467), are debited against those Provinces. This item should therefore be similarly treated.

113. The fairest way of dealing with Railways is, the Board think, to charge each Province with the net annual expense of the mileage within its limits. To treat them as Imperial would involve very unequal taxation. Burmah, for instance, would have to contribute, while it has no Railway. The payments of various kinds in connection with Railways are very heavy, and aggregate £820,000 in the Indian Budget alone, of 1867-68, independent of disbursements in England. Though the Political and Military importance of Railways is undoubtedly very great, the Provinces which they traverse unquestionably benefit most materially, and should provide the funds as they would have to do for roads and canals. The plan of treating Railways as Local will have the further indirect advantage of imposing a wholesome restraint on the Local Governments in respect to the advocacy of new lines, inasmuch as the expense of them will have to be met by themselves. The Railway charges are comprised under three heads, namely, Loss by exchange, Supervision and cost of land, and Guaranteed interest. The two first can be apportioned, but for distributing the third (£582,359) the Budget does not supply means. The Board have, therefore, entered it in the Imperial list.

114. The next item is £619,449 on account of Stores purchased in England. In this is included the sum of £490,872 on account of Stores for the Bengal Army. For the like purposes Madras is charged £145,479, and Bombay £145,997.

	Bengal.	Madras.	Bombay
	£.	£.	£.
Clothing for Troops	150,999	40,811	32,160
Medical Stores.	20,517	9,140	5,590
Ordnance do ...	99,056	20,448	33,207
Miscellaneous ...	220,300	75,080	75,040
	490,872	145,479	145,997

On the principle proposed of treating the whole Indian Army as an Imperial charge, these sums should be added to the Imperial Budget; so also the charges against Madras £2,513, and Bombay £4,377, for Mint Stores, should be entered in that Budget. The addition of these items will raise the Imperial charge under this head to £917,815.

115. The next charge is £5,154,615 the net expenditure in England (Home charges); no specification of the details of this item is given, but judging from the Parliamentary Returns of

1865-66, a very considerable portion of it is for local interests, and should be transferred to the Local accounts. It is impossible, however, to say how much is thus transferable or the amount chargeable to each Province; the Board have therefore treated the whole as Imperial, for the present.

116. The last item in the Budget is £152,600 or "Public Works, Extraordinary." This seems to be the expenditure in the Foreign and Minor States under the exclusive management of the Supreme Government.

117. The result of the proposals above made would be that the Imperial Budget of expenditure, the common burden towards which each Province must, in proportion to its ability and interest, contribute, would stand at £24,787,416.

Budget of 1867-68.	£
I. Land Revenue	23,960
II. Tribute	67,310
III. Forest	6,180
IV. Abkarry (excise)	10,950
V. License tax	45,000
VI. Customs	390
IX. Stamps	6,960
	160,750

	£
Madras	13,060
Bombay	136,460
	149,520

118. I am now to proceed to a consideration of the revenues available. The first seven items are given in the margin. They are derived from the minor administrations under the Supreme Government, and call for no remark.

119. The receipts from "Mint" are entered as £163,720. As, however, the charges of the Bombay and Madras Mints have been debited to the Supreme Government, the receipts of those establishments, aggregating £149,520, must be credited to it. This will raise the revenue to £313,240.

120. The next two items, "XI. Post Office," £595,210, and "XII. Telegraph," £303,900, need no remark.

121. The next entry "XIII. *Law and Justice*," £29,540, is made up almost exclusively of "Fees realized by Officers of the High Court;" and as the expenses of the High Court have been transferred to the Local accounts, so also must the receipts be made over. The receipts of the Port Blair Convict Establishment (£44,600) have however to be added, the charges having been treated as Imperial.

122. The Revenue from "XIV. Police," £10, will also be made a local receipt, with the expenditure under the same head.

123. The Revenues from "XVI. Education," £5,150, consist almost entirely of the Calcutta University fees, and will, with the charges of that institution, pass to the Local account of Bengal.

	£.
1. Interest on Government Securities purchased for the Currency Dept. ...	151,340
2. Do. on shares of the Bank of Bengal held by the Government	30,000
3. Do. on advances to Service and other Funds.	3,500
Miscellaneous ...	500
	185,340
Do. Political	140
	185,480
Add	
Madras	6,750
Bombay	3,000
	191,730

124. The item "XVII. Interest," £185,480, comprises the receipts marginally noted. The first is Imperial, and a set off against the expenses of the Currency Department. The second with the similar items in Madras and Bombay should be regarded as an Imperial receipt, as the investments can hardly be said to have been made out of the revenue of each Province; and if the connection of Government with the Banks were to cease, the value of the shares should fall to the General Treasury of all India. The contrary course would not be fair towards the Provinces which have no Banks. The third item becomes "Local" in common with the corresponding expenditure. This head of Revenue will thus be increased to £191,730.

125. The head "XVIII. Miscellaneous," £143,700, does not appear to call for any observations.

126. The next item is "Army, Miscellaneous," £435,955. This sum, as the Military Budget shows, is entirely connected with the Bengal Army, and will pass with the latter to the Imperial account. To it have to be added £147,475 in Madras, and £128,200 in Bombay, for similar receipts, raising the total to £716,630.

127. The last head "Public Works, Miscellaneous," £3,200, is trifling, and needs no remark.

£	24,787,416
£	2,467,960
£	22,319,456

128. The Imperial Budget of receipts will thus be £2,467,960. This sum deducted from the proposed Budget of expenditure leaves a net sum of £22,319,456, which may, for the present, be taken to represent with sufficient accuracy the common burden of Imperial taxation to be distributed among the different Provinces.

129. The fairest way of adjusting the burden is, in the Board's opinion, to take the same per-centage of the entire gross Revenue of each Province. *If it were adjusted on the basis of the Land Revenue alone, it would fall with undue weight on Madras, the North-Western Provinces, and Bombay, in which the Land-tax is heaviest. If, on the other hand, it were apportioned on the* indirect taxes, Customs, Opium, &c., the pressure on Bengal and Bombay would be unfairly great, while other Provinces would escape easily. By taking, however, the *entire* revenues, the balance is preserved, as fairly as it practically can be, the revenue derived from the consumption of luxuries makes up for lightness of Land-tax, and on the whole the incidence of the public burdens will be found to be very much in due proportion to the known wealth and resources of the different Presidencies.

	Population.	Land Revenue. £.
Madras ...	25,000,000	4,305,500
N. W. P....	28,000,000	4,040,000
Bombay ...	13,000,000	3,566,900
Bengal ...	42,000,000	3,831,370
Punjab ...	15,000,000	1,915,200

130. The accompanying Statements B., C. and D. have been drawn up in illustration of this arrangement. Statement B. shows the Imperial Receipts and Charges. The latter exceed the former, as already stated, by £22,319,456, but they have been calculated on a maximum scale, inasmuch as they include several large items* which are really chargeable in a great measure to the local administrations. Statement C. again gives the revenues of each Province, including the estimated receipts of an Income-tax at two per cent. on incomes above £200 per annum, according to Statement No. 2 of the Financial Secretary's Memorandum. This source of revenue has been included, because it forms part of the Financial Secretary's scheme, and because owing to the large outlay on "Public Works, Extraordinary," the Budget of the year shows a gross deficit of £1,767,478. Had the proposed arrangement been in force during the current year, this outlay must have been met by resort to fresh taxation, except in Bengal, the North-Western Provinces, and Madras. The simplest plan, therefore, is to reckon that tax as part of the income. Statement D. again shows the expenditure of each Province.

	£.
* P. W. Loans.....	80,000
Home charges	5,154,615
Guaranteed Railway interest	582,359

131. It will be seen from these Statements that if each Province is required to contribute a moiety of its entire gross revenues, the receipts into the Imperial Exchequer would have exceeded the charges by £214,013. The charges, as already stated, are on a maximum scale, and in addition to this margin, the Central Government would have had the means of raising additional funds by increasing the Income-tax, if the expansion of the other sources of revenue had not afforded a sufficiently reliable prospect of supplying any further amount required.

132. On this basis then of taking a moiety of the entire revenues of each Province, the moiety of the estimated revenue of 1867-68 being the general minimum, the Supreme Government might, in the Board's opinion, safely take action at once, leaving the nicer adjustments to be arranged hereafter at leisure.

	£
Bengal.....	7,736,690
N. W. Provinces...	3,043,255
Punjab.....	1,752,205
Madras	3,735,685
Bombay	4,418,255
Oude	711,724
Central Provinces	563,865
Burmah	571,820

	£
Bengal.....	2,656,885
N. W. Provinces...	1,196,185
Punjab.....	502,881
Madras	861,130
Bombay	773,172
Oude	32,770
Burmah	120,148
Central Provinces (deficit)	77,832
Interest on Service Funds, &c.....	205,000
Board of Examiners...	3,133
Donation to Service Funds.....	120,000

133. The marginal abstract shows the contribution af each Province under the proposed arrangement. The quota of, at all events, the five chief administrations, seems to the Board to bear a very fair proportion to the reputed, comparative resources of each.

134. The results as regards each Province aro illustrated in Statement B. After deducting its ordinary administrative charges, each, with the exception of the Central Provinces, would have had the surplus shown in the margin for Public Improvements; and after deducting the actual grants for Public Works, Bengal would have had a clear surplus of £1,631,385, the North-Western Provinces of £245,185, and Madras of £169,930. The large balance in favor of Bengal is due to its large revenue from Opium, Customs, and Salt. Its actual surplus, however, would not have been so large, as in common with the North-Western Provinces, the Punjab, Oude, and the Central Provinces it would have had to make good the charges on account of Service Funds, &c. transferred from the Imperial Budget. But with every fair deduction, and making allowance for the fact that some of its Customs and Salt revenues are really derived from other Provinces, there can be no doubt that Bengal contributes most to the National Treasury.

135. In Bombay and the Punjab, again, there would have been a deficit. In the former, the administrative charges appear very heavy, but in both the real cause of the deficit is the lavish expenditure on Public Works. On this the Board have already commented, and it will be enough here to show the proportion which the Public Works grants of each Province bear to its gross revenue.* This comparison does not take into account an expenditure of £1,270,000 for works charged to "Debt," on which the Board presume, each Government would only have to provide the annual interest. The distribution of this sum is, however, marginally given †. Both Bombay and the Punjab would have had to raise the necessary funds, either by curtailing expenditure, or imposing fresh taxes; that is, both are quite in a position to provide for themselves.

	Per-centage to Revenue.
* Central Provinces..	32·14
Punjab.....	26·11
Burmah	22·73
Oude.....	18·62
N. W. Provinces ...	15·62
Bombay..... ...	11·69
Madras..... ...	9·25
Bengal.....	6·63

	£.
† Bombay.....	695,000
N. W. Provinces	230,000
Madras	150,000
Punjab	120,000
Bengal...	60,000
Central Provinces	15,000
	1,270,000

Note.—Of the Bombay Revenue of £8,667,514, upwards of £2,000,000 are derived from Opium.

136. The case of Oude, the Central Provinces, and Burmah is different. They are comparatively recent Provinces, and until their resources are developed by improved administration, may fairly claim special grants, within reasonable bounds, from the older Provinces. The aggregate of these might be apportioned rateably among the five old acquisitions.

133. The following abstract shows what would be the result as regards Madras of carrying out this principle in 1868-69:—

Receipts.	£.	Expenditure.	£.
I. Land Revenue	4,355,000	3. Interest on Service Funds and other accounts.....	(c) 121,370
II. Tributes to contributions from Native States	344,640	4. Allowances, Refunds, &c.....	13,500
III. Forest.....	45,000	5. Land Revenue	437,400
IV. Abkarry	530,000	6. Forest	30,980
V. License-tax	72,500	7. Abkarry	25,000
VI. Customs	240,000	9. Customs.....	17,820
VI. Salt.....	1,310,000	10. Salt	190,580
IX. Stamps	400,000	12. Stamps	16,400
XIII. Law and Justice	76,100	16. Allowances to District and Village Officers	38,000
XIV. Police.....	33,740	17. Administration and Public Departments	(d) 126,477
XV. Marine	2,690	18. Law and Justice	457,937
XVI. Education	5,910	19. Police	390,000
XVII. Interest	(a) 6,290	20. Marine	20,845
XVIII. Miscellaneous	(b) 40,543	21. Education, Science, and Art ...	109,886
Public Works	11,416	22. Ecclesiastical	42,228
Total..	7,473,829	23. Medical Services	78,463
Income-tax.....	126,000	24. Stationery and Printing	37,192
	7,599,829	25. Political Agencies and other Foreign Services.....	10,146
Half Revenue	3,799,914	26. Allowances and Assignments under Treaties and Engagements.	(e) 486,290
Deduct administrative charges...	2,985,328	27. Miscellaneous	69,705
	814,586	28. Superannuation, Retired, and Compassionate Allowances.....	245,109
Public Works Budgets including outlay on Railways	750,940	Stores from England	20,000
Surplus	63,646	Total..	2,985,328

(a). £5,190 deducted for interest on Madras Bank Shares.
(b). £547 deducted for Money Orders.
(c). £16,200 added for Mysore Promissory Notes.
(d). £4,409 deducted for Currency and Money Order Departments.
(e). £15,000 added for Mysore payments.

138. In conclusion I am to express the Board's decided opinion that the Central Government might act on the proposed plan with full safety to itself and with justice to its various Subordinate Governments. It is obvious that to this principle of distributing the Imperial burden fairly among the different Governments, the new policy must lead; and if the measure be delayed, its difficulty will be enhanced by the embarrassments consequent on intermediate assignments of revenue with transferred Departments. On the other hand it cannot reasonably be expected of Bengal, the North-Western Provinces, and Madras, that they should accept the present scanty allotments and no more while their surplus payments are devoted to the lavish demands of other Provinces. If the Central Government first determines what each has to contribute, each Province must adjust its requirements to its means, and the State will be safe. If, however, the Supreme Government are not prepared to adopt the scheme first sketched out, then the Board would suggest to Government the advisability of taking over—

I. The construction and repair of all roads, with an assignment of Revenue equivalent either to 5 per cent. of the gross Land Revenue or one-sixteenth of the *net* Land Revenue, plus the Public Works Receipts in both cases. The net Land Revenue to be calculated on the principle set forth in Statement 5 of the Financial Secretary's Memorandum, and the like assignment to be made to all the other Provinces; special grants being interdicted save in the case of Oude, the Central Provinces, and Burmah.

II. The Police, on condition of receiving an annual grant of £350,000 from the general Revenues, the following grants being made similarly to the other Provinces:—

	£.
Bengal	506,000
North-Western Provinces	333,000
Punjab	270,000
Bombay	357,000
Oude	100,000
Central Provinces	126,000
Burmah	116,000

III. The maintenance and repair of all tanks, minor works of irrigation, and assignment of 10 per cent. of the lands irrigated from the works being made for the purposes.

139. The first and second queries made at the conclusions of the Financial Secretary's letter have thus been answered. As regards the third query, I am to observe that there are no special sources of Revenue at present available, save the Income-tax, and the Statement A. annexed furnishes a reply to the last question.

(Signed) R. A. DALYELL,
Secretary.

A.

Return of "Local Funds" in Madras under the management of the Board of Revenue.

District Road Fund.

Items.	Estimated receipts of 1868-69.	Remarks.
	£	
Ferry rents (*a*).....	10,176	(*a*). *Ferry Rents.*—The public ferries are generally rented out under stringent regulations for the comfort and safety of the people, and maximum fares are prescribed.
Tolls on Roads and Bridges (*b*).....	5,600	(*b*). *Tolls.*— Do. do. The Road Fund provides the bridges and keeps up the roads.
Road Cess (*c*).....	180,910	(*c*). *Road Cess.*—Levied under Act III. of 1866, Madras, at the rate of six pice in each Rupee (or 3¼ per cent.) of assessment or rental.
Surplus collections of Pound Fund (*d*).	10,345	(*d*). *Surplus collection of Pound Fund.*—Pounds are established in every village under the Cattle Trespass Act (No. III of 1857, Imperial); they are in the care of the Village Officers, and the surplus receipts, after providing for the maintenance of the Pounds, are applied to Public Works under the Imperial Act No. V of 1860.
Grass Rents (*e*).....	1,525	(*e*). *Grass Rents.*—These are the rents of Esplanades, Bungalow compounds, and the like. Receipts from agricultural pasture lands are credited to the State as Land Revenue.
Nanal Grass (*f*).....	145	(*f*). *Nanal Grass.*—This grass grows on small tracts of lands along river banks in the bed of tanks, &c.
Sale of Manure (*g*).....	243	(*g*). *Sale of Manure.*—The manure is collected at cart stands, &c.
Fisheries (*h*).....	7,152	(*h*). *Fisheries.*—These rents comprise the right of fishing in rivers, streams and tanks. The corresponding item was found to have been given over Local Funds in Bengal, &c., and the privilege on application was extended to this Presidency.
Prunings of Avenue Trees	1,758	
Ten per cent. allowance on net receipts of sale of Escheated lands in Malabar (*i*).	3,000	(*i*). *Ten per cent. on net Escheat sales in Malabar.*—The proprietary right in various lands which have at various times escheated is being sold. On the application of this Government, the Supreme Government allowed 10 per cent. of the net proceeds to be applied towards the improvement of the lands by opening out roads.—Vide letter from Government of India, dated 17th January 1865, No. 338.
Sale proceeds of materials of old Forts, &c.	25	
Interest on Investments.....	339	
Fees levied on Cart Stands	214	
Do. on Groynes at Ponnany, in Malabar.	100	
Rent of Bazaars.....	10	
Savings, refunds, and recoveries.	61	

Return of "Local Funds" in Madras, &c.—(Continued.)

Items.	Estimated receipts of 1868-69.	Remarks.
	£	
Voluntary contributions towards Public Works.	845	
Miscellaneous items...	731	
Total District Road Fund...	223,179	
Cattle Pound Fund.		
Fines paid on stray Cattle.....	13,360	The Cattle Pound Fund arises under the Imperial Act No. III of 1857, and the surplus proceeds are devoted to Public Works under the Imperial Act No. V of 1860.
Sale proceeds of unclaimed Cattle.	2,325	
Miscellaneous...	85	
Total Cattle Pound Fund ..	15,770	
Public Bungalow Fund.		
Fees paid by travellers	1,199	*Public Bungalow Fund.*—Until recently all public Bungalows were kept up by the State for the gratuitous use of travellers. Since 1864, fees have been levied for the accommodation afforded, and a grant-in-aid contributed for the repair, &c., of the buildings. The number of Bungalows has been greatly reduced, but in spite of this, and notwithstanding the exercise of the utmost economy, the fees do not yet suffice, and cannot be further increased without inflicting great hardship.
Grant-in-aid from Public Treasury.	1,000	
Sale proceeds of old Furniture ...	17	
Miscellaneous...	54	
Total Public Bungalow Fund...	2,270	
Endowment Fund.		
Landed endowments	15,552	*Endowment Fund.*—This comprises the endowment of Choultries, Alms-houses, and other foundations (not being religious) for the use of the people. The management of such Institutions is vested in Collectors and the Board of Revenue by Regulation VII. of 1817.
Fixed money allowances in lieu of former do.	5,109	
Miscellaneous.....	67	
Total Endowment Fund...	20,728	
Jungle Conservancy Fund.		
Tax on Fuel and Bamboos	4,670	*Jungle Conservancy Fund.*—The scattered scrub jungles of the plains were being rapidly destroyed by the villagers and others; and in order to preserve and improve them, a tax on Firewood cut and Charcoal made for *sale* has been levied through the Village Officers, and applied to these purposes. The prescriptive right of the ryots to fuel, leaves for manure, and wood for implements, (for their own use and not for sale,) is respected. All *Forests* are under the separate Conservancy Department.
Sale of trees	1,715	
Fees from Charcoal burners.....	226	
Miscellaneous.....	3,823	
Total Jungle Conservancy Fund ...	10,434	

Return of "Local Funds" in Madras, &c.—(Concluded.)

Items.	Estimated receipts of 1868-69.	Remarks.
Village Service Fund.	£.	*Village Service Fund.*—This fund comprises the proceeds of the ancient merahs or fees paid by the ryots for village services, and the new cess levied in lieu of fees for these purposes, and the sums charged for the enfranchisement of Village Service Inams. The receipts are applicable only to the remuneration of Village Officers. The Cess Act is as yet in operation only in one District, Kurnool.
Merahs or Fees.....	48,375	
Cess in lieu of fees under Act VI. of 1864 (Madras)	35,900	
Receipts from enfranchised Service Inams...	18,000	
Total Village Service Fund...	102,275	
Process Service Fund.		*Process Service Fund.*—This comprises the Fees or Batta levied under Act No. II. of 1864, (Madras,) for the service of processes on Revenue defaulters.
Fees from Revenue defaulters... ...	3,295	
Irrigation Cess in Trichinopoly and Coimbatore.	5,271	This Cess is voluntarily paid by ryots holding lands under certain river channels in two Districts in lieu of customary labor. It is hoped that the system will gradually extend.
Canal Fund in Madras.....	4,400	This income is derived from Tolls and License fees on boat, using Cochrane's canal to the north of Madras and the Sadras Canal to its south.—Vide remarks in paragraph 122.
Grand total of Local Funds in Madras under management of the Board of Revenue	387,622	

NOTE.—The rules under which these Local Funds are administered are founded on the Imperial Budget Rules, and are contained in Government Order, dated 4th March 1864, No. 392, Revenue Department.

RE.

lget of 7-68, as it is.	*Add* transferred *from* Local Budgets.	*Deduct* transferred *to* Local Budgets.	Net results.	
£	£	£	£	
2,711,040	.....	.....	2,711,040	(*a*) Connected with the Minor States, &c., under Supreme Government.
80,000	.....	.....	80,000	(*b*) Mint Revenues of Madras and Bombay.
508,244	.....	(*i*) 239,800	268,444	(*c*) Receipts of Port Blair Convict Establishment.
63,663	.....	.....	63,663	(*e*) High Court Fees.
12,336	.....	.....	12,336	(*f*) Calcutta University Fees.
4,886	.....	.....	4,886	(*d*) Interest on Bombay and Madras Bank Shares.
327	.....	.....	327	(*h*) Do. on Bengal Service Funds.
.....	.....	.....	.....	(*i*) £205,600 on account of Bengal Funds; £16,200 on account of Mysore Notes; £18,008 Railway balances.
263	.....	.....	263	(*j*) Cost of Madras and Bombay Mints.
62,292 (*j*)	73,249	.....	135,541	(*k*) £2,093 Money Order Department.
481,120	.....	.....	481,120	£17,298 Currency do.
520,528	.....	.....	520,528	(*l*) Calcutta Board of Examiners.
290,840 (*k*)	19,391	(*l*) 3,113	307,118	(*m*) Cost of Port Blair Convict Establishment.
154,036 (*m*)	133,116	130,029	157,123	(*n*) Calcutta High Court and Law Offices.
10,804	.....	(*n*) 10,664	140	(*o*) Cost of Thuggee Department.
..... (*p*)	200,000	.....	200,000	(*p*) Proposed to meet Imperial charges now paid by Bengal and Bombay.
170,045	.....	.....	170,045	(*q*) Calcutta University.
9,559	.....	(*q*) 5,580	164,465	(*r*) Bishop of Calcutta.
278	.....	(*r*) 9,373	186	(*s*) Ex-King of Oude, £120,000.
29,463	.....	.....	278	(*m*) Dhulleep Sing, £12,000.
73,031	.....	.....	29,463	(*t*) Bengal Service Funds.
168,621	.....	.....	73,031	(*u*) Madras Army, £3,111,740.
70,762	.....	(*s*) 152,762	15,859	Bombay do. £2,771,815.
160,634	.....	.....	70,762	(*v*) Army and Mint Stores of Madras and Bombay.
6,774,365 (*u*)	5,883,555	(*t*) 120,000	40,634	(*w*) Transferred to Bengal.
84,900	.....	.....	12,657,920	
36,633	.....	.....	84,900	
619,449 (*v*)	298,366	(*u*) 36,633	.....	
152,600	.....	.....	917,815	
			152,600	
13,250,719	6,607,677	707,954	19,150,442	
.....	.....	.....	5,154,615	
.....	.....	.....	582,359	
.....	.....	.....	24,787,416	

Imperial Revenue.

Items.	Budget of 1867-68, as it stands.	*Add* transferred *from* Local Budgets.	*Deduct* transferred *to* Local Budgets.	Net results.
	£	£	£	£
I. Land Revenue	(a) 23,960	.....	.....	23,960
II. Tributes and Contributions from Native States.	(a) 67,310	.....	.....	67,310
III. Forest	(a) 6,180	.....	.....	6,180
IV. Abkary (Excise)	(a) 10,950	.....	.....	10,950
V. License-tax	(a) 45,000	.....	.....	45,000
VI. Customs	(a) 390	.....	.....	390
IX. Stamps	(a) 6,960	.....	.....	6,960
X. Mint	163,720	(b) 149,520	.....	313,240
XI. Post Office	595,210	.....	.....	595,210
XII. Telegraph	303,900	.....	.....	303,900
XIII. Law and Justice	29,540	(c) 44,600	(e) 29,540	44,600
XIV. Police	10	.....	(f) 10	.....
XVI. Education	5,150	.....	(g) 5,150	.....
XVII. Interest	185,480	(d) 9,750	(h) 3,500	191,730
XVIII. Miscellaneous	143,700	.....	.....	143,700
Army do	435,955	275,675	.....	711,630
Public Works do	3,200	.....	.....	3,200
Total	2,026,615	479,545	38,200	24,67,960
Add moiety of the gross revenues of each province as per Statement C.	.....	.....	.....	22,533,499
Deduct Expenditure	.....	.....	.....	25,001,459
Surplus revenue	.....	.....	.....	24,787,416
	.....	.....	.....	£214,043

Imperial Expe.

Items.	E 18
1. Interest on Funded and Unfunded Debt	
2. Do. on Special Loans for Public Works	
3. Do. on Service Funds and other Accounts	
4. Allowances, Refunds, and Drawbacks	(a)
5. Land Revenue	(a)
6. Forest	(a)
7. Abkary (Excise)	
8. Customs	(a)
11. Stamps	
12. Mint	
13. Post Office	
14. Telegraph	
16. Administration and Public Departments	
17. Law and Justice	
18. Police	
19. Marine	
20. Education, Science, and Art	
21. Ecclesiastical	
22. Medical Services	
23. Stationery and Printing	
24. Political Agencies and other Foreign Services	
25. Allowances and Assignments under Treaties, &c.	
26. Miscellaneous	
27. Superannuation, Retired, and Compassionate Allowances.	
Army	
Public Works, Ordinary	
Do. Loss by exchange on Railway transactions	
Expenditure in England for Stores	
Public Works, Extraordinary	
Total	
Net Home expenditure	
Guaranteed Interest on Railway Capital, less net Traffic Receipts	
Total charges £	

C.

PROVINCIAL REVENUES.

Items.	Bengal.	North-Western Provinces.	Punjab.	Madras.	Bombay.	Oude.	Central Provinces.	Burmah.	Total.
1	2	3	4	5	6	7	8	9	10
	£	£	£	£	£	£		£	£
I. Land Revenue	3,831,370	4,040,000	1,915,200	4,305,500	3,566,900	1,180,810	618,620	577,450	20,030,830
II. Tributes and Contributions from Native States	.....	170,000	27,710	344,640	87,700	...		...	630,250
III. Forest	14,100	60,140	26,060	40,000	146,320	12,810	1,150	86,900	428,120
IV. Abkarry (Excise.)	674,170	201,750	81,610	565,000	377,500	90,000	101,200	103,200	2,194,330
V. License tax	150,000	70,000	20,000	60,000	130,000	10,000	19,500	5,000	455,000
VI. Customs	971,000	64,300	106,850	207,800	748,270	...	12,500	46,500	2,356,740
VII. Salt	2,737,080	553,100	808,120	1,240,000	544,000	2,220	186,000	6,910	6,078,030
VIII. Opium	5,571,160	...	1,790	....	2,140,800	...		...	7,713,750
IX. Stamps	751,000	364,200	174,700	400,500	572,500	75,000	90,000	52,320	2,480,620
XIII. Law and Justice	253,090	84,760	58,100	73,500	138,950	13,370	23,700	28,150	673,620
XIV. Police	52,560	55,800	44,890	34,140	12,390	14,440	10,000	15,000	246,030
XV. Marine	164,570	...	3,000	3,200	71,530	...		3,920	246,220
XVI. Education	37,700	6,900	6,940	4,820	9,730	500		400	67,099
XVII. Interest	280	160	...	6,670	10,420	150		460	18,140
XVIII. Miscellaneous	46,800	30,000	16,540	47,000	50,000	2,340		2,930	203,820
Public Works do.	18,500	215,400	164,100	12,600	59,500	1,000		2,560	476,800
Income-tax as estimated in Statement 2 attached to Financial Secretary's Memorandum	200,000	170,000	48,800	126,000	170,000	20,800	20,000	12,000	767,600
Total ..	15,473,380	6,086,510	3,504,410	7,471,370	8,836,510	1,423,449	1,122,170	1,143,640	45,066,999
Of which a moiety being contributed towards Imperial expenditure, the balance available for Local expenditure is	7,736,690	3,043,255	1,752,205	3,735,685	4,418,255	711,724	561,085	571,820	22,533,499
Deduct Administrative charges, Statement D.	5,079,805	1,847,070	1,249,324	2,874,555	3345,083	678,964	641,000	453,672	16,468,160
Balance available for Public Works, &c.	2,656,885	1,196,185	502,881	861,130	73,172	32,770	79,915	120,148	.....
Grant for Public Works Budget of 1867-68.	1,025,500	951,000	915,100	691,200	1,03,500	265,000	382,000	260,000	.....
+Surplus due to Local Governments.	*	*	*	*	*	*	302,915	139,852	.....
—Deficit against do.	+ 1,631,385	+ 245,185	— 412,219	+ 169,930	— 266,328	— 232,230			

These Administrations have also to make good transfers from the Imperial account to the amount of £2 26,

PROVINCIAL EXPENDITURE.

	Bengal.	North-Western Provinces.	Punjab.	Madras.	Bombay	Oudh.	Central Provinces.	Burmah.	Total.
	£	£	£	£	£	£	£	£	£
s and other Accts.	8,628	4,200	3,162	(a) 113,600		1,700	1,400	800	253,145
d Drawbacks	122,257	18,614	9,998	11,550		3,588	1,900	4,262	257,949
	329,293	349,760	208,527	(b) 419,856		148,220	129,395	87,622	2,072,487
	12,144	40,838	24,865	27,300		10,699	29,092	34,886	271,491
	136,884	33,128	7,385	21,700		7,43	3,760	7,925	235,851
	55,875	.....	43,991	16,700		.....	.....	12,500	218,221
	19,173	65,261	25,527	170,000		6,42	50,915	400	360,351
	1,676,719	.....	.....	.....		.....	.....	.....	1,709,249
nd Village Officers	23,396	15,263	.....	15,000		3,63	3,370	1,200	83,228
lic Departments.	.....	8,124	6,528	.....		320	.....	.....	395,777
	(c) 143,058	(d) 112,392	2,427	25,000		39,389	(h) 33,519	(i) 32,165	729,324
	(j) 912,372	414;108	(e) 101,265	(f) 122,210		85,396	88,556	(k) 74,949	2,684,080
	558,883	388,321	190,980	445,711	(g)	117,56	142,698	31,296	2,416,632
Art	(l) 154,011	.....	314,883	.....		.....	.....	25,574	349,895
	(n) 236,869	115,896	25,053	387,077		19,713	.....	7,415	657,202
	27,722	17,550	67,605	19,975		4,997	18,585	5,034	148,131
	70,039	42,127	18,483	96,083	(m)	11,592	3,916	9,181	299,927
other Foreign	36,640	25,161	26,674	40,000		5,241	14,652	2,834	138,793
	.....	.....	6,640	60,561		.....	2,500	.....	148,579
nts under Trea-	1,760	34,012	.....	33,105		.....	474	7,781	1,948,371
	.....	.....	8,966	.....		(g) 206,748	86,579	.....	361,218
	226,545	101,650	.....	9,984		6,865	15,989	2,825	519,778
and Compas-	168,694	24,982	21,971	.....		6,002	14,397	.....	198,881
	.....	.....	.....	70,699		.....	.....	3,023	
tores	53,787	35,683	17,661	.....					
	105,056	.....	.....	240,816					
Total...	5,079,805	1,847,070	1,249,324	(r) 17,467		678,904	641,697	451,672	16,468,160
				2,874,555					

NOTES.

(a) £ 16,200 added for Promissory Notes for Mysore Princes.
(b) ,, 30,000 deducted for Public Works Repairs.
(c) ,, 600 deducted for Money Order Department.
(d) ,, 1,651 do. for Currency, and £ 406 for Money Order Department.
(e) ,, 2,252 do. for Currency.
(f) ,, 7,231 do. for do. and £ 202 for Money Order.
(g) ,, 4,623 do. for do.
(h) ,, 1,541 do. for do. and £ 2,900 for Money Order Department.
(i) ,, 595 do. for do.
(j) ,, 130,029 added for Calcutta High Court and Law Officers.
(k) ,, 133,116 deducted for Port Blair Convict Settlement.
(l) (m) £ 100,000 deducted.
(n) ,, 5,580 added for Calcutta University.
(o) ,, 1,200 do. part pension of H. H. Maharajah Dhuleep Sing.
(p) ,, 15,000 do. Mysore Pensions.
(q) ,, 120,000 do. pension to Ex-King.
(r) ,, 147,992 deducted for Mint and Army Stores.
(s) £ 150,904 do. for do. do.

No. 20. MINUTE by the Right Honorable the PRESIDENT, dated 15th February 1868.

Two systems of financial administration are applicable to India, and each has its advantages, the Imperial system and the Federal system.

Under the Imperial system, which at present exists, the great bulk of the revenue of the country forms one general fund from which appropriations are made for expenditure in the several presidencies and provinces under the sanction of the Supreme Government, appropriations regulated by a view of the necessities of the several provinces and the general interests of the State. This system does not, however, exclude local taxes raised both in the municipalities and rural districts which are not carried to the general fund, but which are strictly disbursed for local purposes within the limits in which they are exacted.

Under the Federal system we may presume that each presidency, or province, would tax itself according to its sense of public expediency, with or without the sanction of the Supreme Government. The bulk of the provincial taxation would be retained within the limits of the province, which would form a kind of separate State, while a stipulated sum would be remitted to the central authority for Federal establishments and purposes. The claims of the Federal authority might either be secured by appropriating to them the proceeds of certain particular taxes—as in the United States of America, or by a fixed subsidy in time of peace derived from the general revenues of the province.

Under this system local taxation for local purposes might also continue to exist as at present.

2. Both systems involve the existence of a supreme or federal authority in some form or other.

In connection with the Imperial system of finance, the supreme authority necessarily possesses a great degree of legislative and administrative control, exerted with greater or less stringency according to the character and policy of the agents employed in the Provincial and Imperial Governments.

In connection with the Federal system of finance, the authority and control of the Federal Magistrate or Council would be, in all probability, materially relaxed, and an increasing latitude would be allowed to the Provincial Governments.

3. The advantages attached to the centralization of Indian finance, and to the political control exercised in connection with it, appear to me to be comprised under the following heads:—

(1). The system exists, and has long existed. The inconveniences attached to it are known; they are not oppressive, they are diminishing; they might be entirely redressed by inquiry, by regulation, by moderation, and discretion on the part of those in power. The prevalence of British authority over the whole Peninsula; its increasing ascendancy in the few remaining Native States; the maintenance of a lasting peace; the development of rapid communication by land and sea; the creation of great public works of common utility by Imperial loans; the obliteration of local prejudices; the better constitution of the Supreme Government itself, all tend to render the existing system of centralized government more tolerable and useful, and to place it in harmony with the natural order of things, and

with the requirements of the age. To alter the present order of government now might be to alter what is just becoming appropriate. To introduce the Federal system might prove to be reactionary, and contrary to natural tendencies. It might result in inconveniences which we cannot measure, which we cannot foretell.

(2). The Imperial system of finance, with its attendant political features, constitutes a splendid and powerful central government wielding all the resources and all the prestige of India—a central government imposing to the Native States, which can overshadow them, which can be generous to them, which can overawe the hostile or doubtful independent powers on the north, which could meet Russia itself on equal terms of dignity and strength. I doubt whether the Supreme Government would maintain the same ascendancy if it became the pensioner of the Provincial Governments.

(3). Placed at the head of the revenues and power of the whole of India the Supreme Government possesses a degree of credit in the English money market about equal to that of France, or the United States of America, superior to that of Russia. India can borrow at five per cent. at par. It may be doubted whether India, with a disintegrated revenue, would maintain the same high position. The Federal Government would not borrow on the same terms as the Supreme Government; nor would the Provincial Governments borrow on the same terms. Indeed it may be questioned whether they ought to be allowed to borrow at all.

(4). One of the objects of the English Government is to inspire Native capitalists with confidence in the stability of our financial institutions, to induce them to invest their wealth in Indian securities and in Indian guaranteed public works. This object is being gradually and securely attained under the Imperial system of finance. But would Indian capitalists have the same confidence in a Federal Government, with a Federal revenue eliminated from the revenues of the Provincial States, as they have in a central Government with a general revenue? Would the paper currency of a Federal Government, with its diminished functions and resources, command the same confidence among the masses, as the paper currency of the Supreme Government? I doubt it. The solvency and resources of the Federal Government might be essentially as substantial; but appearances would be against it, and the masses would be affected by appearances.

(5.) The Supreme Government of India, with its centralized revenues and authority, fitly represents the Majesty of the British Sovereign, and fills the place, in the imagination of the Hindu and Mussulman nations, which was formerly occupied by the Emperor of Delhi. There is a sovereign autocratic idea attached to the Supreme Government which is congenial to the oriental mind, and which maintains the traditions of respect and submission. But if the constitution of the Supreme Government was rashly tampered with, if it was deprived of the purse and of the power which belongs to the purse, would not the veneration which is now associated with this depository of the authority of the distant sovereign be gradually impaired? I think it would, and neither the Federal Government, nor the Provincial Governments, would ever command the same veneration.

(6.) The Supreme Government, disposing of the financial resources of the whole of India, can carry those resources at once where they are most

needed. There are objects which have a truly national importance, though they may appear chiefly beneficial to a particular district. There may be evils, necessities, and dangers in particular districts, which it is the duty of the Supreme Government to correct and remedy at the charge of the whole. The creation or improvement of a port may have a national importance, though the expenditure on it may appear unfairly beneficial to a particular locality. A road, a canal, a railway from a cotton district, or a coffee district, or a tea district, may have a vital significance for the whole people and commerce of India, and yet the expenditure on such a work may be out of all proportion to the present revenue of the district which it is destined to develope. A Military railway to the north-west frontier is as necessary to Madras and Burmah as to the Punjaub, though Madras and Burmah will never see it, nor profit directly by sixpence of the money expended on it; or the Supreme Government may find it necessary to lay out, for moral and social purposes, larger sums on recently conquered, savage, or dissatisfied provinces than the revenues of those provinces would seem to warrant, in order to remove causes of disturbance or danger, and to force those provinces into some degree of harmony with the long-settled, pacified, reclaimed portions of the empire. An excess of expenditure during years for police, prisons, and schools in Oude, or in Scinde, or in the Punjaub, compared with Bengal, or Madras, or Bombay, might be patriotic and justifiable. The old provinces of the empire conquer the new provinces. The old are bound in honor and duty to civilize what they conquer. We have no right to annex a country and then throw it on its own resources. Conquest has its duties as well as its rights. I venture to demur to the policy of those who would restrict the benefits of the Supreme Government to its receipts, and who would measure out, in a parochial spirit, to every province appropriations proportioned to its specific returns. On the contrary, it ought to be a satisfaction to the rich to help the poor; to the old to protect the young; to the good to improve the bad; for thus all can co-operate in building up the glorious fabric of a united India. Such duties can only be performed, such ends can only be attained by a Central Government disposing of the financial resources of a whole empire, and animated by a higher law than the nice computations of a provincial Revenue Board.

(7). The Imperial Government in its present form, and with its present resources, maintains a certain uniformity in the development of English institutions in India, which, without this controlling power, might run into great divergencies and contradictions in the several provinces, both in regard to constitution and to cost.

(8). In the preceding paragraphs I have indicated the advantages belonging to a centralized finance in time of peace. It would be superfluous to contend for the superiority of this system in the event of war. The Supreme Government having all the resources and disbursements of the empire under its control can now instantly stimulate every source of income, close every avenue of outlay, and concentrate all its expenditure on the capital object at stake—the energetic prosecution of hostilities. Under the Federal system it would be necessary to deal with lukewarm, reluctant, hesitating, or even hos-

tile interests perhaps not directly concerned in the struggle, or convinced of its necessity, and solicitous for exoneration or delay.

4. In these reflections I have assumed that, if the finances of India were decentralized, the governing power would be decentralized also. But it may be contended that the power of the Supreme Government might be preserved, that it might still remain the supreme controlling, counselling, regulating authority, though deprived of its financial autocracy and placed upon an allowance. I do not believe that would be possible. If the Provincial Governments acquired the right of raising their own revenues, and of distributing and applying those revenues, they would have an irresistible claim to mould their institutions to suit their expenditure. Indeed the money would not be worth having without the power, the responsibility, and the credit of an independent administration.

5. If we turn to the alternative of a Federal system of finance, attended with a considerable modification of the present power of Imperial management and control, no doubt considerable benefits to the several presidencies and provinces are apparent.

(1.) Under the Federal system, the Provincial Governments would be interested in raising as large a revenue as could be taken consistently with the welfare of the country, and in spending it as economically as possible. At present, under the system of an Imperial revenue, the Provincial Governments, unless acting under conscientious motives, (which I trust guide our proceedings here,) might be disposed to raise as little as possible, while they might endeavour to obtain as much as possible from the general fund. Nor are the Provincial Governments as deeply concerned in economizing now as it would be in a position of independence, for what they economize reverts to the Imperial treasury.

(2.) Under the Federal system, the Provincial Governments would act with more reflection and more energy in the prosecution of public improvements both of a social and material character. Their plans for the public good would not be checked or overturned by a distant authority; their responsibility would not be divided; their credit would not be shared; and the financial results of their deliberations and labors would be retained in the country, and would be returned to the sources in which they originated.

(3). The Provincial Governments would be protected against the mistakes and delays which may be contingent on the interference of an examining and controlling power overburdened with work, and incapable of dealing with local details far beyond the sphere of its actual knowledge and observation.

(4). The burden of taxation would be more willingly borne by the people of the presidency or province, who would feel that, with the exception of a stated sum subscribed for Federal purposes, the whole revenue of the province would be retained in the territory for its exclusive benefit.

6. From the remarks which I have submitted it may be inferred that, in my opinion, the present system of centralized finance with the present centralized authority are most advantageous to India at large, and to the consolidation of the British power, but that the Federal system would be most beneficial to the old provinces and especially to Madras. I lean, myself, but with no very fixed determination, to the former alternative, and if financial and administrative independence was offered to-morrow to this presidency in connection with a Federal constitution, I think that this Government would act with superior wisdom in declining it. I am prepared, however, of course, to meet with a great divergency of opinion on the subject, and for the purposes of the present discussion it is right that I should bring the specific measure suggested by Mr. Massey under consideration. Is it then a good measure in itself, and a good introduction to the decentralized or Federal system of finance? I am bound to say that I cannot answer either question in the affirmative. I do not think that the overture can be acceptable to this Government, and I do not think that this method is one by which the Federal system can be fairly and beneficially brought into operation.

7. Mr. Massey proposes to transfer to the Government of this Presidency certain branches or proportions of the Imperial revenue, and to transfer at the same time certain departments of the provincial administration and expenditure to which those revenues are to be applied.

Passing over charges of a trifling and miscellaneous character, which have no sensible interest for the Government or the country, the objects which Mr. Massey proposes to deliver over to our management with an assignment of money equivalent or approximatively equivalent to the existing annual appropriations are the following:—

Jails.
Police.
Public Works, excluding Irrigation Works.
Medical Service.

Leaving out certain sources of insignificant amount, the revenues appropriated to these charges are the following:—

One-sixteenth gross Land revenue.
One-quarter Income tax.
One-quarter License tax.
Law and Justice.

8. Two of the branches of administration assigned are of such a character that they could only be assumed by the Provincial Government in connection with revenues of a very expensive character.

9. The Jail system of the Presidency is in a state of transition and development; all the Subsidiary Jails and Lock-ups have to be reconstructed or remodelled at an estimated cost of about £150,000. Some of the District Jails must be rebuilt, and all must be enlarged and adapted to the purposes of improved discipline and labor. The Central Jails are not terminated, and when terminated they will probably have to be subjected to material alterations if the principles of European treatment and organization are to be introduced into this country. Juvenile reformatories have not yet been commenced.

10. The charge for Medical service is in the same position as that for Jails. The Native hospitals even at the presidency are very imperfectly provided. In the provinces the dispensaries must, in my opinion, be in many respects altered if they are to be reconciled to the habits of the people, and if they are to command popular sympathy. They must be multiplied and associated with agencies for teaching, as well as for healing, if they are to meet the necessities of the poor, and disseminate the benefits of European Medical science.

We cannot accept such increasing charges without a better assurance of increasing means to meet them.

11. The Police is an establishment which has nearly assumed a normal shape and cost. The force will probably not be augmented. The pay of the men must be eventually raised in connection with the rising value of provisions and remuneration of labor. The pay of the officers may perhaps have to be improved in order to secure a permanent staff of intelligent and irreproachable agents. But such augmentations may be gradual, and they may not be important. We could take over our Police expenditure with a fixed appropriation on the present basis; but it appears to me unimportant whether we receive that appropriation annually from an Imperial budget, or permanently from a specified branch of the Madras revenue.

12. The Public Works, exclusive of irrigation, might also be defrayed by a permanent appropriation estimated on the present rate of annual Imperial expenditure, for, though the present appropriation is incommensurate to the necessities of the presidency, it will be relieved by the completion of the Wynaad roads which now weigh heavily on the budget, as well as by the development of the local road cess. But here, again, I do not see what we gain by a permanent appropriation of provincial revenue. The Supreme Government will not deny us the same or a greater amount from Imperial sources.

13. No decentralization of Public Works expenditure, which does not include the management of irrigation works, can, in my opinion, have any considerable interest for the Madras Presidency.

14. I would positively decline to accept the Jails and the Medical Service on the terms proposed by Mr. Massey. The Police and Public Works are scarcely worth accepting in the form in which they are offered.

15. In these remarks I have assumed, that the branches of revenue which Mr. Massey proposes to resign are not susceptible of rapid or considerable development. I may add that one of them ought not to be parted with by the Supreme Government at all.

16. The land revenue has undoubtedly a tendency to increase; but if we regard the contemplated introduction of the new settlements in several districts, and the vicissitudes of the seasons, that increase may not be proximate, or stable. There may be, for instance, a diminution in the present year.

17. One quarter of the Income tax is a visionary provision. The Income tax is not imposed, and, in my humble judgment, ought not to be imposed except in case of war, or in the event of a great deficiency of revenue from opium, or in some necessity more clearly proved than we have before us at present.

18. The License tax should be abandoned altogether by the Supreme Government in favor of the municipalities and for local purposes in the rural districts.

19. The receipts under the head of Law and Justice are more likely to diminish than to expand.

20. Having thus briefly stated the grounds for my opinion that the proposals of Mr. Massey are not in themselves acceptable, I may be permitted to affirm that proposals of this partial character are not the proper instrumentality by which

a financial and political revolution should be inaugurated, and by which it can ever be fairly and justly accomplished.

Mr. Massey has framed a tentative Memorandum. The Secretary for the Financial Department has written a hesitating letter. Behind the public scene we see the forms of others dimly who impel and agitate. The Viceroy gravely deprecates the innovations projected by his subordinates. The Secretary of State for India has made no sign of acquiescence, or disapproval.

I respectfully submit that all this is not quite regular or right. If Her Majesty's Government and the Government of India determine, on sufficient deliberation, that it is desirable to decentralize the financial, and consequently, in my humble judgment, the political administration of India, and to introduce the Federal constitution in lieu of an Imperial power, would it not be better that the several presidencies, or provinces, should be called upon seriously to co-operate in framing provisions for that purpose, which might be submitted to Her Majesty's Government. To attempt such a work by written correspondence would probably be an interminable labor. Nothing less than a congress of delegates could effect it. To such consequences, I might say to such extremities, any serious disturbance of the present financial constitution must eventually lead. Under these impressions I conceive that Her Majesty's Government and the Supreme Government would do much better to look the whole question in the face broadly, in all its magnitude, than to suffer inconclusive overtures to be circulated by subordinate authorities, however able and respectable. Such overtures must necessarily provoke controversies and counter-suggestions without end from every Provincial Government, and from every administrative department and authoritative functionary in each Provincial Government, resulting in a mass of conflicting statement and advice, which can scarcely become the basis of an equitable and acceptable resolution in the Supreme Council. A conference of the best intellects in India would digest some practical proposal, or explode the scheme altogether.

21. In the report from the Board of Revenue, which accompanies these papers, I find the following passage:—"Any change in such a system can hardly fail of "being an improvement, and the voluntary and extensive abnegation now proffered "by the Supreme Government of a control which it cannot exercise with efficiency, "and which becomes more injurious the more energetically it is exercised, must be "regarded with the utmost satisfaction by all who take an interest in the welfare "of the empire."

I regret that the Board of Revenue has affirmed this opinion in a manner so dogmatic. I feel that, in their opinion, I am excluded from the number of those "who take an interest in the welfare of the empire," for I do not see any necessity for the abnegation of the Supreme Government, and I have not observed that their control has been exerted to the prejudice of this presidency.

I have now had the honor of being charged with this Government for two years, and I have not been an uninterested spectator of the progress of public works with their ornaments and benefits. I am enabled, therefore, to express a deliberate judgment that the intervention of the Supreme Government has never, in my experience, been vexatious or unreasonable. I do not remember any

good undertaking which has been frustrated by this power which, in the imagination of some, is so malignant. The Supreme Government, as at present administered, appears to me to be a forbearing and impartial authority. Only two cases of any importance occur to me at this moment in which the Government of India has interfered to arrest or modify the resolutions of the Government of Madras. One occurred in connection with the Lawrence Asylum works, the other in connection with the Irrigation works under the Pennair anicut in the district of Nellore. In the first case the Supreme Government were in my opinion right; in the second, their objections were not unnatural, those objections being productive of no bad consequences, and they have already yielded to the explanations of this Government. The Public Works of Madras are not impeded by the interference of the Supreme Government. They are impeded by want of funds and want of Engineers.

22. If the present proposals of Mr. Massey should be withdrawn it may be asked whether there is no provision for local works and interests which I would recommend for the advantage of the presidency. My reply to this question may be found embodied on various occasions elsewhere. There are two agencies in activity, which are destined gradually to work out the most important ameliorations in this country, municipal taxation and the local road cess. To these sources of local revenue and improvement I would add two more.

(1.) The levy of a tax on trades and professions in the country districts which should be applied to Subsidiary Jails, Dispensaries, and Sanitary improvements.

(2.) The imposition of an additional five per cent. on the assessment of wet lands to be applied to irrigation repairs in conjunction with five per cent. to be reserved for the existing revenue making ten per cent. in all to be used locally under the direction of the Revenue Officers or in conjunction with them by the Officers of the Department of Public Works.

23. These proposals would imply the relinquishment of the License tax on trades and professions by the Supreme Government in favor of strictly local objects, a concession which, in my humble judgment, they might judiciously make, the tax being already extensively levied for municipal purposes.

24. With the provisions which I have indicated I think that the local necessities of the presidency would be sufficiently guaranteed, and that the Imperial revenue and control might be safely left intact.

25. The various proposals which have been made, pointing to increased local taxation on the disintegration of the Imperial revenue with specific transfers and appropriations, have no doubt originated in the insufficiency of the general public revenues of India to meet the constantly increasing charges for the public service in all its branches. If this be true, it behoves us surely to inquire most seriously whether a vigorous well-considered effort has been made to reduce expenditure. In the Madras Presidency it is my opinion that the cost of the Army far transcends the wants of the country, and that retrenchments on this head might be made which would not be contemptible even with reference to the Imperial deficit. The question will be brought forward hereafter with due deliberation by one of my colleagues, and every disposition will be manifested by this Government to sift the matter to

the bottom as far as our establishments are concerned. I cannot disguise my impression that a movement in the same direction in other parts of India might produce valuable results, especially if the inquiry was conducted by an independent English agency.

26. In returning a reply to the Government of India with reference to the proposals of Mr. Massey, the Minutes of the Members of Government and the various reports furnished by the several officers to whom this question has been referred will be transmitted. Some diversity of opinion will no doubt be discovered, and it may not be easy to bring the sentiments of the Members of Council into harmony except in simply declining the specific overtures now before us. We can scarcely hope to concur in a counter proposal. I would, therefore, advise that an answer be framed to the effect that this Government are of opinion that the measures brought under their consideration are of too partial and inconclusive a character to justify a disturbance of the present system of financial administration.

(Signed) NAPIER.

No. 21. MINUTE by the Honorable A. J. ARBUTHNOT, dated 25th February 1868.

I concur generally in the objections advanced by His Excellency the Governor in his Minute of the 15th instant against the adoption of any such partial changes in the system of financial control, at present exercised by the Government of India, as those adverted to in the letter from the Financial Secretary to that Government, under date the 19th September last, and in the Memorandum which accompanied it. If it were thought desirable to introduce any changes so limited in extent, I should much prefer the scheme submitted by our Board of Revenue in their Secretary's letter of the 27th ultimo, but I question the policy of any such partial localization of revenues and charges, which, in my opinion, would tend rather to delay than to facilitate the introduction of a more complete decentralization, and would not very materially diminish the amount of supervision which, under the system now in force, the Supreme Government is compelled to exercise over the Local Governments.

2. With reference to the three proposals submitted by the Board in substitution of those made by Mr. Massey, I would observe that the interference of the Government of India with the appropriation of the sum annually allotted from the General Revenues for the construction and repair of roads is now practically nominal. I cannot call to mind any instance during the last three or four years in which the Supreme Government have objected to any particular work of this description which the Madras Government proposed to carry out from the sum allotted to Communications. Practically, the Local Government is unfettered in the distribution of the funds allotted to this branch of its expenditure, and I agree with Lord Napier in regarding it as a question of little moment, whether the amount so allotted is fixed annually, or is to be a permanent proportion of the land revenue. The stipulation proposed by the Board that the Supreme Government should not be at liberty to make any special grants in excess of the fixed proportion, except in the case of the three provinces most recently annexed, viz., Burmah, the Central Provinces, and Oude, is clearly an inadmissible stipulation, and is based on what I cannot but regard as a very erroneous conception of the powers which, under any possible system of decentralization, must be reserved to the Supreme Government.

3. Very much the same may be said in regard to the Police expenditure, the details of which have not been interfered with by the Supreme Government for some years past. It is true that, within the last few months, a question has been raised with reference to the aggregate amount of our Police charges with a view to their reduction, but full explanation has been furnished, and judging from the past, I see no reason to apprehend that the Governor General in Council will insist on any reduction in this important department of the administration in opposition to the unanimous opinion of the local Government. Of two other questions connected with the Police, on which also we are in correspondence with the Government of India, viz., the proposed deconsolidation of the salaries of Military Officers employed in the Force, and the Resolution of the Supreme Government in favor of the employment of a more exclusively Civil Agency; the second is one on which under any system the will of the Government of India must be supreme, inasmuch as the Army must always be, in a great measure, under the control of the Central Government, and it must be left to that Government to determine to what extent the Officers of the Army are to be made available for employment on other than Military duties.

4. The third and last of the proposals submitted by the Board that, for the repair of tanks and other minor works of irrigation, the Local Government should be at liberty to appropriate 10 per cent. of the revenue derived from the lands irrigated, is one which may fitly be considered and dealt with on its merits, apart from any more general scheme for localizing revenues and expenditure. It is a subject of great importance to the prosperity of this Presidency, and I have no doubt that any well digested scheme for making more efficient provision for the maintenance of the numerous petty works of irrigation, on which the sufficiency of the food supply and the payment of the Government revenue are so materially dependent, will receive from the Government of India the attention which it deserves; but at present it can hardly be said that the question is ripe for decision. It has yet to be determined how far the existing agency is sufficient to provide for the maintenance of the numerous irrigation works scattered over the country even if the requisite funds were available, and, if not, what better means of ensuring the prompt and effective execution of the necessary works can be devised. It also seems desirable that some more approximate estimate should be formed of the actual cost of keeping such works in repair before assigning for the purpose a fixed quota of the land revenue.

5. In regard to the general question of substituting what Lord Napier designates as the Federal system of financial administration for the existing Imperial system, which is naturally raised by the circulation of the proposals submitted in Mr. Lushington's letter, I concur in every word that His Lordship has written as to the great and paramount importance of maintaining unimpaired the power and prestige of the Central Government. I recognize the absolute necessity of continuing to the Governor General in Council ample means of controlling and directing the administration of the several Local Governments: of impelling the introduction of judicious reforms, checking extravagance and misdirected expenditure, and securing for the general requirements of the Empire such a proportion of the revenues of each Presidency or administration as the exigencies of the time may render necessary. I also cordially assent to the justice of His Excellency's remarks in regard

to the practical working of the present system of late years. From a tolerably close observation of the manner in which the administrative and financial control vested in the Supreme Government by the Imperial legislature has been exercised with reference to this Presidency for some years past, and more particularly during the last six years, I am able to say that in my judgment the Madras Presidency has no serious grounds for complaint on the score of undue interference on the part of the Government of India in the details of its administration; that on the contrary the general rule has been that a reasonable proposition, if fully and clearly explained, has been tolerably certain of receiving the sanction of the Supreme Government; and that the cases in which our recommendations have not been acceded to, have of late, with very few exceptions, been matters in which very fair reasons could be advanced in support of the opposite view of the question—cases in which the Local Government could not justly complain that their proposals had failed to receive consideration, or had been rejected on arbitrary grounds. The real defect of the present system, in my opinion, is that neither the action of the Local Government nor that of the Supreme Government is subjected to a sufficiently effective check, that exercised by the Government of India being too distant and being of necessity deficient in the knowledge of local circumstances and of local requirements which is essential to a thoroughly successful manipulation of the local finances; while, on the other hand, the Local Governments are without those incentives to practising economy in the administration of the departments, which must be left more or less under their control, or to urging economy in those under the immediate control of the Government of India, which would be furnished by the adoption of a system conferring on the Local Governments somewhat more freedom of action, and with it more of real responsibility than at present attaches to them.

6. Under present arrangements every Local Administration naturally seeks to obtain for itself the largest possible slice out of the Imperial Revenues. It has little or no inducement, save that which the moral sense of its members may supply, to pare down unnecessary charges, or to develope its sources of revenue. I do not believe that the political conscience of Madras is composed of a different material from that which is found elsewhere; but all public bodies require to be governed and controlled by motives and incentives not very dissimilar from those which regulate the actions of private individuals in every-day life, and above all they need the check of an outside opinion, competent from circumstances to form a true judgment of their acts, and sufficiently interested in the consequences of those acts, to exercise that judgment in a persistent and effective manner. To me it appears that these incentives and these motives are not to be found in the amount of control, which it is possible or desirable that the Supreme Government of India should exercise over its various provincial administrations.

7. While, therefore, I entirely concur in Lord Napier's views as to the inexpediency, in a political point of view, of introducing any changes which might have the effect of materially impairing the power and prestige of the Central Government, and while I cordially assent to His Lordship's remarks on the considerate and forbearing manner in which the present system has, for the most part, been worked of late years, I cannot but regard it of great importance, with a view to the improvement of our internal administration, that greater freedom of action should be con-

ferred, and at the same time a more effective responsibility should be imposed upon the Local Governments. I submit that this object may be attained without any diminution of the real power which appertains to the Governor General in Council under the present system.

8. According to the present constitution of the Government of India, using the term government in its abstract, and not in its technical sense, the check which the Supreme Government exercises over the provincial Administrations is principally financial, and it is exercised in three ways: first, in its annual revision of the Budget Estimates submitted by the Local Governments; secondly, in the use of its power of prohibiting the creation of new offices, or new salaries, or any other additions to the permanent expenditure of the State; and thirdly, in the annual settlement of the amount at the disposal of each Administration for Public Works. The check which is afforded by the annual revision of the Budget Estimates may be dismissed with the remark, that in practice the Budget Estimates submitted by the Local Governments are not materially altered, so long as they are prepared in conformity with the prescribed rules. Under the regulations, which have been in force for the last few years, the control of the Supreme Government over the creation of new appointments, or charges of a petty character, has been considerably relaxed, and is to a great extent in the form of a review of charges already incurred, and not, as it used to be, in the form of a scrutiny of applications for increase of charge. For the creation of such appointments as it is usual to publish in the Official Gazette, or for raising the salaries attached to such appointments, the previous sanction of the Government of India is still required, and, practically, its control over the Civil charge of the several administrations, excluding from this category the Public Works expenditure, is confined to charges of this description. The aggregate amount available for Public Works is settled annually previous to the preparation of the detailed Budget Estimate. Of late it has been the practice to set apart a certain sum for expenditure on Military buildings which cannot be diverted to any other purpose, but with this exception, and with the exception of the amount allotted from Loan Funds for irrigation works, the detailed distribution of the expenditure is, in practice, left almost entirely to the Local Government. It is true that transfers from one major head of the Budget to another require the sanction of the Supreme Government, but such sanction is rarely or never withheld. In the case of very expensive works the plans and estimates have to be submitted for the previous sanction of the Supreme Government, and, as Lord Napier remarks, the requirement has not hitherto been productive of any material inconvenience or hindrance to the prosecution of useful works.

9. In addition to the financial checks above described, the Governor General has a power of veto over the legislation of the Local Governments, and the Governor General in Council is competent to order the adoption of any measures which he may deem conducive to the material or moral progress of the country. His orders on such points, when they do not take the shape of legal enactments, are usually in the form of suggestive communications, calling the attention of the Local Governments to the subject under consideration, explaining the policy of the Supreme Government in reference to it, but leaving to the Local Government a wide margin of discretion in carrying out that policy in detail.

10. It appears to me that with the experience already gained in the Government of this country, it would not be difficult to devise a system which, while enlarging the freedom of action, and increasing the responsibilities of the Local Governments, would not diminish in any essential points the power and influence which is exercised by the Government of India in the several modes above adverted to. What I would venture to suggest is, that certain branches of expenditure having been set apart as Imperial, the quota to be furnished by each Local Government towards the Imperial expenditure should be determined annually by the Governor General in Council, the remainder of the revenues of the province being left at the disposal of the Local Government, subject to checks and restrictions which I will describe presently.

11. The Imperial expenditure should include the following items of charge:—

The expenses of the Home Government and of the Government of India;
The Public Debt;
The Army;
The Post Office;
The Telegraph;
The Mint;
Interest on Guaranteed Railways;

and any other items that may be considered to appertain rather to Imperial than to local objects. It would be for the Government of India annually to determine the aggregate sum required for these branches of administration, and having done so to decide with reference to the requirements of each province, regarded from an Imperial, and not merely from a local, point of view, what should be its contribution to the Imperial Exchequer, and what sum should be left at the disposal of the Local Government for carrying on the Civil Administration and for Public Works. With the view of establishing a thoroughly effective check over the expenditure of the Local Governments, each Local Government should be required to submit annually to the Local Legislative Council a Budget Estimate exhibiting the probable amount of revenue which, under the orders of the Government of India, will be left at its disposal, and the expenditure which it is proposed to incur. The votes of the Council should be taken on the Budget section by section, or item by item, it being open to any member to move the omission or reduction of any particular item of expenditure which he might deem unnecessary or unduly high, or an increase of charge when he might regard the Budget provision too low, or the insertion of any new charges which he might deem called for. On all such amendments the votes of the Council should be taken, and the Budget should be finally passed, and embodied in an Appropriation Act, as voted by the majority of the Council; such votes, however, being subject to the following restrictions:—It should not be in the power of the Council to vote the creation of any permanent charge exceeding a certain amount, say Rupees 1000 per mensem (at first perhaps a lower limit might be imposed), or to raise any existing charge of a permanent character above that amount, or to vote the abolition or reduction of any permanent charge exceeding that amount, unless the permission of the Governor General in Council had been previously obtained. In all such cases the power of the Council should be limited to passing resolutions, affirming that such and such changes were desirable, and it should be

the duty of the Governor and his Executive Council to forward the resolutions so passed to the Governor General in Council with any remarks they might think proper. It would of course be open to any Member of the Council, as indeed it is under the present law, to bring forward measures of local taxation. It would probably be expedient that the power of raising loans for the execution of reproductive works should be restricted to the Supreme Government.

12. Under such a system the expenditure, and, in fact, the administration of each province would be subjected annually to the test of public discussion by persons possessing a knowledge of local circumstances and local requirements, and the result could hardly fail to be a more economical and, at the same time, a more vigorous administration. Under it the powers at present exercised by the Supreme Government would be in no respect materially diminished. The Governor General in Council would still retain an ample control over the resources of the Empire. Upon his decision the amount to be allotted to each Local Government for its internal administration would still depend. He would still regulate the official emoluments of all public Officers throughout India above a certain grade. The creation or abolition of appointments above that grade would still be dependent upon his sanction. His control over the legislation of the Local Governments would remain intact. The influence, which he is able to exert by the legislative power vested in his own Council, would continue unimpaired. It would still be competent to him to instruct and advise the Local Governments, to review their measures, to approve or condemn their acts. His dignity in the eyes of the Native community would be in no way lessened. His authority and influence over the Local Governments would not in reality be weakened.

13. It would be very desirable, if any such change of system were introduced, that the Supreme Government, on the occasion of its annual settlement of the quota to be contributed from the revenues of each Local Administration to the general expenses of the Empire, should publicly notify (so far as such publicity might not be deemed inexpedient for reasons of State policy) the grounds upon which larger or smaller allotments are assigned to the several administrations in proportion to their respective revenues. To take for instance one of the cases adverted to in the letter from the Board of Revenue, it would be proper that the reasons which have led to the assignment to the Bombay Presidency of so large a proportion of its revenues, in comparison with the proportion assigned to other provinces, should be stated for the information of the other Governments. The publication annually of such a statement, for the comments and criticism of the several Governments and of the Press, could hardly fail to exercise a beneficial influence on the decisions of the Governor General in Council, and to bring about a more careful and deliberate consideration of the claims of the several Presidencies than always takes place under the present system. It cannot be denied that there exists a very general impression that the large grants for Public Works, made of late years to the Bombay Presidency, are attributable rather to the pertinacity with which the wants of that Presidency have been urged by its Government than to its real claims and requirements in comparison with those of the other Presidencies, whether they be regarded from an imperial or from a local point of view. If this impression be unfounded, it would be dispelled by the publication of such an annual statement as I suggest If the fact be otherwise, the allotment would

be re-considered and one more just to the remainder of the Empire would be adopted. In alluding to this subject, I wish it to be distinctly understood that I entirely concur in the opinion expressed in Lord Napier's Minute, that the disposition of the financial resources of the Empire must be left to the Supreme Government, and that the principle of appropriating the allotment made to each province by a nice calculation of the revenue yielded by it would be altogether incompatible with the controlling power which must be reserved to the Governor General in Council. All that I would urge on this point is, that the exercise of that control should be subjected to the valuable check which would be afforded by requiring the Supreme Government to promulgate an annual statement of the reasons which guide it in the allotments made to the several Local Administrations.

14. Under the system which I advocate, the several Local Governments would have a direct interest in promoting economy, not only in the expenditure under their more immediate control, but in those branches of expenditure under the direct control of the Government of India and, I may add, under that of the Home Government. Lord Napier has alluded to the heavy cost of the Army of this Presidency, which I have incidentally noticed in one or two Minutes recently submitted to the Supreme Government, and which I propose to bring under the formal consideration of Government at an early date. The strength and the cost of the Military Force to be maintained in a particular province are questions which, of course, must be largely governed by Imperial considerations, but they are questions on which the Local Government might, and often would, afford useful advice, if it had that practical interest by which it ought to be actuated, in urging a judicious economy in the general expenditure of the Empire.

15. I am aware* that the proposal to assign to the Legislative Councils of Bengal, Madras, and Bombay, a control over the administrative measures of the

* Since writing this Minute, I have found in Mr. Laing's Financial Statement of the 27th April 1861, some remarks which bear upon my present suggestion, and show that the idea of submitting a portion, at all events, of the financial administration of the Local Governments to the criticism of the Local Legislative Councils was at that time entertained.

In connection with his proposal to require the Local Governments to provide for expenditure, amounting to £500,000, by means of local taxation, Mr. Laing said:

"By enacting local budgets the Government hope not merely to meet a temporary difficulty, but to inaugurate a "permanent improvement.

"It has long been a standing complaint with the other Presidencies and Provinces that they were deprived of their "fair share of self-government, and kept in a state of galling and humiliating dependence on the bureaux of Calcutta.

"Well, Sir, the power of the purse is the ultimate power, and as long as Local Governments are absolutely sub-"servient to Calcutta in financial matters, it is evident that they can have no real independence.

"But if, without sacrificing in any way the unity of the Empire and imperial control in imperial matters, we give "them local budgets, their position is altered.

"We propose to give them not only powers of local taxation, but possibly to credit them with a liberal share of "reductions of expenditure, which they may be able to make on the estimates of the general budget.

"Each Government will, therefore, have a direct interest in economy, in order to increase the fund applicable to "local works, and I cannot fancy that Madras, for instance, will long continue to spend £160,000 a year in Public "Works Establishments to look after £460,000 a year of expenditure upon actual works, when it is apparent "that every £1 extra spent on establishments means £1 more to raise by local taxes, or £1 less to spend on roads "and canals.

"It is obvious that such a system of local budgets would harmonize extremely well with what I hope soon to see "adopted, viz., local Legislative Councils at the Presidencies.

"*It would at once give them an appropriate and dignified position, and I can imagine nothing more useful than that the "details of a local budget, such as that of Madras or Bombay, should be submitted to the intelligent scrutiny of a Council, "comprising both experienced officials and picked representatives of the Mercantile and Native communities.*"

The proposal adverted to by Mr. Laing in the foregoing remarks was more limited in extent than that which I have now ventured to submit, but the principle of the two is the same.

Executive Governments, even to the limited extent indicated in the foregoing suggestions, is one which has not hitherto been advanced, or, if advanced, has not as yet been seriously entertained. The view hitherto taken has been that in a country, the Government of which must more or less partake of the character of a despotism, it would not be safe to entrust to an independent body, however small, any power of interference with, or control over, the executive administration. It was in conformity with the principle upon which this view is based, that up to 1854 all legislative power was restricted to the Executive Government, and that the admission of non-official persons to take a share in the legislative business of the Empire was not sanctioned until 1861. It is, I take it, an admitted fact that the practical working of the latter measure has very fairly met the expectations of its authors, and that the presence of non-official persons in the Legislative Councils has been a source of strength, and not a source of embarrassment to the Government. I cannot think it probable that a different result would follow from conferring upon these Councils the additional duty of revising and passing the annual estimates, subject to the restrictions above provided for. In the constitution of the Councils the official element largely predominates, and it is not to be apprehended that it would be in the power, even if it were the wish, of the non-official members to carry any measure to which the Governor and his Executive Council were opposed. The effect of the change would be, not to diminish the power and responsibility which must necessarily be reserved to the Executive Government, but to ensure that that power should be exerted, and that responsibility discharged under the salutary influence which would be exercised over every head of a department and over every member of the Executive Government, by the knowledge that his administration, and especially those parts of his administration which in any way affect the financial position of the Presidency, would be liable to criticism in a Council, the proceedings of which are public, and the members of which are more or less competent from their own local knowledge, and from the means available to them of obtaining local information, to form an intelligent judgment on the various questions which may arise. That some such check will be necessary in the event of larger powers being conferred on the Local Governments, does not, I think, admit of a doubt, and I question whether any better agency can be devised for the purpose than that which is ready to our hands in the existing Legislative Councils.

(Signed) A. J. ARBUTHNOT.

No. 22. MINUTE by the Honorable H. D. PHILLIPS, dated 29th February 1868.

The measures remitted to this Government for consideration, do not seem fully to have commended themselves to the Government of India, who, have merely assented to the communication of certain plans, and have carefully abstained from pledging themselves to their adoption. These plans are modifications of views originally entertained, though the scope of the proposals as first made, has been enlarged. They have been explained in an elaborately prepared Memorandum; but, in point of fact, they seem simply to have been thrown out for opinions, the bearings of which will, it seems probable, lead to their entire abandonment.

2. I have perused with much interest the observations recorded by Lord Napier, the President, and fully concur with His Lordship that it is unadvisable to accept the proposals made to this Government for assigning to it what, as now put, is only an incomplete and very partial share in the system of financial administration of the empire.

3. Should it be determined eventually to expand the dimensions of the assignment, and give to it a permanent character, the attention of the Supreme Government might properly be drawn to the sketch plan submitted in paragraph 13 of the accompanying letter from the Board of Revenue, and to their further remarks as to carrying it into effect, which commence at paragraph 94 of the same communication.

4. Speaking from general observation, and from what I have noticed as a Member of this Government, I should be disinclined to diminish the power of supervision and control now generally exercised by the Central Government over the more important proceedings of the outlying presidency. I cannot recall to mind any instances in which that power has been asserted in modification or annulment of a measure proposed or adopted by the Local Government, where reasons have not been advanced which it would have been difficult not to acknowledge as good and sufficient for the course taken by the higher authority.

5. An exception may perhaps be made in regard to the recent very close supervision of certain of our most important measures of irrigation, which supervision would appear to be all the less necessary, seeing how successful our Irrigation Officers have been in completing some of the grandest hydraulic works in India without control, aid, or advice from the authorities in the older presidency.

(Signed) H. D. PHILLIPS.

No. 23. ORDER THEREON, 7th March 1868, No. 124.

Ordered that the foregoing papers be transmitted to the Government of India, and that the following letter be despatched.

(True Extr

R. S. ELLIS,
Chief Secretary.

7 March 1868
Fort.

FINANCIAL DEPARTMENT.

No. 125.

FROM

THE HONORABLE R. S. ELL C. B.,
Chief Secretary to the Government of Fort Saint George,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCIAL DEPARTMENT.

SIR,

I ACKNOWLEDGE the receipt of your Circular letter of the 19th September last, transmitting for the remarks of the several local Governments and Administrations, certain proposals made by the Right Honorable Mr. Massey for localizing a portion of the revenues and charges at present treated as Imperial, I am directed to submit, for the consideration of the Government of India, the enclosed copies of letters from the Accountant General and the Board of Revenue, and of the Minutes which have been recorded on the subject by the Members of this Government.

Proceedings, 7th March 1868, Nos. 15 to 23.

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

FORT SAINT GEORGE,
7th March 1868.

Chief Secretary.

Exd. F. R. Ban an.

1868.

FINANCIAL DEPARTMENT.

From

The Chief Secretary to Government,
Fort Saint George.

To

The Secretary to the Govt. of India,
Financial Department.

Dated 7th March 1868.
Recd.

No. 125.
Enclosure.

Submitting for consideration copies of certain papers, and of the Minutes recorded by the Members of the Madras Government, on the proposals by the Right Honorable Mr. Massey for localizing a portion of the revenues and charges at present treated as Imperial.

Through Controller of Military Accounts

79

Army Clothing Department

No. 31

Madras 13th March 1868.

From

The Superintendent

Army Clothing

To.

C. G Walker Esqre

Under Secretary to Government

Financial Department

Fort Saint George

Sir,

With reference to your Official Memo No 110, dated 10th March 1868. I have the honor to annex a List of Persons who were previously employed in the Service of the Army Clothing Board -

I have the honor to be

Sir,

Your Most Obedient Servant

Superintendent Army Clothing

Rec'd 22 Nov by — 1 — 2

9.

Rec'd 1868 Dept
Home Secretary's Office
Under Secretary to the
Board of Revenue

To
The Chief Secretary
to Government

No 42.

Sir,

In reply to your Letter No 2725 (Secretary 2nd Dept) dated 28th ult, I have the honor to forward herewith a List of Persons employed in the Army Clothing Board, who were entertained for Special Duties, and whose Services are no longer required.

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

Superintendent Army Clothing

A.O.S. pp 124-125

List of Persons on the Establishment of the Office of Superintendent and Agent Army Clothing, who were previously employed in the late Army Clothing Board.

Names	Particulars of Services and Salaries.
V. Narrainasawmy Moodr. Calculator	Entertained 21st May 1848 in the Retail Stores on 10 Rupees per month, afterwards transferred to the Clothing Board on the 15th June 1850 on same Salary. Promoted to 13 Rs on the 23d Decr. 1853 and transferred on same Salary to the Army Clothing Department on the 1st January 1854.
V. Veerasawmy Moodr. Conicapoly.	Entertained 24th Decr. 1853 in the Clothing Board on Rs 10 per month & transferred to the Army Clothing Departt on same Salary on 1st January 1854. Promoted to Rs 16 on the 20th May 1855.
R. Ramasawmy Naidu Mooshee	Entertained 22d April 1835, in the Retail Stores on Rs 6 per month transferred to the Clothing Board on Rs 10-8-0 on the 1st January 1848. afterwards transferred to the Army Clothing Department on 1st January 1854 on the same Salary —

Millimer Lt
Superintendent Army Clothing

NB

Proceedings of the Madras Government, Financial Department, January 1868.

No. . Read the following letter from F. LUSHINGTON, Esq., Accountant General, Madras, to the Chief Secretary to Government, Fort Saint George; dated Fort Saint George, 8th January 1868, No. 316.

Budget and Resource Department.

I have the honor to acknowledge the receipt of the Order of Government in the Financial Department, dated 2nd November last, No. 185, forwarding, with a letter from the Financial Secretary to the Government of India, a Memorandum prepared by the Honorable Mr. Massey, suggesting the transfer to the Local Governments of certain State charges, with a portion of the revenues to meet the same; and directing me to submit, with my opinion on the general scheme proposed by Mr. Massey, an analysis of such charges and revenues under the general heads proposed to be transferred, showing the items of which they are composed, and stating in regard to each whether they may be considered now to stand at their normal amount, or may be expected to increase or diminish.

2. In compliance with the foregoing requisition, I beg to submit an analysis of the revenues and charges proposed to be transferred, accompanied by a separate Statement showing the average amounts for five years of the several items therein exhibited. For facility of reference, these results have been shown in four Statements prepared in a similar form to those appended to Mr. Massey's Memorandum, and the two sets of figures stand in juxtaposition, Mr. Massey's being shown in red ink.

3. In the first column of Statement No. 1 a considerable difference will be observed between the two amounts, which is due to Mr. Massey having erroneously included in the Land Revenue charges a sum of Rupees 3,92,000, being the Budget allotment for "petty constructions and repairs" recently transferred from the Revenue to the Public Works Department, and which ought, therefore, to have been shown in Statement No. 5, rather than in No. 1.

4. On comparing the average results of the last five years with the figures given by the Financial Secretary, it will be found that the total of the charges proposed to be transferred is less by Rupees 2, 6,000, and the revenues by Rupees 3,76,000. than is shown in Mr. Massey's Memorandum. But looking to the fact that both the revenues and the expenditure are steadily progressing from year to year, it does not appear to me that a satisfactory estimate of the future financial position of this Presidency can be gained by looking back to the results of former years, and I am of opinion that of the two sets of figures shown in these Statements, those given by Mr. Massey, and which are taken from the Budget Estimate of the current year, are decidedly the more reliable standard.

5. With the exception, therefore, of Mr Massey's estimate of the yield of the income and license taxes which, judging from the experience of past years, appear to me unduly high, the figures given by him may, I think, be accepted as representing the probable amount of revenues and charges which would be transferred to the Local Government were the scheme carried out as proposed.

6. In regard to the soundness of the general principle of Mr. Massey's scheme, which would give to the several Local Governments, and to the people, a direct interest in the administration of a portion of their revenues, there cannot I conceive be two opinions. But I do not consider that the charges and revenues which have been selected by Mr. Massey for transfer to the Local Government are for the most part appropriate for that purpose; and his proposition to divide those revenues and charges into fractional portions, of which one is to be assigned to the local Administration, while the others are to be retained by the Central Government, cannot fail, in my opinion, to be productive of serious complications and embarrassments between the two Governments, as well as of confusion in the public accounts.

7. It seems to me very desirable that, wherever practicable, the management of the entire department or source of revenue, and not a portion only, should be made over to the Local Government; and as Mr. Massey's scheme is obviously intended to result in further local taxation, it is very important, in the selection of the charges to be transferred, that the choice should be limited as closely as possible to those branches of the Administration in which the people have a direct beneficial interest, and in respect of which it may be reasonably required that they should, if hereafter found necessary, bear a portion of the burden.

8. The measures of Government are unquestionably more closely watched and more intelligently appreciated by the people now than formerly, and, as education continues to progress, very great caution will be needed in dealing with measures of taxation. Keeping, then, these two objects in view, namely, the transfer of entire branches of the Administration and the popularity of the service transferred, the charges which I should select for transfer, in preference to those named by Mr. Massey, would be (1) the construction and maintenance of the roads; (2) agricultural repairs; (3) Police; and (4) Education—in all of which the people have undoubtedly a large interest, and for the furtherance of which they might be reasonably required to contribute, should the exigencies of the State at some future time demand further taxation. These charges amount in the aggregate to Rupees 73,54,000.*

	Rs.
* 1. The construction and maintenance of the roads	17,93,000
2. Agricultural repairs	7,00,000
3. Police	39,00,000
4. Education	9,61,000
	73,54,000

9. The expenditure on account of the construction and maintenance of roads and for agricultural repairs clearly forms a legitimate charge on the land revenue, and to meet it, therefore, I would propose that $\frac{1}{4}$th of the net Land Revenue after deducting all charges, as shown in Statement No. 5 appended to Mr. Massey's Memorandum, should be transferred to the Local Government, together with Public Works Receipts, excluding Irrigation Income. These two charges, as entered in the Budget Estimate of 1867-68, amount to Rupees 24,93,000†, while the above receipts, according to the same estimate, would be Rupees 24,94,000‡.

	Rs.
† Roads	17,93,000
Agricultural repairs	7,00,000
	24,93,000
‡ $\frac{1}{4}$th of net Land Revenue	23,68,000
Public Works Receipts	1,26,000
	24,94,000

10. I have not thought it necessary to take objection to the charges deducted by Mr. Massey from the Land Revenue, as the amount which I have proposed to transfer seems sufficient to cover the expenditure. But if the niceties of adjustment laid down in Mr. Massey's scheme are to be observed, it must not be forgotten that Collectors and their establishments have other important duties besides collecting the land revenue, and which cannot, therefore, be fairly held chargeable with the entire cost of their salaries.

11. It will be observed from Mr. Massey's Memorandum that he apparently contemplates being able to make a reduction in the Imperial grant hitherto made for the construction of roads, in consequence of the additional funds which are at the disposal of Government by the introduction of the road cess. It is sincerely to be hoped that this proposition, which, as it seems to me, strikes at the very root of the system of voluntary taxation, will not be carried out. This system is only just commencing to make a start in this Presidency, and requires to be most carefully fostered, and every encouragement given to it, to make it bear fruit hereafter. But if, at the very outset, the people see cause to suspect that the funds voluntarily given by them for some specific purpose, instead of supplementing the Government grant heretofore allotted for such purpose, will be used in reduction of that grant, it is not very likely that they will be found willing to come forward and tax themselves for any other special object hereafter.

12. To meet the other two charges which I have suggested for transfer to the Local Government, namely, the Police and Educational Departments, which amount to Rupees 48,61,000§, I would propose that the entire receipts of the two Departments should be made over to the Local Government, supplemented by a special grant from the general revenues equal in amount to the balance of the estimated expenditure. There is no particular source of revenue which can be considered as specially chargeable with the cost of these Departments, nor any single branch of it which would give the sum required exactly, or even nearly, to cover them. Nor does there seem to be any valid reason why these two Departments should not be charged against the general revenues, as all branches of the Administration benefit more or less by the maintenance of the Police, while all classes of the people partake of the benefits of education.

	Rs.
§ Police	39,00,000
Education	9,61,000
	48,61,000

13. In offering the above suggestions, I beg that it may be understood that I view the present scheme altogether as an experimental measure, having for its main object the divesting the Supreme Government of the responsibility and supervision of certain branches of the Administration which it is naturally felt can be more easily, and at the same time more effectively, controlled by the local than by the central authority. The Educational Department, however, it must be remembered, is still in its infancy, and it must be expected, therefore, that, as the system is more fully developed, its expenses will increase, and this increase will have to be covered either by an addition to the State grant or by local taxation. The present system may, and no doubt will be, made in course of time more self-supporting than it now is; but with the new taxes which have been or are about to be introduced, namely the Income, License, and Municipal Taxes, and the Road Cess, the estimated yield of which is close upon 30 lakhs, it appears to me that taxation has reached a point beyond which, in this Presidency at least, it would not be safe at present to proceed. If, then, the principle enunciated by Mr. Massey, that the transfers once made are to be "final, and that the Government of India will thenceforth attend to no claims for additional "funds to meet increased expenditure under the head of Charges Transferred", is to be rigidly enforced, I think that the Local Government would be scarcely justified in accepting the transfer of the Educational Department, as it is certainly very undesirable to impose any check on the progress now being made in the work of educating the people.

14. In conclusion, I have only to remark that, as before observed, it has not appeared to me either necessary or desirable, in the transfers which I have recommended, to maintain those niceties of adjustment between Revenue and Charge which are observable in Mr. Massey's scheme. The time will, no doubt, arrive, and I hope at no distant period, when the entire financial administration of the revenues will be vested in the Local Government, each Province and Presidency being merely required to contribute its own proper quota to the Imperial expenditure, and then it will certainly be both proper and necessary to consider and weigh most carefully every item of revenue and charge in order to adjust more evenly the burden of taxation throughout the Empire, and to determine with precision what are local and what are purely Imperial receipts and charges; for there are, assuredly, many items of expenditure now classed as the latter, which would not bear that character if closely and intelligently scrutinized. But in an experimental measure of the limited character of that now under consideration such minute adjustment and divisions appear to me not only as needless, but as likely to be very prejudicial to the successful working of the scheme, and I am convinced that they would give rise to many and serious complications between the two Governments. I have not ventured to discuss the principle upon which the proposed grants have been made in Mr. Massey's Memorandum, as it is hardly within my province to do so, but in his scheme, which professes to place all Administrations on a footing of equality, there are certain anomalies which must, I think, be patent to all, and especially is this observable in the grants for roads.

KUR

An analysis of the Charges and Revenues under the general heads proposed to be transferred to the Local Government.

Receipts proposed to be transferred.	Rs.	Rs.	Rs.	Rs.	
Land Revenue			4,30,55,000		Progressive.
Deduct :—					
Four-fifths of Collectors' salaries and Establishments	29,44,800				
Miscellaneous	90,000				This is with reference to Mr. Pelly's proposed scheme.
Petty construction and repairs since transferred to Public Works Department	3,92,200				
		34,27,000			This is a special provision made in 1867-68, which has since been transferred to Department Public Works.
Allowances to District and Village Officers		3,90,000			This will gradually disappear, the receipts and charges being transferable to Local Fund.
Assignments, compensations, and alienations of revenue allowances to Zemindars, Jagiredars, and Inamdars, &c.	2,91,220				
Annuities to landed Proprietors in Malabar, Madura, and Madras Districts	2,91,120				
Pagoda and Mosque allowances in lieu of resumed lands, offices, and privileges	6,98,890				
Pagoda and Mosque allowances	60,640				
		13,42,000			Almost fixed.
Refunds of Land Revenue		11,000			Fluctuating, depending mostly upon the state of the season
			51,70,000		
			3,78,85,000		
One-sixteenth of the above, say			23,68,000		
Estimated Income Tax at 2 per cent	12,60,000				
Estimated License Tax	7,00,000				
		19,60,000			
Deduct cost of collection at 5 per cent		98,000			This seems to be an over estimate.
		18,62,000			
One-fourth of the above, say			4,65,000		
Carried forward...			28,33,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Receipts proposed to be transferred.—(*Contd*).	Rs.	Rs.	Rs.	Rs.	
Brought forward...			28,33,000		
Law and Justice.					
Fees, Fines, and Forfeitures including Registration Fees		6,60,300			Progressive.
Proceeds of unclaimed and intestate property		11,700			Fluctuating.
Proceeds of Jail labor		40,000			Susceptible of increase.
Miscellaneous		23,000			Variable.
			7,35,000		
Police.					
Municipal contribution and Miscellaneous			3,41,000		Susceptible of increase.
Education.					
Fees and contribution on account of Education		13,640			
Proceeds of school books		33,060			
Miscellaneous		1,500			
		say	48,000		Progressive.
Miscellaneous.					
Subscriptions to the Presidency and District Gazettes		25,000			
Proceeds of work done by Government Presses		5,500			
Fees for stamping weights and measures		20,000			
Hospital Stoppages		7,000			
Sale proceeds of Durbar presents and fees for registry of Passports		1,000			
Sale proceeds of public property		21,500			
Unclaimed deposits remaining on the books, fifteen years		17,500			
Miscellaneous Receipts		92,820			
		Say	1,90,000		Fluctuating.
Public Works.					
Tolls, dues, fees, and refunds, including value of materials received from old buildings		50,000			
Rents of buildings		18,000			
Sales of produce		12,000			
Do. buildings and of tools and plants		41,000			
Canal Collections		5,000			
			1,26,000		Susceptible of increase.
Total...				42,73,000	

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Charges proposed to be transferred.	Rs.	Rs.	Rs.	Rs.	
Jails—					
House of Correction at the Presidency	.....	63,690			
Inspection and General Superintendent	.....	33,712		.....	Progressive.
District Jails—					
Superintendents of Central and District Jails and their establishment.	1,45,713				
Rations and Hospital expenses	5,93,255			.....	An increasing charge.
Purchase of raw materials, &c.	25,600				
		7,64,568			
		Say	8,62,000		
Registration of Assurances—					
Salaries and establishments	.....	30,768			
Miscellaneous, including commission, &c.	.....	1,71,462			
		Say	2,02,000	.....	Depending upon receipts.
Police—					
Portion equal to receipts in amount	.....	.....	3,41,000	.....	Do.
Education—					
Miscellaneous—					
Grant for purchase of books	.....	35,000		.....	Progressive.
Grant for agricultural exhibitions	.....	26,000			
Grant for experimental plantation of firewood.	.....	10,000			
Allowances to School Book Society	.....	2,000			
Donation to the Agricultural and Horticultural Society	.....	4,200			
		Say...	77,000		
Medical Services—					
Vaccine Establishment	.....	79,800			
Government Hospitals and Dispensaries	.....	2,31,550			
Lunatic Asylums	.....	27,270			
		Say	3,39,000	.....	Do.
Stationery and Printing—					
Stationery Office	.....	16,272			
Provision of Stationery	.....	76,800			
Printing Establishments and charges	.....	2,37,978			
		Say...	3,31,000		
Carried forward...	.....	.....	21,52,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

Charges proposed to be transferred.—(*Contd*).	Rs.	Rs.	Rs.	Rs.	
Brought forward...	.....	.....	21,52,000		
Miscellaneous—					Some of the items under this head are fixed, while others are dependent upon the amounts of local contributions, which are in many cases progressive.
Donation for the maintenance of strangers and indigent persons	.....	6,288			
Do. diet to insane persons.	.....	264			
Do. Foundling Hospital	.....	492			
Do. for the Idiots' Asylum	.....	6,046			
Do. Sailors' Home	.....	1,200			
Do. Native Poor Asylum.	.....	9,388			
Do. Black Town Civil Male and Female Orphan Asylums	.....	600			
Do. Military Orphan Asylum	.....	18,460			
Do. do. Female do. at the Presidency	.....	23,818			
Do. Orphan Asylum at Vizagapatam	.....	7,320			
Do. Native Choultries	.....	10,000			
Do. Taylor's Fund	.....	600			
Do. Friend-in-Need Society	.....	8,400			
Do. Lungerkhana at the Presidency, Vellore, and Arcot	.....	19,092			
Do. Bungalow Fund	.....	10,000			
Do. Roman Catholic Orphanage, Bellary.	.....	1,800			
Do. do. Madras and the Parcherry Poor School.	.....	2,820			
Registration of deaths.	.....	8,000			
Reward for killing wild beasts and snakes	.....	19,000			
Contribution to the Municipal Fund	.....	1,00,000			
Stamping weights and measures	.....	9,090			
Transit of agricultural implements	.....	2,000			
Conservancy charges	.....	996			
Purchase of rain gauges	.....	1,000			
Assessment on the value of Government buildings	.....	19,884			
Allowances of Major Hamilton, employed on Special Commission.	.....	9,465			
Cotton experiments	.....	2,564			
Bangalore Pensioners' Widows and Orphans Fund.	.....	300			
Miscellaneous and unforseen charges	.....	38,002			
		Say...	3,38,000		
Carried forward...	.....	.....	24,90,000		

An Analysis of the Charges and Revenues under the general heads, &c.—(*Continued*).

	Rs.	Rs.
Charges proposed to be transferred.—(*Continued*).		
Brought forward.....		24,90,000

	Average of 4 years.	Estimate 1867-68.	Normal.
Public Works Charges.	Rs.	Rs.	Rs.
Roads { Construction....	6,60,000	6,65,000	8,00,000
Roads { Repairs...	10,68,000	11,28,000	8,00,000
Civil buildings and repairs.....	1,07,000	1,02,000	1,10,000
Miscellaneous works	48,000	54,000	50,000
Tools and plants...	1,70,000	1,59,000	1,50,000
	20,53,000	21,08,000	19,10,000
Total charges			19,10,000
Deduct receipts....			44,00,000
			42,73,000
Excess charges...			1,27,000 or £ 12,700

Fort Saint George,
Accountant General's Office,
8th January 1868.

(Signed) F. LUSHINGTON,
Accountant General.

No. 1.

Statement of proposed transfer of charges based on the actuals of the past five years compared with the estimates of 1867-68.

	Total Land Revenue charges, excluding Survey and Settlement.	Total allowances to Village Officers.	Civil charges to be transferred to Provincial Accounts.										
			One-sixteenth charges on two preceding columns.	Income and License Tax, cost of collections at 5 per cent. of receipts	Law and Justice.		Police charges met by contribution and Railway Police.	Education, Science, and Art.	Medical Services.		Stationery and printing.	Miscellaneous.	Total.
					Jails.	Registration and Tulubana.		Miscellaneous.	Excluding general establishment and Chemical Examiners.			Excluding Financial and certain other charges.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.
Estimates of 1867-68...	34,27,000	3,90,000	2,38,000	25,000	8,62,000	2,02,000	3,41,000	77,000	3,39,000		3,31,000	3,38,000	27,53,000
Average of the past five years.	30,65,000	3,63,000	2,14,000	15,000	8,02,000	1,83,000	3,41,000	64,000	2,68,000		3,15,000	3,35,000	25,37,000
												+	2,16,000

No. 2.

Statement of proposed transfer of revenue based on the actuals of the past five years compared with the estimates of 1867-68.

	Total land revenue.	Total estimated 2 per cent. Income Tax over Rupees 2000.	Total estimated License Tax below Rupees 2000.	Revenue to be transferred to Provincial Accounts.								Grand Total.
				One-sixteenth gross Land Revenue.	One-quarter Income Tax.	One-quarter License Tax.	Law and Justice.	Police.	Education.	Miscellaneous, excluding Financial items.	Public Works, excluding Irrigation Income.	
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Estimates of 1867-68.....	4,30,55,000	12,60,000	7,00,000	26,91,000	3,15,000	1,75,000	7,35,000	3,41,000	48,000	1,90,000	1,26,000	46,21,000
Average of the past five years.	4,25,12,000	7,00,000	5,00,000	26,57,000	1,75,000	1,25,000	6,72,000	3,41,000	46,000	1,03,000	1,26,000	42,45,000
											—	3,76,000

No. 3.

STATEMENT showing the balance of Revenue transferred to Provincial Accounts which would be available for expenditure on Public Works, and the proposed application of it, 1867-68, as entered in Mr. Massey's Statements Nos. 3 and 4.

	Grand total Civil charges transferred.	Grand total Revenue transferred.	Balance available for Public Works.	Public Works charges to be transferred.						Revenues in excess of charges.	Charges in excess of Revenues.	Special grants.
				Roads, new works, and repairs.	Civil Buildings.		Miscellaneous works.		Total Public Works charges transferred.			For what objects needed.
					New works.	Repairs.	New works and repairs.	Tools and Plant.				
	Rs.	Rs.	Rs.	Rs.		Rs.	Rs.	Rs.	Rs.		Rs	
Estimate for 1867-68.....	27,53,000	46,21,000	18,68,000	17,93,000	Excluded.	1,02,000	54,000	1,59,000	21,08,000	...	2,40,000	.....
Normal assumed by Mr. Massey.....	.....	.....	.....	16,00,000	Excluded.	1,10,000	50,000	1,50,000	19,10,000	...	42,000	.....
Average of past four years, as given in Mr. Massey's Statement No. 4	25,39,860	42,45,200	17,05,340	17,28,000	.....	1,07,000	48,000	1,70,000	2 0,53,000	...	3,47,660	.....

No. 4.

STATEMENT showing modifications required to be made if the share of net Land Revenue transferred was calculated after making a deduction of all alienations and refunds, as well as charges of collection, compared with the estimates of 1867-68.

	Gross Land Revenue.	Deductions from Land Revenue.						Net Land Revenue after all deductions.	One-sixteenth net Land Revenue after all deductions.	One-sixteenth net Land Revenue, as shown in No. 2 Statement.	Reduction of Revenue transferred.	Reduced balance of Revenue after meeting Civil charges.		Special grants needed to cover deficiency.
		Charges for collection, including Revenue Survey and Settlement.	Allowances to Village Officers.	Assignments, compensations and alienations of Revenue.	Refunds of Revenue.	Interest on refunds.	Total deductions of all sorts.					In excess of normal Public Works charges.	Less than normal Public Works charges.	
	Rs.	Rs.	Rs.	Rs.	Rs.	...	Rs.	Rs.	Rs.	Rs.	Rs.	.....	.....	...
Estimates of 1867-68...	4,30,55,000	34,27,000	3,90,000	13,42,000	11,000	...	51,70,000	3,78,85,000	23,68,000	24,53,000	85,000	.....	.....	...
Average of the past 5 years.....	4,25,12,000	30,64,500	3,63,100	13,14,370	70,000	...	48,11,970	3,77,00,030	23,56,000	24,43,000	87,000	.....	.....	...

FORT SAINT GEORGE,
ACCOUNTANT GENERAL'S OFFICE,
8th January 1868.

(Signed) F. LUSHINGTON,
Accountant General.

Pro: 2 Nov by Ltr 1–2
7 Jany/68 13.

Pros. 7 March 68

4 Jan 1868. Department

From
The Accountant Genl
To the Chief Secretary to
Govt.

Dated 8 January 1868.
Recd 9

No. 316.
Enclo. Two.

No 8.

Submits an analysis
of the Revenues & Charges
proposed to be transferred
with observations & compr
with Statements.

18.

95

No 2335

Memorandum

Amount assumed from the
Allotments shown in the marginal
Table that the amount
of charges proposed to
be transferred in Schedule
annexed to the Agreement
herewith printed & dated
for Settlement made & full
certain Heads of
the Revenue
and Charges
under the
Imperial, Provincial
and Local Heads
for the
Year

Year	Commissariat		Civil Buildings		Misc. Public Improvements		Total	Charges Payable from Local Revenues
	Actuals	Estimates	Actuals	Estimates	Actuals	Estimates	Estimates	
1865/1866	447,724	1,200,615	16,48,339	135,91,811	51,597	3054 s	82,14,2	15,0,000
1866/1867	691,636	1,14,330	1838,966	1,32,471	64,950	2674 s	916 9s	15,0,000
1867/1868	645,000	1,28,000	17,93,000	102,000	30,000	2,600	3,000	15,90,000
								21,08,000

Allowance in deficiency of

of Rs. 2,40,000 would have to be made good, this will probably be more than covered by reduction in the cost of the maintenance of various lines of roads now falling upon Imperial revenue but hereafter to be transferred to the charge of District road cess Collections. The Budget allotments, however, for the construction and maintenance of roads in the Presidency, large as they may seem, have never been equal to our requirements, and, altho' some relief will be afforded after a few years by the completion of the road and ghauts in Vizagapatam, which at present absorb a large sum annually, it would not be safe to assume that the yearly expenditure on roads can be reduced much below the present average, as Mr Massey seems to contemplate.

The

The Government of India having called upon this Government to complete in four years the Madras portion of the mail line of road between Calcutta and Madras at a yearly outlay of 5½ lacs of Rupees, it should be distinctly noted in agreeing to Mr Massey's proposals that this sum should be granted annually as a special assignment till the road is finished.

Fort St George
2nd Nov/67.

Chas A. Br. Coll. & R.
Secy to Govt P.W.D.

FINANCIAL DEPARTMENT.

No. 125.

FROM

THE HONORABLE R. S. ELLIS, C. B.,
Chief Secretary to the Government of Fort Saint George,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA,
FINANCIAL DEPARTMENT.

SIR,

In acknowledging the receipt of your Circular letter of the 19th September last, transmitting for the remarks of the several local Governments and Administrations, certain proposals made by the Right Honorable Mr. Massey for localizing a portion of the revenues and charges at present treated as Imperial, I am directed to submit, for the consideration of the Government of India, the enclosed copies of letters from the Accountant General and the Board of Revenue, and of the Minutes which have been recorded on the subject by the Members of this Government.

Proceedings, 7th March 1868, Nos. 15 to 23.

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

FORT SAINT GEORGE,
7th March 1868.

Chief Secretary.

Exd. F. R. Bantleman.

1868.

FINANCIAL DEPARTMENT.

From The Chief Secretary to Government, Fort Saint George.

To The Secretary to the Govt. of India, Financial Department.

Dated 7th March 1868.
Read.

No. 125.
Enclosure.

Submitting for consideration copies of certain papers, and of the Minutes recorded by the Members of the Madras Government, on the proposals by the Right Honorable Mr. Massey for localizing a portion of the revenues and charges at present treated as Imperial.

Ref. by Rule. on the Govt. of India Circular No. 2823. of 1867.

Limit Charges Estd. 275000
Estimated Rd. 210800
Deficiency 64200 — 486,100

Limit Charges Estd. 275300
Estd. Normal Actual Charge 191000
466300

X I have made a mistake here Sir.
The deficit is £24,000 according to State. No. 3. but this is to be increased by the transfd. Land Revd. is reduced only by the transfd. Charges of 6 lakhs.
But in State. No. 5. it is proposed to reduce the Transfd. Land Revd. by other deductions and abwab one third of the collection Heads of the Revenue shown in that State. the result being an excess deficit of £3000.
If one third of this is taken as due to the "other deductions" then the total deficit may be assumed at £ 24000 + (3000/3) 2833 = £26833.

101 12

Ref. Massey's proposal for Finances. according to which "the Estimated Imperial Contribution from Provinces aggregating £462,600 - and Imperial Charges in excess of those Revd. by £24,000 - or £27000 abwab £4200. according to General rules observed in calculating these - Main item of Charge transfd being for the construction and maintenance of Roads, this being left to the Local Govt. to be met from the Revenues thereof Economies in Charges as to adjust the balance - I believe that in this Presidency the transfer of Road Repairs & Construction to the Local Funds from the Imperial Budget, unchanged in connection with the introduction of the Road Cess. & the subject to Local Rd. Budgets, will have

always a fixed balance
or very nearly so -

But it must be
understood that the
transf. charges are not likely
to grow. E.g. Jails - when
the Imperial charge expires
£106,400. & the "Law &
Justice Rod". transf. is only
£3,500. Hence the
strongest argument in favor
of the transf. Rod is
perhaps precisely that
it must
this charge. & I think any so-
only if the charges fall very
rapidly. The loss over the Exch.
Rod may increase but not
Rd. Rd. given the borrowing.

As to Stock Loans &
no difficulty in the way of
accepting the proposed responsibility
but the existing terms &
existing in its immediate effect -
Rd. Rd. to transfer from Imperial
& local sources Stock undetermined
against £1,130,000 - & I am not
clear as to the policy of some
part of these for.

What is included under

	£
Jails	86200
Registrar's	
"Judicial"	20,200
	106,400

Capacity - and therefore is it
especially necessary that we
should be very careful
what items
we

"Jail" charges estimated
annually at £86200 ?
£ 86,200
and are among the items
fairly Imperial - or not
& the Provincial or local?
or - under Jail &
Prisons Law they attain
or nearly so What is
likely to be the ultimate
amount. As
regards the "Miscellaneous
Educational charges -
& the Medical charges -
(including pauper lunatics)
Rd. it is proposed to transfer
how vast many of these
strictly Imperial & how
especially in the latter case
Does Gaol & Police
demand probably fall
& the bulk thus incurred.

As to the Queries at
the close of the Rd. &c.
letter. I am already
stated that the amount
of the proposed transfer
Rd. create no difficulty

all this needs
deliberate
in to.

in this Province. & think it probable that on carefully analysing our Budget Receipts & Charges we might establish recommend more liberal transfers. On the principle of the transfer I do claim that a percentage of the Cultivation assigned to me for aid towards the Improvement & Maintenance of our Roads - after petitioning demand for any necessary aid as it becomes due.

I scarcely know what is required to explain further the second Query. I do not think that any detailed scheme is necessary beyond the general instructions necessary to ensure that the Local Govt. not only provide the Revenues it may be entitled to administer & does not debited to it any charges Govt. properly chargeable to the Imperial Govt.

To the 8th Query I am to answer that it is considered no Law in this Presidency to stamp promissory Notes specifically mentioned - or Bonds mentioned. Govt. thinks scheme likely to contemplate the re-introduction of the Income

+ Just so - and that is the very reason why it should not be introduced - would yield little and be very annoying to the people. I have always been strongly opposed to it on this ground. To get any thing out of it would involve domiciliary visits - searches of persons - Exactions & vexations of various kinds. JP

I agree but don't think it fair to India will

Tax on the wealthier classes retaining the License Tax for 1/3 Taxes.

Then sometimes occurred to me that we ought to tax the tobacco & heating drugs - but I don't think it would be worth the cost. It might however be in charge in our Attaris farms

I am disposed to think that our Forest Revs & Charges might be transferred to us with advantage. Govt. think not

For many years we have wished to obtain a supply of Timber from the Forests. Now is a favourable moment for introducing supply of Teak & Pyet. Sowing Pyet Seeds - & replanting Special Tracts. as Gratuitous Supply & Early Crops. Raising Plantations of Special Woods as Teak. Blackwood. Sandal. Redwood. all Govt. are in danger of over demand. & I trust this Presidency

Lift by the removal of the upper grooves & the wheel. Their removal facilitates the first part of the third query.

It is not practicable to transfer any Irrigation Works to the Peasant. I think a 'Land Assessment' commutation. If the Government of the people should not undertake liability & customary labor on minor works. He complains that it is not fairly treated.

The maintenance of minor Irrigation works should be left entirely with the Peasant.

I do not think the Land can fairly or equitably be charged specially with a rate for constructing or maintaining the higher class of Irrigation Works. Nor do I think the transfer of these works from the Imperial P.W. Department at all desirable.

The difficulties connected with them are increasing every year & threaten to become very serious. & incapable of much longer delay

a large scheme of minor works of various important class. Government labor will prevent tanks & channels from silting up gradually. especially in the Famine areas. Gradually becoming useless.

The present Local Fund cess is voted labor. but the work is in a very transition state and charges are likely to grow more & more burdensome than they were 5 years.

The Irrigation fund. the Embankment fund. the Village Sanitation fund. & the Famine fund. to be included under the Imperial Land Revenue. the Local Funds are not available for any other than the special purpose indicated by their name & cannot be used under the direction of

Road fund Income in 85/86	- Rs. 6,33,354	
Road cess estimated at 8 annas	13,00,000	
	19,33,354	
Village Sanitation & Planting Fund. Income of 85/86	- Rs. 95890.	
Cattle Trespass Fines Income in 85/86.	Rs. 165.) 57	
Total of Rs. Roads.	104.132 Balance	Rs. 61627

"local taxation"

28 Oct 68

Po 142

Copies proposed terms &c. for transfer of certain sources of Revenue to the control of local Govts.

Print

Minto

30 Oct 68 124-135

23 Sept 1869

To Secretary of State for India

Govt. of India

Financial Dept.

Minto

109

From the Secretary to the Government of India
19th September 1867. Circular No. 2823 Financial Departt.

The proposal submitted in the Memorandum which was enclosed in the above Circular, and on which our views are requested is, that certain charges or sections of charges be transferred from the Imperial Budget to us, in common with other Local Governments and Administrations, to be defrayed from certain branches or Sections of branches of Imperial revenue which are also to be transferred to us.

At the outset, until the necessary Local Financial Departments can be organized say for one year "the form of the Imperial accounts is not to be changed nor

Memo: para 13.

the

the system of dealing with expenditure. The Local Govt. may still in form act as though the alteration had not been made. All sanctions before necessary may still be obtained pro forma. At the same time it would be understood that the Govt. of India would not interfere unless for some very obvious reason with the detailed application of the assigned revenue to local purposes. Thereafter apparently the only control exercised by the Supreme Govt would be that mentioned in para 47 of the Memo. "The rules however regarding creation of establishments would for the present not be altered - but for all but gazetted appointments a reasonable discretion would be allowed to the Local Govts."

The arrangement tried at first on a small scale is to be gradually extended hereafter until, it is to be hoped, it has had its ultimate development in the transfer to the Local Govts of all local charges and revenues, with provision made for their contributing to the central Govt their due quotas for defraying Imperial charges, as the term, interest on the Public Debt and the like - Mr Massey has sketched a scheme for the first assignment of charges and revenues, but this is mainly in illustration and elucidation of his views and proposals. It is open to the Local Govt. to suggest any modifications of it.

2. It seems to me that the Madras Govt. may express their approval of Mr Massey's proposal generally, as

as a step in the right direction, and as paving the way to further results, and more complete decentralization. Into his special illustrature scheme I cannot now on the eve of quitting office, enter fully. Meanwhile, I would note a few remarks which occur to me.

3. The scheme proposes to transfer to the Madras Govt charges to the amount of £486,100, and, to meet these charges, revenues in the aggregate of £462,100. The upshot would be a loss to us on the whole arrangement of £24,000, which, however, would (sink to £12,700 or £4200) according to the mode in which the charges for Public Works are calculated.

The

4 The charges stand as follows:-

		£
1	One Sixteenth of land revenue charges.	23,800
2.	Cost of collecting Income and License Taxes at 5 % on receipts.	2500
3.	Charges for Law and Justice	106,400
4.	Police charges met by contribution, and Railway Police	31,100
5.	Education Service and Art. Miscellaneous.	7,700
6.	Medical Service, excluding general Establishment & Chemical Examiner	33,900
7.	For Stationery and Printing	33,100
8.	Miscellaneous, excluding Financial and certain (what?) other charges.	33,800
9	Public Works.	200,800
		Total £ 486,100

5. To meet the above charges the revenues to be transferred are

		£
1.	One Sixteenth gross land Revenue	269,100
2.	One quarter Income Tax	35,500
3	One quarter Licence Tax	17,500
4	Law and Justice	73,500
5	Police	34,100
6	Education	4,000
7	Miscellaneous excluding Financial Items	19,000
8	Public Works	12,600
	Total	462,100

6 The second of the above branches of revenue has

has as yet no existence, nor does it appear whether it will ever have any. The other items of revenue and charges, I must take on trust as I find them, as I have no time to verify them, nor to ascertain of what detailed items they are made up. They will, however, need to be carefully scrutinized, both as to their amount, and composition.

7. The aggregate revenue proposed to be transferred is shown to be £ 462,100, or Rs 46,21,000, being about 7½ per cent on the gross revenue of the Madras Presidency for 1866/67. It must be admitted that the experiment is being tried within very narrow limits.

8. Some of the charges proposed to be transferred seem likely to increase, e.g. that for Jails £ 86200, and perhaps Education, Science and Art Miscellaneous £ 7700. It will need careful consideration whether the revenues to be assigned will increase in a like ratio. The only item in Table No 2 which appears capable of much expansion is the sixteenth gross land revenue Rs 26,91,000. From a return before me I find that in the eleven years 1855/6 to 1865/6, the receipts from Land Revenue increased from Rs 358,91,715 in the former to Rs 429,02,557 in the latter year, or by Rs 70,10,842, being at the rate per annum of Rs 6,37,349, one sixteenth of which is Rs 39,834, giving but a narrow margin to meet an increase in charges.

9. The mode in which the

The gross revenue for the year ending 31 March last, 11 months, was Rs 562,13,194, or rateably for 12 months Rs 613,23,484. But from adversity of season 1866/7 was an unfavorable year. The gross revenue for the preceding year 1865/6 was Rs 633,17,129

the charges are proposed to be transferred seems inconvenient. Then we are to defray one sixteenth of the Land Revenue charges. How are the charges falling under this sixteenth to be distinguished from those coming under the remaining fifteen sixteenth? Are the Revenue Servants of one District to be paid from transferred or Provincial Funds, and those in the next from retained or Imperial revenue? This would be awkward. It would be preferable to transfer charges under any appropriate head in entirety. Thus the total estimated land revenue charges for 1867/8 excluding survey and settlement but including allowances to Village Officers as set down in Table No 1 at £ 381,700. being about

9.

I imagine the whole of the first instance be defrayed from Imperial Revenues. Then after the completion of the Survey Account will be credited with 1/16 of the Rev. less 1/16 of the charges.

Memo. para 15.

9 per cent on the total Land Revenue £ 4,305,500 as shown in Table No 2. The whole of the above Land Revenue charges might be transferred to us and one ninth or thereabouts of the Land Revenue to defray them. Or a higher per centage might be granted so as to provide for Roads as well as Land Revenue charges, should it be deemed absolutely necessary so to provide for Roads from assigned revenue. Abkari is not transferred "because it seems likely to be capable of being made hereafter a fair set off against the charges for Police to meet which the Abkari duties were it is believed first raised." Then why not make over to us the Abkari revenue

And

117 5

and Police charges, and, as the former will somewhat exceed the latter, throw in charges from some minor head to complete the adjustment &c. Other arrangements of a like kind will no doubt suggest themselves when the subject is more closely examined.

10 On the whole then it seems to me that the principle proposed in the memo may fairly be accepted by this Government, but not the scheme which accompanies it. It appears to me also that in introducing the principle it is of great importance at the outset to proceed with a well matured scheme such as will in all probability admit of being worked out, and will not by its failure at starting bring discredit on the principle involved in it. The Government in communication with the Board of Revenue and the Accountant General could, I doubt not, produce a well considered workable scheme, but it will be necessary that it should be deliberately weighed and put into shape: reference may have to be made to the Govt. of India, and perhaps to the Secretary of State, and it is questionable whether it will be ready for the Budget of 1868/9. But it will not matter much if it be deferred for another year. We are going on very well now, and can afford to wait in the assurance that the principle will

will be carried out ere long.

11. Among them queries in para of Mr Secretary Lushington's letter of 19th September last, the Govt. of India ask "whether this Government has at the present time in view any special sources of income which it thinks could be made available, if required, in aid of such transfer of revenue as have been suggested, or in reference to any of them."

12 I am unable to suggest any such special sources. Our road cess fund would of course be available for the repair of roads in conjunction with the proposed assignment £179300 from Imperial revenue, although the former is primarily applicable to

to local and the latter to Imperial roads; but I am not sure that this is meant by the question.

13. With reference, however, to the conversation which passed at our last Council on the suggestion that a special cess be levied on irrigated lands in this Presidency to provide for the maintenance and repair of the chief works of irrigation, I would wish here to express my dissent from any such proposal.

14. By the old and well known custom of the country the ryots in certain districts are bound to execute certain minor irrigational repairs as the keeping clear the smaller branch channels, providing labor and materials for closing breaches in embankments. Their obligation

obligation to perform this duty has been recognized and enforced by Act No I of 1850, but hitherto, I believe, that enactment has practically been nearly inoperative. To the commutation of such smaller services for a money payment, I see no objection - indeed it is very desirable.

15. To throw upon the ryots the cost of maintaining the large works of irrigation anicuts. tank banks, main channels their head works and sluices, is quite another matter. By prescriptive usage, ever since the country came into our possession, the maintenance of such works has always fallen upon Govt. In all our earlier - as indeed in our recent - settlements, this has

has formed no part of the ryots charges in reference to which the assessment was calculated - and when any special fees for such purposes as Tank Meraks had descended to us from the Native Government, they were merged in the settlement. Some of the settlements as in the Godavery, Kistna and Nellore Districts, have lately been revised and the new assessments which do not include these among the ryots charges have been formally sanctioned by Government. Whether such revised assessments should be declared permanent may be a question, but it has never been doubted that they should run for a long term of years. To saddle the ryots under any settlement, new or old, with charges hitherto borne

borne by Government, and which were not held debitable to the ryots when those settlements were made, would be a departure from the principles of those settlements, and of the calculations on which they were based, and would, in my opinion, be subversive of all confidence among the agricultural classes.

(b) The levy of road cess, either in part of the increased assessments or as a general measure, under our Local Act No III of 1866 (Madras) furnishes no analogy to and forms no justification of the imposition of a cess for the maintenance of works of irrigation. As for the first the interests of the old assessment resulted frequently

(X) See addendum

(XX) In fact, why do the Govt. charge a much higher rate of land tax on irrigated than on unirrigated land, but that they are at the cost of storing and distributing the water for the former class of land, of constructing and maintaining the chief works connected with such storage and distribution? Indeed the Secty of State has directed that in the revisions of our land assessments now in progress, the system of charging a consolidated land and water assessment on Punjab lands be as far as possible abandoned. That as in many other parts

parts of India - the land
be assessed according to
its ascertained produce -
tive quality as dry land,
and that a separate charge
be made for water, to be
taken or not according to
the will of the cultivator,
such charge - as in the
case of water supplied
for domestic purposes by
English water companies -
being of course in full
payment for the water
supplied - This order
has been carried out in
the revision of the assess-
ment of the Nunjah land
in the Jodhpur Division under the Kurnool Canal
~~Districts~~ Districts - Even the Govt Dr
now claim an additional
water cess for the repair
of irrigation works on
the basis of this water
tax? Hardly - It

Dear Mr Hudleston

Will you be so good if you
please as to have no objection
as to add the initials of my Min-
-ute on Mr Mackay's scheme -
when it may come in most
appropriately? Perhaps at the
end of the last para but one it
would fit in best - Or I may
be put it into a note - at the
should prefer it to stand as
part of the text -

I was so much in a hur-
-ry in writing my minute with few
Govt Dsps & my Councillor-
-ship and amid the distrac-
-tions of packing up and going
away that I could not go
with further as fully as
I could have wished -

Yours very truly

8 Nov. J Lyall

2/ or hung at land bears for
as possible abandoned, that
- as in many other part of
India - the land has assumed
according to its ascertained
productive quality as dry
land, and that a separate
charge be made for water, to
be taken or not according to
the will of the cultivator, such
charge - as in the case of
water supplied for domestic
purposes of English water
Companies - being of the same
in full payment for the water
supplied - This order includes
cancels out in the re-
-assessment of the punjab
Land tax
Jurisdiction Canal Irrigation

95 - 5
418 - 6
421 - 3
T - 8

Obtacamund Nov 19

My dear Hutchinson.

I send on herewith
two "more words" in the
latter case, which you can
add to my "Bradshaw" Remarks.

95 - 5

418 - 6

421 - 3

- 8

The liability of Jnst to maintain at their
own expence works of improvement has more
- over been recognized in the arrangements
recently made in some Districts under
which a small tax has been made
over to the village communities to enable
- them to keep in repair by them at their
own charge, in compensation. Should
an abatement has been made in the
assessment on the Panchayat Agreed

31

Yours truly

[illegible]

95 - 5
418 - 6
421 - 3
T - 8

or over 1 [illegible]
Copies [illegible]

1/

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In fact, why do the first charge a much higher rate of land tax on irrigated than on unirrigated land, but that they are at the cost of storing and distributing the water for the former class of land, by constructing and maintaining the chief works connected with such storage and distribution? I respectfully submit that if the provisions of Section 1 of Statutes directed that in the revision of our land assessment, now in progress, the system of charging a consolidated land and water assessment

It should be borne in mind that the Govt. demand on the irrigated lands of the Madras Presidency, even as reduced in the late revisions of the assessment is higher than that obtaining in most if not in all other parts of India.

The liability of Govt. to maintain at their own expense works of irrigation has moreover been recognized in the arrangements recently made in some Districts under which small tanks have been made over to the village communities who henceforth keep in repair by them at their

95 - 5
418 - 6
421 - 3
T - 8

3/ Etc. an article dismissing irrigation works as a Handy-
St. Thomé & town in
or it might be Land
ern in Tanjore Dt.
& attempt is
Attaining in most
of India -

their own charge, in
compensation whereof
an abatement has been
made in the assessment
on the Lands Punjab
Agent or area of
land under the Lands
and capable of being
irrigated from it. —

frequently in large reductions
of the public demand, and
the Government might
not unreasonably reserve
a small proportion of the
remissions thus to be given
for so important an object
as local roads. The cess
too was incorporated in the
assessment as sanctioned
by Government, and forms
an integral part of it.
To repeal the general cess
under Act III of 1866, Govt.
is under no obligation to
construct and maintain
roads at least cross roads -
as they are mainly irrigation
works - and the burden
might properly be laid on
the landed classes whom
they especially benefit.
17. The above remarks
may seem irrelevant or at
least premature as Irrigation
works

works are excluded from his Majesty's present scheme as "special works which at all events at the outset may better be left under the old system of control". But the question may be considered by Govt. in discussing this present scheme and as I would not wish my sentiments on this subject to be misapprehended, I have embraced this my last opportunity of placing them on record.

Mems para 33.

J Ryder

26th October 1867

A

Since writing this minute I have found in the Lairgi Financial Statement of the 27th April 1861 some remarks which bear upon my present suggestion, and show that the idea of entrusting a portion at all events of the financial administration of the Local Governments to the criticism of the Local Legislative Councils was at that time entertained.

In connexion with his proposal to reform the Local Governments & provide for expenditure amounting to £500000 by means of local taxation, the Lairgi Spirit:

"By enacting local Budgets the
"Government hope not merely to meet
"a temporary difficulty, but to
"inaugurate a permanent improve-
"ment."

"It has long been a standing complaint
"with the Presidencies and
"Provinces, that they were deprived

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Recorded

P. 1425

Regarding the proposal to transfer certain items of Imperial Revenue & Expenditure to the control of Local Govts.

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of their just share of self government,
and kept in a state of galling and
humiliating dependence on the bureaux
of Calcutta."

"Will, Sir, the power of the purse is the
ultimate power, and as long as Local
Governments are absolutely subservient
to Calcutta in financial matters, it is
evident that they can have no real
independence."

"But I without sacrificing in any way
the unity of the Empire and Imperial
control in Imperial matters, we give
them local Budgets, this position is
altered."

"We propose to give them not only
powers of local taxation, but possibly
to credit them with a liberal share of
reductions of expenditure, which they
may be able to make on the estimates
of the General Budget."

"Each Government will therefore have
a direct interest in economy, in order
to increase the funds applicable to
local works, and I cannot fancy
that leaders, for instance, will long
continue to spend £160,000 a year
on Public works Establishments to look
after £460000 a year of expenditure
upon actual works, which it is apparent

that every £1 extra spent on
Establishments means £1 more
to raise by local taxes or £1
less to spend on Roads
and Canals."

"It is obvious that such a system
of local Budgets could harmonize
entirely well with that of
large town & an adopted viz:
Local Legislative Councils at
the Presidencies."

"It would at once give them an
appropriate and dignified
position, and I can imagine
nothing more useful than
that the details of a local Budget,
such as that of Madras or
Bombay, should be submitted
to the intelligent scrutiny
of a Council, comprising both
Government officials, and
picked representatives of the
mercantile and native communities."

J. L. printed in italics

The proposal advocated by
Mr Laing in the foregoing remarks

was more limited in extent
than that which I have now ventured
to submit, but the principle of the
two is the same.

by H. A

Remarks by His Excellency
The President

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Two systems of financial
administration are applicable
to India and each has
its advantages, the
Imperial System and the
Federal System.

Under the Imperial
System, which at present
exists, the great bulk of the
Revenue of the country forms
one general fund from
which appropriations are
made for expenditure
in the several Presidencies
and Provinces under the
sanction of the Supreme
government, appropriations
regulated by a view of the
requisites of the several
Provinces and the general
interests of the State. This
System does not, however,
exclude local taxes raised
with in the Municipalities
and rural districts which
are not carried to the

general fund but which are strictly disbursed for local purposes within the limits in which they are exacted. -

Under the Federal System we may presume that each Presidency or Province would tax itself according to its sense of public expediency with or without the sanction of the Supreme government. The bulk of the provincial taxation would be retained within the limits of the Province which would form a kind of Separate State, while a Stipulated Sum would be remitted to the Central Authority for federal establishments and purposes. The claim of the federal authority must either be secured by appropriating to them the proceeds of certain particular taxes, as in the United States of

America, only a fixed subsidy in time of peace derived for the general revenues of the Province.

Under this system local taxation for local purposes might also continue to exist as at present. -

II. Both systems involve the existence of a Supreme or federal authority in some form or other.

In connection with the Imperial system of finance the Supreme authority would necessarily possess a great degree of legislative and administrative control which will be exerted with greater or less stringency according to the character and policy of the Agents employed in the Provincial and Imperial Governments.

In connection with the federal system of

finance the authority and
control of the federal
Magistrate or Council
would be, in all probability,
materially relaxed and
an increasing latitude
would be allowed to the
Provincial governments. –

III. The advantages attached
to the centralisation of Indian
finance and to the political
control exercised in connection
with it appear to me to be
comprised under the
following heads.

(1) The system exists and
has long existed. The
inconveniences attached to
it are known, they are
at present, they are
diminishing, they might be
entirely removed by enquiry,
by regulation, by moderation
and discretion on the part
of those in power. The
prevalence of British
authority over the whole

Peninsula, its increasing
ascendancy in the few
remaining native States,
the maintenance of a lasting
peace, the development
of rapid communication
by land and sea, the
creation of great public
works of common utility
by Imperial Loans, the
obliteration of local prejudices,
the better constitution of
the Supreme Government all
all tend to render the
existing system of
centralized government
more tolerable and useful
and to place it in
harmony with the natural
order of things and with
the requirements of the age.
To alter the present order
of government now might
be to alter what is just
& becoming appropriate. To
introduce the federal
system might prove to be

reactionary and contrary to
natural tendencies. It
must result in inconveniences
which we cannot ~~foresee~~ foretell,
which we cannot ~~control~~.

(2) The Imperial System of
Finance, with its attendant
political features, constitutes
a splendid and powerful
central government wielding
all the resources and all the
prestige of India, a central
government imposing to the
native states which can
overshadow them, which can be
generous to them, which can
overawe the hostile or
doubtful independent Powers
on the North, which could
meet Russia itself on
equal terms of dignity
and strength. I doubt
whether the Supreme Government
would maintain the same
ascendancy if it became
the pensioner of the provincial
Governments.

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(3) Placed at the head of
the revenues and powers of
the whole of India the
Supreme Government
possesses a degree of credit
in the English money market
about equal to that of
France or the United
States of America, superior
to that of Russia. India
can borrow at 5 per cent
at par. It may be
doubted whether India
with a disintegrated
revenue would maintain
the same high position.
The federal government
would not borrow on the
same terms as the
Supreme government.
Nor would the provincial
governments borrow on the
same terms. Indeed it
may be questioned
whether they ought to be
allowed to borrow at
all..

(4) One of the objects

of the English government
is to inspire the native
capitalists with confidence
in the stability of our financial
institutions, to induce them
to invest their wealth
in Indian Securities and in
Indian guaranteed public
works This spirit is being
gradually and securely
attained under the Imperial
system of finance. But
would Indian Capitalists
have the same confidence
in a federal government
with a federal revenue
eliminated from the revenues
of the Provincial States as they have
~~do~~ in a central government
with a general revenue?
would the paper currency of
a Federal government
with its diminished powers
and resources command the
same confidence among the
masses as the paper currency
of the Supreme government?

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I doubt it. The ~~credit~~ and
resources of the Federal
government might be
essentially as substantial
but appearances would be
against it and the
masses would be affected
by appearances.

(5) The Supreme government
of India with its
centralized revenues and
authority fitly represents
the Majesty of the British
Sovereign and fills the
place in the imagination
of the Hindu and
Mussulman Nations
that was formerly
occupied by the Emperor
of Delhi. There is a
Sovereign autocratic
idea attached to the
Supreme government
that is congenial to the
oriental mind and
that maintains the
traditions of respect
and submission. But

But if the constitution
of the Supreme Government
was rashly tampered with,
if it was deprived of the
purse and of the power which
belongs to the purse, would
not the veneration which is
now associated with the
depositary of the authority
of the distant Sovereign
be gradually impaired?
I think it would and
neither the federal
government nor the
Provincial Governments
would ever command
the same veneration.

(6) The Supreme Government
disposing of the financial
resources of the whole of
India can carry those
resources at once where
they are most needed.
There are spots which have
a truly national importance
though they may appear
chiefly beneficial to a
particular District.

6

There may be evils
necessities and dangers
in particular districts
which it is the duty
of the Supreme Government
to correct and remedy
at the charge of the
whole. The creation or
improvement of a Port
may have a National
importance though the
expenditure on it may
appear unfairly beneficial
to a particular locality.
A road, a canal,
a railway from a cotton
district, or a coffee
district, or a tea
district may have a
vital significance
for the whole people
and commerce of India
and yet the expenditure
on such a work may be
out of all proportion
to the present revenue
of the district which
it is destined to
develope. A Military

railway to the North
west frontier is as
necessary to Madras and
Burmah as to the Punjaub
North Madras and
Burmah will never derive nor profit by directly
~~by~~ existence of the money
expended on it. or the
Supreme Government
may find it necessary
to lay out for moral
and social purposes
large sums on recently
conquered, savage, or
dissatisfied provinces
than the revenues of
those provinces would
seem to warrant in order
to ~~eleminate~~ remove causes of
disturbance or danger ~~to the~~
~~state~~ and to force
those provinces into some
degree of harmony with
the long settled, pacified,
reclaimed portions of the
Empire. an excess of

expenditure during years
for Police, prisons and
Schools in Oudh, or
in Scinde, over the
Punjaub contribution
with Bengal or Madras
or Bombay, must be
patriotic and justifiable.
The old provinces of the
Empire conquer the new
provinces. The old are
bound in honor and
duty to civilize ~~the~~
~~Duty~~ what they
conquer. We have no
right to annex a
country and then throw
it on its own resources.
Conquest has its duties
as well as its rights.
I venture to demur to
the policy of those
who would restrict
the benefits of the
Supreme government
to its receipts and
who would measure
out in a parochial

spirit to every province
appropriations superintended
to its specific returns.
on the contrary it ought to
be a satisfaction to the
rich to help the poor,
to the old to protect
the young, to the good to
improve the bad, for thus
all can cooperate in
building up the glorious
fabric of a United India.
Such duties can only be
performed, such ends
can only be attained by a
central government
disposing of the financial
resources of a whole Empire
and executed by a higher
law than the nice
calculations of a
provincial Revenue
Board.

/7/ The Imperial Government
in its present form and
with its present resources

maintains a certain
uniformity in the
development of Indian
institutions, in order
that with the
controlling power might
prevent great
divergencies and
contradictions in the
~~contributions~~ with in
the several provinces regard to constitutes
and to cost.

/8/ In the preceding
paragraphs I have
indicated the advantages
belonging to a centralized
finance in time of
peace. It would be
superfluous to contend
for the superiority
of this system in the
event of war. The
Supreme government
having all the resources
and disbursements
of the Empire under

it's control can consistently translate every source of income, close every avenue of outlay, concentrate all its expenditure on the capital object at stake, the energetic prosecution of hostilities. Under the federal system it would be necessary to deal with lukewarm, reluctant, hesitating or even ~~hostile~~ hostile interests perhaps not directly concerned in the struggle or connected of its necessity and solicitous for economies or delay.

IV. In these reflections I have assumed that if the finances of India were decentralized, the governing power would be decentralized also. But it may be

contended that the power of the Supreme government ought to be preserved that it might still remain the supreme controlling, connecting, regulating authority through dependence of its financial autocracy and placed upon an allowance. I do not believe that would be possible. If the Provincial governments acquired the right of raising their own revenues and of distributing and applying those revenues they would have an irresistible claim to mould their institutions to suit their expenditure. Indeed the money would not be worth having without the power, the

responsibility and the credit of an independent administration. —

V. If we turn to the alternative of a federal system of finance attended with a considerable modification of the present powers of Imperial management and control as does to considerable benefits to the several Presidencies and Provinces are apparent. —

(1.) Under the federal system the provincial governments would be interested in raising as large a revenue as could be taken consistently with the welfare of the country and in spending it as economically as possible. At present under the system of an Imperial revenue the Provincial governments are acting under considerations which must guide our proceedings here) might be disposed to raise as little as they possibly could and might endeavour to obtain as much as possible from the general fund. For we the Provincial Government as deeply concerned in economizing how could it would be in a position of independence for which they to economize resort to the Imperial treasury.

(2.) Under the Federal

Federal system the
Provincial governments
would act with more
reflection and more energy
in the prosecution of
public improvements both
of a social and
material character.
Their plans for the public
good would not be
checked or overturned
by a distant authority,
their responsibility would
not be divided, their
credit would not be
shared, and the financial results of
their deliberations and
actions would be
returned in the country
and would be returned
to the sources in which
they originated.

(3) The provincial
Governments would be
protected against the
mistakes and delays
which may be contingent

on the interference
of an overworked and
controlling Power
overburdened with work
and incapable of
dealing with local
details far beyond
the sphere of its
actual knowledge
and observation.

(4) The burden of
taxation would be
more willingly borne
by the people of the
Presidency or Province
who would feel that
with the exception
of a stated sum
subscribed for federal
purposes the whole
revenue of the Province
would be returned
in the territory
for its exclusive

benefit. –

VI. From the remarks which I have submitted it may be inferred that in my opinion the present system of centralized finance with the present centralized authority are most advantageous to India at large and to the consolidation of the British power; but that the federal system would be most beneficial to the Ld provinces and especially to Madras. I feel, myself, but with no very fixed determination, to the

x 167/12

former alternative, and if financial and administrative independence were offered tomorrow to this Presidency in connection with a federal constitution I think that this Government would act with superior wisdom in declining it. I am prepared however, as I suppose, to meet with a great divergency of opinion on the subject and for the purposes of the present discussion ~~to postpone~~ ~~to the question~~ ~~but I shall~~ ~~propound~~ ~~the complete decentralization~~ ~~of Indian finance~~ ~~in a despatch~~

~~by those who prefer~~
~~over the decision of~~
~~Sabio~~ it is right that
I should bring the Reciprocity
measure suggested by
W. Mackey under consideration.
Is it likely a good measure
in itself and a good
introduction to the decentralised or
federal system of finance.[2]
I am bound to say that I
cannot answer either
question in the affirmative.
I don't think that the
overture can be acceptable
to this government and I
don't think that this
method is one by which
the federal system
can be fairly and
beneficially brought
into operation. –

VII. W. Mackey proposes
to transfer to the Government
of the Presidency

X 169/13

certain heads or
portions of the
Imperial Revenue
and to transfer at the
same time certain
departments of the
~~present~~ provincial
administration and
expenditure to which
those revenues are to
be applied. –

Passing over charges
of a trifling and mis-
-cellaneous character
that has no sensible
interest for the general
of the country the effect
that W. Mackey
proposes to deliver over
to our management
with an assignment of
money equivalent or
approximately equivalent
to the existing annual
appropriations are the
following.

Jails.
Police.
Public works excluding irrigation works.
Medical Service. —

Leaving out certain sources of insignificant amount the revenues appropriated to these charges are the following.

One sixteenth gross land Revenue. —
one quarter income tax. —
one quarter License tax. —
Law and Justice. —

VIII. Two of the branches of administration specified are of such a character that they could only be opened by the Provincial government in connection with revenues of a very expensive character.

x 171 14

IX. The Jail system of the Presidency is in a state of construction and development. all the subordinate Jails and lockups have to be reconstructed or remodelled at an estimated cost of about £150.000. Some of the District Jails must be rebuilt and all must be enlarged, and adapted to the purposes of imprisonment discipline and labour. The Central Jails are not terminated and when terminated they will probably have to be subjected to material alteration of the principles of European treatment and organisation are to be introduced into this country. Juvenile

Reformatories have not yet been commenced.—

X. The charge for Medical Service is in the same position as that for Jails. The native hospitals even at the Presidency are very imperfectly provided. In the Provinces the Dispensaries must in my opinion be in many respects altered if they are to be reconciled to the habits of the people and if they are to command popular sympathy. They must be multiplied and associated with agencies for teaching as well as for healing if they are to meet the necessities of the poor and dispensate the benefits of European Medical Science.—

We cannot escape such increasing charges without a better appliance of increasing means to meet them.

XI. The Police is an Establishment which has nearly spanned a round shake and coat. The force will probably not be augmented. The pay of the men must be eventually raised in correction with the rising value of provisions and remuneration of labour. The pay of the officers may perhaps have to be improved in order to secure a permanent staff of intelligent and trustworthy agents. But such augmentations may be gradual and they may not be important. We could take over our Police

Expenditure with a
fixed appropriation on the
present basis but it appears
to me unimportant whether
we receive that appropriation
annually from an Imperial
budget or permanently
from a specified Branch
of the Madras Revenue.

XII The Public works
expenditure
must also be defrayed
by a permanent appropriation
estimated on the present
rate of annual Imperial
expenditure for though
the present ~~appropriation~~ charge is
inconsiderable to the
resources of the Presidency
it will be relieved by
the completion of the
by-road roads which
now weigh heavily on the
budget as well as by

the development of the
local road cess. But
here again I don't
see what we gain by
a permanent appropriation
of provincial revenue.
The Supreme government
will not deny us the
same or a greater
amount for Imperial
Sources.

XIII. To decentralisation
of Public works
expenditure which
does not include
the management
of irrigation works
in my opinion
can scarcely any considerable
interest for the
Madras Presidency.

XIV I would positively
decline to accept the
Jails and the Medical
Service on the terms
proposed by Mr. Massey.

The Police and Jail works are scarcely worth accepting in the form in which they are offered.

XV. In these remarks I have assumed that the transfer of Revenue which Mr. Mackey proposes to resign are not susceptible of rapid or considerable development. I may add that one of them ought not to be parted with by the Supreme government at all. -

XVI. The land revenue has undoubtedly a tendency to increase but if we regard the contemplated introduction of the new Settlements in several districts and the vicissitudes of the Seasons that increase may not be progressive or stable. There may be, for instance a diminution in the present year.

XVII. One quarter of the income Tax is a visionary provision. The income tax is not imposed, and in any case the judgment on it is to be imposed except in case of war or in the event of a great deficiency of revenue from famine or in some exigency more clearly proved than we have before us at present.

~~XVIII~~ XVIII. The license tax should be abandoned altogether by the Supreme government in favor of the Municipalities and for local purposes

in the rural districts.

XX. The receipts under the head of Law and Justice are more likely to diminish than to expand.

XXI. Having thus briefly stated the grounds for my opinion that the proposals of Mr. Mapey are not in themselves acceptable I may be permitted to affirm that proposals of this partial character are not the proper instrumentality by which a financial and political revolution should be inaugurated and by that it can ever be fairly and justly

accomplished. —

Mr. Mapey has framed a tentative memorandum. The Secretary for the Financial Department has written a Secretary letter. Behind the further scene we see the forms of Hesterdeny and Agitate. The Vice Roy gravely deprecates the innovations projected by his subordinates. The Secretary of State for India has made no sign of acquiescence or disapproval.

I respectfully submit that all this is not quite regular or right. If the Mysore Government and the Government of

determine
India ~~can~~ ~~is~~ on
~~thinking~~ sufficient deliberation
that it is desirable
to decentralize the financial
and consequently, in my
humble judgment, the
political administration
of India and to introduce
the federal constitution
in lieu of an Imperial
Power would it not be
better that the several
Presidencies and Provinces
should be called upon seriously
to cooperate in framing
provisions for that
purpose which might be
submitted to Her Majesty's
Government. To attempt
such a work by written
correspondence would
probably be an interminable
labour. Nothing less than
a congress of delegates
could effect it. To

such correspondence, I must
say to that extent, &
any serious disturbance
of the present financial
constitution must
eventually lead.
Under these circumstances
I conceive that Her
Majesty's Government
and the Supreme
Government would
do much better to
look the whole question
in the face boldly
in all its magnitude,
than to suffer
circulars overtures
to be circulated
by subordinate
authorities however
able and respectable.
Such overtures must
necessarily involve
controversies and counter-

suggestions which
ends for every provincial
Government, and for
every administrative
department and authoritative
functionary in each provincial
Government, resulting
in a mass of conflicting
statement and ~~conduct~~ advice
which can scarcely
become the basis
of an equitable and
acceptable resolution
in the Supreme Council.
A conference of the best
intellects in India ~~might~~ would
digest some practical
proposal or explode
the whole scheme altogether. —

XIII. In the report from the
Board of Revenue which
accompanies these papers
I find the following passage.
"Any change in such a
"system can hardly fail

of being an improvement
and the voluntary and
extensive aboregation now
proffered by the Supreme
Government of a control
which it cannot exercise
with efficiency and
which bears more
injurious the more
energetically it is
exercised, must be
regarded with the
utmost satisfaction
by all who take an
interest in the welfare
of the Empire". —

I regret that the
Board of Revenue has
affirmed his opinion
in a manner so
dogmatic. I feel that
in their opinion I am
excluded from the
number of those "who
take an interest in
the welfare of the
Empire" for I do not
see any necessity for
the abregation of the

Supreme government
and I cannot shewed
that their control has been
exercised to the prejudice
of the Presidency.

I have now held the
honor of being charged
with this government for
two years and I have always been
an uninterested spectator
of the progress of public
works with their ornaments
and benefits. I am enabled
therefore to express a
deliberate judgment that
the intervention of the
Supreme government
has never in any instance
been vexatious or unreasonable.
I do not remember any
good undertaking which
has been frustrated by this
Power which in the
imagination of some is so
malignant. The Supreme
Government as at present
administered appears
to me to be a forbearing
and impartial authority.
Only two cases
~~are~~ of any importance
occurr to me at this moment

+ 185 21

in which the Government
of India has interfered
to arrest a modification
the resolutions of the
government of Madras.
One occurred in connection
with the Lawrence Asylum
works, the other in
connection with the
irrigation works under
the Periyar anicut
in the District of Kellore.
In the first case the
Supreme government
were in my opinion right,
in the second their
objections were at
once unnecessary, the plan
objections being productive of no
bad consequences
and they have already
yielded to the solicitations
of the government
of the public works of
Madras are not
impeded by the
interference of the
Supreme Government.
They are impeded

by want of funds and want of Engineers.

XXIII. If the present proposals of Mr. Meiser should be withdrawn it may be asked whether there is no provision for local works and interests which I would recommend for the advantage of the Presidency. My reply to this question may be found embodied on various occasions elsewhere. There are two agencies ~~to work~~ in activity that are destined gradually to work out the most important ameliorations in this country, municipal Taxation and the Local Road Cess. To these sources of local revenue and improvement I would add two more.

(1) The levy of a Tax on Trades and professions in the County districts.

1871 22.

which should be applied to the Subsidiary Jails, Dispensaries and improvements Sanitary works.

(2) The imposition of an additional five per cent on the assessment of wet lands to be applied to irrigation repairs in conjunction with six per cent to be reserved for the existing assessment revenue making ten per cent in all to be used locally under the direction of the Revenue Officers in conjunction with them & the Officers of the Department of Public Works.

XXIV. These proposals

would imply the
relinquishment of the
License Tax on trades
and professions by the Supreme
~~Enforced~~ Government
in favor of strictly local
objects a conception which in
my humble judgment
they might judiciously
make the tax being
already extensively levied
for Municipal purposes.

XXV. With the provisions
which I have indicated
I think that the local
resources of the Presidency
would be sufficiently
guaranteed and that
the Imperial Revenue and
Control might be safely
left intact. –

XXVI. The various proposals
which have been made
pointing to increased

local taxation or the
disintegration of the
Imperial Revenue with
specific appropriations
have no doubt originated
in the insufficiency of the
general public Revenues
of India to meet the constantly
increasing ~~dis~~ charges
for the public service in
all its branches. If this
be true it behoves us
surely to inquire most
seriously whether a
vigorous well considered
effort has been made
to reduce expenditure.
In the Madras Presidency
it is my opinion that the
cost of the Army far
transcends the wants of
the Country and that
retrenchments in this head
might be made which

would not be contemplable
even with reference to the
Imperial deficit. The
question will be brought
forward hereafter with
due deliberation by one of
my Colleagues and every
distinction will be manifested
by this Government to
sift the matter to the
bottom as far as our
establishments are
concerned. I cannot
disguise my impression
that a movement in the
same direction in other
parts of India might
produce valuable results
especially if the enquiry
was conducted by an
independent English
Agency.

XXVII. In returning a reply
to the Government of India

with reference to the proposals
of Mr. Massey the Members
of the Members of Government
and the various reports
furnished by the several
officers to whom this
question has been
referred will ~~no doubt~~
be transmitted. Some
diversity of opinion will
no doubt be discovered
and it may not be
easy to bring the sentiments
of the Members of Council
into harmony except
in simply declining
the specific ventures
now before us. We can
scarcely hope to concur
in a counter proposal.
I would therefore advise
that an answer be
framed to the effect
that this Government
are of opinion that the
measures brought under

their consideration are of too partial and inconclusive a character to justify a disturbance of the present system of financial administration.

Napier

Financial Dept

Recd 4th March 68.

Secret

Extract of the Hble Hon: the President

15th February 68.

Financial Dept No 12 dated 15th February 1868

Minute

Regarding proposed transfer of certain items of Imperial Revenue to the Control of the Local Govts

20-

193 25

Minute

The measures remitted to the Govt of India for consideration, do not seem fully to have commended themselves to the Govt of India, who have merely appended to the communication of certain plans and have carefully abstained from pressing them upon the adoption of this Govt. These plans are modifications of views originally entertained, though the scope of the proposals as first made has been enlarged. They have been explained in an elaborately prepared memorandum: but in point of fact they seem simply to have been thrown out for opinions the bearings of which will, it seems probable, lead to their future abandonment.

I have perused with much interest the observations recorded by Lord Napier the President, and fully concur with his Lordship that it is inadvisable to accept the proposals made to the Govt of India proposing to it that at once partial, if not an incomplete and very partial change in the system of financial administration of the Empire.

Should it be determined eventually to expand the dimensions of this proposal and give to it a permanent character the attention of the Supreme Government might properly be drawn to the plan submitted in para 13 of the

accompanying letter from the Board of Revenue, and to them further remarks as to carrying it into effect which commence at para 94 of the same communication. -

Speaking from general observation and from what I have noticed as a member of the Bd of Rev., I should be disinclined to diminish the power of supervision and control now annually exercised by the Central Government over the more important proceedings of the outlying Presidency. I cannot recall to mind any instances in which that power has been exerted in modification or annulment of a measure proposed or adopted by the local Government, where reasons have not been shewn which it would have been difficult or hazardous to acknowledge as a good argument for the course taken by the higher authority.

An exception may perhaps be made in regard to the recent very close supervision of certain four most important measures of irrigation, which supervision would appear to be all the less necessary, inasmuch as our irrigation officers have been in complete charge of the Cauvery-Kistna works in Godavari without control, and advice from the authorities in Madras Presidency

29 Feby 1868.

W Dalrymple

Financial 1868 Dept

Proc.y 7th March 68

Minute of the Hon'ble
H. B. Phillips

S. O. L. Pb 124-125

1/29 Oct pd.

Re Mad

Regarding proposed
transfer of certain items
of Provincial Revenue to the
Control of the Local Govts

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&c.

I concur generally in the objections advanced by the Governor in his minute of the 15 instant against the adoption of any partial changes in the system of financial control as at present exercised by the Govt. of India of the nature of those advocated in the letter from the Financial Secretary to that Govt under date the 19 September last and in the memorandum which accompanied it. If it were thought desirable to introduce any changes so limited in extent, I should much prefer the scheme submitted by our Board of Revenue in their Secretary's letter

letter of the 27 ultimo, but I question the policy of any such partial localization of Revenues and Charges which in my opinion would tend rather to delay than to facilitate the introduction of a more complete decentralization and would not very materially diminish the amount of supervision which under the system now in force the Supreme Govt. is compelled to exercise over the local Governments. The interference of the Govt. of India with the appropriation of the sums annually allotted from the General Revenues for the construction and repair of roads is now practically nominal. I cannot call to mind any instance during the last three or four years in which the Supreme Govt. have objected to any particular work of this description which the Madras Govt. proposed to carry out from the sums allotted to Communications. Practically the Local Govt. is unfettered in the distribution of the funds allotted to this branch of its expenditure, and I agree with Lord Napier in regarding it as a question of little moment whether the amount so allotted is fixed annually or is to be a permanent proportion of the Land Revenue. The stipulation proposed by the Board that the Supreme Govt. should not be at liberty to make any special grants in excess of the fixed proportion,

except

exception in the case of the three Provinces most recently annexed, viz Burmah, the Central Provinces and Oude is clearly an inadmissible stipulation and is based on what I cannot but regard as a very erroneous conception of the powers which under any possible system of decentralization must be reserved to the Supreme Govt.

2. Very much the same may be said in regard to the Police Expenditure, the details of which have not been interfered with by the Supreme Govt for some years past. It is true that within the last few months a question had been raised with reference to the aggregate amount of our Police charges with a view to their reduction, but full explanation has been furnished, and judging from the past I see no reason to apprehend that the Governor General in Council will insist on any reduction in this important department of the Administration in opposition to the unanimous opinion of the Local Govt. Of two other questions on which also we are in correspondence with the Govt of India, viz the proposed decentralization of the salaries of Military Officers employed in the Force, and the resolution of the Supreme Govt in favor of the employment of a more exclusively Civil Agency

Agency. The second is one on which under any system the wills of the Govt of India must be supreme, inasmuch as the Army must always be under the control of the Central Govt and it must be left to that Govt to determine to what extent the officers of the Army are to be made available for Employment on other than military duties.

The third and last of the proposals submitted by the Board, that for the repair of tanks and other minor works of irrigation the Local Govt should be at liberty to appropriate 10 per cent of the Revenue derived from the lands irrigated, is one which may fitly be considered and dealt with on its merits, apart from any more general scheme for localizing revenues and expenditure. It is a subject of great importance to the prosperity of this Presidency, and I have no doubt that any well digested scheme for making more efficient provision for the maintenance of the numerous petty works of irrigation on which the sufficiency of the food supply and the payment of the Govt. Revenue are so materially dependant will receive from the Govt. of India the attention which it deserves; but at present it can hardly be said that the question is ripe for decision. It has yet to be determined how far the existing Agency is sufficient to provide for

for the maintenance of the numerous irrigation works scattered over the country even if the requisite funds were available, and, if not, what better means of ensuring the prompt and effective execution of the necessary works can be devised. It also seems desirable that some more approximate estimate should be formed of the actual cost of keeping such works in repair before assigning for the purpose a fixed quota of the land revenue.

In regard to the general question of substituting what Lord Napier designates as the federal system of financial administration for the existing

existing Imperial system, which is naturally raised by the circulation of the proposals submitted in Mr Lushington's letter, I concur in every word that His Lordship has written as to the great and paramount importance of maintaining unimpaired the power and prestige of the Central Govt. I recognize the absolute necessity of continuing to the Governor General in Council ample means of controlling and directing the administration of the several Local Governments: of impelling the introduction of judicious reforms, stimulating moral and material progress, checking extravagance and misdirected expenditure and securing

for

for the general requirements of the Empire such a proportion of the revenues of each Presidency or Administration as the exigencies of the time may render necessary. I also cordially assent to the justice of His Excellency's remarks in regard to the practical working of the present system of late years. From a tolerably close observation of the manner in which the administrative and financial control vested in the Supreme Govt. by the Imperial legislature has been exercised with reference to this Presidency for some years past, and more particularly during the last six years, I am able to say that in my judgment the Madras Presidency has

has no valid grounds for complaint on the score of undue interference on the part of the Govt. of India in the details of its administration; that on the contrary the general rule has been that a reasonable proposition, if fully and clearly explained, has been certain of receiving the sanction of the Supreme Govt. The cases in which our recommendations have not been acceded to have with very few exceptions been in matters on which very fair reasons could be advanced in support of the opposite view of the question, cases in which the Local Govt. could not justly complain that their proposals had failed to receive consideration or had been

repeated

rejected on arbitrary grounds. The real defect of the present system in my opinion is that the action of the Local Govts is not subjected to a sufficiently effective check that exercised by the Govt of India being too distant and being of necessity deficient in that knowledge of local circumstances and of local requirements which is essential to a thoroughly successful manipulation of the local finances, while on the other hand the Local Govts are without those incentives to practising economy in the administration of the Departments which must be left more or less under their control, or to urging economy on those under the immediate control of the Govt of India, which would be furnished by the adoption of a system conferring on the Local Govts somewhat more freedom of action and with it more of real responsibility than at present attaches to them. Under present arrangements every local administration has the strongest inducements to obtain for itself the largest possible slice out of the Imperial Revenues. It has little or no inducement, save that which the moral sense of its Members may supply, to pare down unnecessary charges or to develope its sources of revenue. I do not believe

believe that the political conscience of Madras is composed of a different material from that which is found elsewhere, but I ~~have more than once~~ heard it gravely argued ~~at the Council Table or Fort St. George in regard to propositions which involved an increase of charge in one direction and a reduction in another, that it was not expedient to submit the proposition to the Govt of India lest they should order the reduction and withhold their sanction to the increase.~~ The truth is ~~that~~ all public bodies require to be governed and controlled by motives and incentives not very dissimilar from those which regulate the actions of private individuals in every day life, and above all they need the check of an outside opinion, competent from circumstances to form a true judgment of their acts and sufficiently interested in the consequences of those acts to exercise that judgment in a persistent and effective manner. To me it appears that these incentives and these motives are not to be found in the amount of control which it is possible and desirable that the Supreme Govt of India should exercise over the various Provincial administrations.

While

While therefore I entirely concur in Lord Napier's views as to the inexpediency in a political point of view of introducing any changes which might have the effect of materially impairing the power and prestige of the Central Govt, and while I cordially assent to His Lordship's remarks on the considerate and just manner in which the present system has been worked for some years past, I cannot but regard it of great importance with a view to the improvement of our internal administration that greater freedom of action should be conferred and at the same time a more effective responsibility should be imposed upon the Local Governments. I submit that this object may be attained without any diminution of the real power which appertains to the Governor General in Council under the present system.

According to the present constitution of the Govt. of India, using the term government in its abstract and not in its technical sense the check which the Supreme Govt exercises over the Provincial administrations is principally financial and it is exercised

exercised in three ways; first in its annual revision of the Budget Estimates submitted by the Local Govts, secondly by the use of its power of prohibiting the creation of new offices, or new salaries, or any other additions to the permanent expenditure of the State; and thirdly by the annual settlement of the amount at the disposal of each Administration for Public Works. The check which is afforded by the annual revision of the Budget Estimates may be dismissed with the remark that in practice the Budget Estimates submitted by the Local Govts are not materially altered, so long as they are prepared in conformity with the prescribed rules. Under the regulations which have been in force for the last few years the control of the Supreme Govt over the creation of new appointments or charges of a petty character has been considerably relaxed and is to a great extent in the form of a review of charges already incurred, and not as it used to be in the form of a scrutiny of applications for increase of charges. For the creation of such appointments as it is usual to publish in the Official Gazette or for raising the salaries attached to such appointments the

persons

previous sanction of the Govt. of India is still required, and practically its control over the Civil charges of the several Administrations excluding from the category the Public Works Expenditure is confined to charges of this description. The aggregate amount available for Public Works is settled annually previous to the preparation of the detailed Budget Estimate. Of late it has been the practice to set apart a certain sum for expenditure on Military buildings which cannot be diverted to any other purpose, but with this exception and with the exception of the amount allotted from

from loan funds for irrigation works the detailed distribution of the expenditure is in practice left almost entirely to the Local Govt. It is true that transfers from one major head of the Budget to another require the sanction of the Supreme Govt. but such sanction is rarely or never withheld. In the case of very expensive works the plans and estimates have to be submitted for the previous sanction of the Supreme Govt., and as Lord Napier remarks, the requirement has not hitherto been productive of any material inconvenience or hindrance to the prosecution of useful works.

In

In addition to the financial checks the Governor General has a power of veto over the legislation of the Local Govts and the Governor General in Council is competent to order the adoption of any measures which he may deem conducive to the material or moral progress of the country. His orders on such points when they do not take the shape of legal enactments are usually in the form of suggestive communication calling the attention of the Local Govts to the subject under consideration explaining the policy of the Supreme Govt in reference to it, but leaving it to the Local Govt a wide margin of discretion in carrying out that policy

policy in detail.

It appears to me that with the experience already gained in the government of this country it would not be difficult to devise a system, which, while enlarging the freedom of action and increasing the responsibilities of the Local Govts, would not diminish in any essential point the power and influence which is exercised by the Govt of India in the several modes above adverted to. What I would venture to suggest is that certain branches of expenditure having been set apart as Imperial, the quota to be furnished by each Local Govt towards the Imperial expenditure

should

should be determined annually by the Governor General in Council, the remainder of the Revenues of the Province being left at the disposal of the Local Govt subject to checks and restrictions which I will describe presently.

The Imperial expenditure should include the following items of charge.

The Expenses of the Home Govt & of the Govt of India.

The Public Debt.

The Army.

The Post Office.

The Telegraphs.

The Interest on guaranteed Railways.

and any other items that may be considered to appertain rather to Imperial than to Local objects

objects. It would be for the Govt of India annually to determine the aggregate sum required for these branches of administration and having done so to decide with reference to the requirements of each Province, regarded from an Imperial, and not merely from a local, point of view, what should be its contribution to the Imperial Exchequer and what sum should be left at the disposal of the local Govt for carrying on the Civil administration and for public Works. With the view of establishing a thoroughly Effective check over the expenditure of the Local Govts, each Local Govt should be

be required to submit annually to the Local Legislative Council a budget Estimate exhibiting the probable amount of revenue which under the orders of the Govt of India will be left at its disposal and the expenditure which it is proposed to incur. The votes of the Council would be taken on the Budget section by section or item by item it being open to any member to move the omission or reduction of any particular item of expenditure which he might deem unnecessary or unduly high or an increase of charge when he might regard the Budget provision too low or the insertion of any new charges which he might deem called for On all such amendments the votes of the Council should be taken and the Budget should be finally passed, as voted by the majority of the Council; such votes however being subject to the following restrictions. It should not be in the power of the Council to vote the creation of any new office the salary of which might exceed a certain amount, say Rs 1000 per mensem (at first perhaps a lower limit might be imposed) or to raise the salary of any existing office above that amount, or vote the abolition of any office the salary of which exceeded that amount, unless the permission of the Governor General in Council had been previously obtained. In all such cases the power of the Council should be

† and embodied in an Appropriation Act

be limited to passing resolutions, affirming that such and such changes were desirable, and it should be the duty of the Governor and his Executive Council to forward the resolutions so passed to the Governor General in Council with any remarks they might think proper.

Under such a system the expenditure and in fact the administration of each Province would be subjected annually to the test of public discussion by persons possessing a certain knowledge of local circumstances and local requirements, and the result could hardly fail to be a more Economical and at the same time a more vigorous administration. Under it the powers

powers at present exercised by the Supreme Govt would be in no respect materially diminished. The Governor General in Council would still retain an ample control over the resources of the Empire. Upon his decision the amount to be allotted to each Local Govt for its internal administration would still depend. He would still regulate the ~~amount of Provincial expenditure to be assigned to~~ all public officers throughout India above a certain grade. The creation or abolition of appointments above that grade would still be dependant upon his sanction. His control over the legislation of the Local Govts would remain intact. The influence which he is able to exert

exert by the legislative pow[er] vested in his non Council would continue unim- paired. It would still be competent to him to instruct and advise the Local Govts., to review their measures, to approve or condemn their acts. His dignity in the eyes of the Native Community would be in no way lessened. His authority and influence over the Local Govts would not in reality be weakened.

It would of course be necessary, if any such change of system were introduced, that the Supreme Govt. on the occa- sion of its annual set- tlement of the yearly to be contributed from the revenues of each local administration & the general expenses of the Empire

Empire, should publicly notify (so far as such publicity might not be deemed inexpedient for reasons of State policy) the grounds upon which larger or smaller allotments are assigned to the several administrations in pro- portion to their respective revenues. To take for instance one of the cases adverted to in the letter from the Board of Revenue it would be proper that the reasons which have led to the assignment to the Bombay Presidency of so large a proportion of its revenues in comparison with the proportion as- signed to other Provinces should be stated for the information of the other Governments. The publica- tion annually of such

a

a statement for the comments and criticism of the several Governments and of the Press could hardly fail to exercise a beneficial influence on the decisions of the Governor General in Council and to bring about a more careful and deliberate consideration of the claims of the several Presidencies than takes place under the present system. It cannot be denied that there exists a very general impression that the large grants for Public Works made of late years to the Bombay Presidency are attributable rather to the pertinacity with which the wants of that Presidency have been urged by its Govt than to its real claims and

requirements

requirements in comparison with those of the other Presidencies, whether they be regarded from an Imperial or from a Local point of view. If this impression be unfounded it would be dispelled by the publication of such an annual statement as I suggest. If the facts be otherwise the allotment would be reconsidered and one more just to the remainder of the Empire would be adopted. In alluding to this subject I wish it to be distinctly understood that I entirely concur in the opinion expressed in Lord Napier's Minute that the disposition of the financial resources of the Empire must be left to the Supreme Govt. and

that

that the principle of appropriating the allotment made to each Province by a nice calculation of the revenue yielded by it would be altogether incompatible with the controlling power which must be reserved to the Governor General in Council. All that I would urge on this point is that the exercise of that control should be subjected to the valuable check which would be afforded by requiring the Supreme Govt to promulgate an annual statement of the reasons which guide it in the allotments made to the several local administrations.

Under the system which I advocate the several local governments would have a direct interest in promoting economy not only in the expenditure under their more immediate control, but in those branches of expenditure under the direct control of the Govt of India. Lord Napier has alluded to the heavy cost of the Army of this Presidency, which I have incidentally noticed in one or two minutes recently submitted to the Supreme Govt. and which I purpose to bring under the formal consideration of Govt at an early date. The strength of the Military Force to be maintained in a particular province is a question which of course must be largely governed by Imperial considerations, but it is one on which

the

the local Govt. might and often would afford useful advice if it had that practical interest by which it ought to be actuated in urging a judicious economy in the general expenditure of the Empire. I am aware that the proposal to assign to the Legislative Councils of Bengal, Madras and Bombay a control over the administrative measures of the Executive Governments even to the limited extent indicated in the foregoing suggestion, is one which has not hitherto been advanced, or, if advanced, has not as yet been seriously entertained. The view hitherto taken has been that in a country the government of which must

must more or less partake of the character of a despotism, it would not be safe to entrust to an independent body however small any power of interference with or control over the executive administration. It was in conformity with the principle upon which this view is based that up to 1854 all legislative power was restricted to the executive Government and that the admission of non-official persons to take a share in the legislative business of the Empire was not sanctioned until 1861. It is I take it an admitted fact that the practical working of the latter measure has fully met the expectations of its authors and that the presence of

of non-official persons in the Legislative Councils has been a source of strength and not a source of embarrassment to the Govt. I cannot think it probable that a different result would follow from conferring upon these Councils the additional duty of revising and passing the annual Estimates, subject to the restrictions above provided for. According to the constitution of the Councils the official element largely predominates, and it is not to be apprehended that it would be in the power, even if it were the wish of the non-official members to carry any measure to which the Governor and his Executive Council were opposed. The Effect of

of the change would be not to diminish the power and responsibility which must necessarily be reserved to the Executive Govt., but to ensure that that power shall be exerted and that responsibility discharged under the salutary influence which will be exercised over every Head of a Department and over every Member of the Executive Government by the knowledge that his administration, and especially those parts of his administration which in any way affect the financial position of the Presidency will be liable to criticism in a Council the proceedings of which are public and the

members

members of which are
more or less competent
from their own local
knowledge and from
the means available
to them of obtaining local
information to form an
intelligent judgment on
the various questions
which may arise. That
some such check will
be necessary in the event
of larger powers being
conferred on the Local
Government is does not
I think admit of a
doubt, and I question
whether any better
agency can be devised
for the purpose than
that which is ready
to our hands in the
existing Legislative Council.

C. J. Cumbrae

25th May 1868

Financial 1868 Sept

Proj. Mark Bk

From
Minute of the Honble
A. J. Arbuthnot

G.O. No. 124. 125

4/25 Feby 68.

Re Mark Bk

Regarding proposed
transfer of certain items
of Imperial Revenue to the
Control of Local Govt.

21.—

Financial Department.

PROCEEDINGS of the MADRAS GOVERNMENT.

Read the following ~~Letter~~

Minute by the Honble Sir T. Pycroft. K.C.S.I.	28 October 1867.
Note by the Secretary to Govt Rev. Dep	23 — " — "
Memorandum by Secy. to Govt P.W.D	2 Novr. — " —
From the Accountant General	8 Jany 1868. No 316.
——— Secy. Board of Revenue	27 — " — " " 625.
Minute by H.E. the President.	15 Feby 1868.
Minute by the Honble A. J Arbuthnot	25 — " — "
Minute by the Honble H. D Phillips.	29 — " — "

Order thereon. 4th March 1868 No 124.

23 Ordered that the foregoing papers be transmitted to the Government of India, and that the following letter be despatched.

To

dispd 7/2 ker 140
Steamer Euphrates

No. 125.

To The Secretary to the Govt of India.
Financial Deptt.

Sir,

In acknowledging the receipt of your Circular letter of the 19th Sept. last, transmitting for the remarks of the several Local Governments and administrations certain proposals made by the Right Honble Mr. Massey for localizing a portion of the revenues and charges at present treated as Imperial, I am directed to submit for the consideration of the Govt of India the enclosed copies of letters from the Accountant General and the Board of Revenue and of the Minutes which have been recorded on the subject by the Members of this Govt.

Fort St. George
7th March 1868.

J. W.

Fin. 1868. Department.

No. 125

Secy. to the
~~Reconstruction of~~ Government
of India Fin. Dept.

Dated 6 March 1868

Submitting for consideration copies of certain papers, and of the Minutes recorded by the Members of the Madras Govt, on the proposals of the Honorable Mr. Massey for localizing a portion of the Revenues and charges treated as Imperial.

15-24

15 c 24