Financial (1897) Department.

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61/61 (Statement)

[Despatch Abstract.]

Local Boards & Famine.

Directing that the fees of the addressed in reply to his letters on the question of the amount of famine expenditure in 1897–98 to be charged to ~~non-famine~~ Local Funds in the Bengal, and in regard to the financial position of those funds, & stating that further action will be taken in the 4th case as regards the letter from the Ag. Magistrate of the views of the Board on certain questions relating to the obligation of Local Boards in the matter of famine relief

(2nd case attd.)

Replying to Ag. G's letter on these questions re the financial position of the funds.

BACK PAPERS.

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# Government {1899} of Madras.

## FINANCIAL.

*Recd.* } 1899. *Enclosures*

*Regd.* } *Spare copies*

G.O., No. 731, 28th June 1899.

JUNE.

### Local Boards and Famine.

Directing that the Government of India be addressed in reply to its letters on the question of the amount of famine expenditure in 1897-98 to be charged to Local funds in this Presidency and in regard to the financial position of this Government; and stating that further action will be taken in the Local and Municipal Department as regards the letter from the Government of India inviting the views of this Government on certain question relating to the obligation of Local Boards in the matter of famine relief.

GOVERNMENT OF MADRAS.

## FINANCIAL DEPARTMENT.

Read—again the following papers :—

G.O., Nos. 1220–21, Financial, dated 13th December 1898.

Abstract.—Passing orders in regard to the distribution of the contribution of 5 lakhs which the Government of India insists on being realized from Local funds on account of famine expenditure, and addressing that Government on the subject.

G.O., Nos. 261–62, Financial, dated 18th February 1899.

Abstract.—Communicating to the Local and Municipal department letter from the Government of India forwarding copy of correspondence with the Government of Bombay regarding the principles on which plague expenditure should be regulated; and addressing the Government of India on the procedure adopted in this Presidency in the matter and on the necessity for a special assignment being made to Provincial funds and Local Boards on account of plague expenditure.

G.O., Nos. 263–64, Financial, dated 18th February 1899.

Abstract.—Addressing the Government of India in regard to the financial position of the Madras Government.

G.O., Nos. 579–80, Financial, dated 8th May 1899.

Abstract.—Communicating to the departments of the Secretariat letter from the Government of India passing orders on the budget estimates of the Madras Presidency for 1899–1900, and making certain allotments from the undistributed provision of 8·73 lakhs placed by that Government in the estimates under 45. *Civil Works.*

Read—also the following papers :—

From H. H. RISLEY, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department (Accounts and Finance—Estimates and Accounts), to the Chief Secretary to the Government of Madras, dated Calcutta, 16th February 1899, No. 756-A.

I am directed to reply to your letter No. 1221, dated 13th December 1898, in which you raise the question of a further contribution from the Government of India in aid of Provincial resources.

2. The Government of India do not propose to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards. The position they take up is that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy, and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down.



3. I am to direct your attention first to the orders of December 1883 requiring the various Local Governments to keep a balance of funds available for expenditure upon famine, which balance in the case of Madras was fixed at Rs. 20 lakhs.

It had been laid down first by the Government of India, and afterwards by the Famine Commissioners, that it was necessary that Provincial funds should bear their adequate share in the cost of meeting *famine*. The Government of India wrote in *their* general despatch on the subject of financial preparation for famine No. 246 A., dated 16th August 1877, as follows :—

39. We have, in this despatch, more particularly referred to those funds which must be supplied through the Imperial treasury. But we think it necessary to make it emphatically clear that it is no part of our policy to relieve Local or Provincial funds from any of the burden which, in times of famine, they now bear. As regards these funds, we do not propose to depart, in any way, from the established principle that distress should first be met from local resources so far as is possible; that district resources should only be responsible when local resources fail; Provincial resources when district resources fail; and Imperial resources last of all.

And the Famine Commissioners wrote in paragraphs 171 to 182 of their report, strongly supporting the view that local resources should be made available for famine relief, and carefully explained in paragraph 181 that the local area to be considered in such a case was the whole province, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only.

4. It was necessary therefore to provide that the Provincial Governments should not, when famine came upon them, find themselves without resources to meet this obligation; and it was, in order to secure this end, that it was prescribed (*vide* Resolution No. 1752, dated 11th December 1883)—

In a Despatch No. 183, dated the 28th June last, from the Secretary of State for India, reviewing the expenditure incurred in India during the last ten years and the state of the balances in the hands of the several Provincial Governments, it was suggested that the balance which each Local Government should keep in hand might be fixed at such an amount as without unduly locking up their funds would suffice to meet any exceptional demands that are at all likely to occur.

2. In accordance with this suggestion, the Governor-General in Council, after taking into consideration the size, revenue, and liabilities of each Province, as also its liability to famine, has been pleased to fix the following as the minimum Provincial balances to be kept in view by the several Governments in preparing these estimates :—

| | Rx. |
|---|---|
| Central Provinces | 80,000 |
| Burma | 60,000 |
| Assam | 50,000 |
| Bengal | 200,000 |
| North-Western Provinces and Oudh | 200,000 |
| Punjab | 100,000 |
| Madras | 200,000 |
| Bombay | 200,000 |
| Total | 1,090,000 |

A relatively small balance has been thought sufficient for Burma and Assam, as these Provinces are not liable to famine.

5. This balance of 20 lakhs being kept for the express purposes of its being spent upon famine and the like when necessity arises, it follows that it was contemplated that, after the period of heavy expenditure had passed away, the Provincial Government was expected to find itself, either without any balance at credit or with only a small one; and it is clear that an expectation that the Imperial Government would make good the amount of balance at the end of the period of calamity, is quite inconsistent with the declared object of keeping the balance in hand.

6. The maintenance of this balance has been one of the prescribed conditions of every Provincial contract made since 1883, and it is a condition which has been duly observed by the Government of Madras. In fact that Government entered upon the

famine year 1896–97 with an available balance of Rx. 430,072, so that it might reasonably have been anticipated that even after allowing for what may be called the collateral effects of famine in causing loss of revenue and increase of expenditure under other heads, the policy laid down in 1883 would be realized, and the Government of Madras would be able to find its assigned contribution of 20 lakhs of rupees towards expenditure on famine relief.

7. Against the general liability of Local funds and the specific liability of Provincial funds the accounts of Madras show the following figures:—

| | Provincial. | Local. | Total. |
|---|---|---|---|
| | Rx. | Rx. | Rx. |
| Famine Expenditure, 1896–97 .. | 47,078 | 9,207 | 56,285 |
| " " 1897–98 .. | 159,738 | 12,578 | 172,316 |
| Total .. | 206,816 | 21,785 | 228,601 |

Contributions passing between Provincial and Local may affect the distribution of these figures between Provincial and Local, but do not affect the total.

8. Unless the excess of the expenditure over Rx. 200,000 is too much to represent the liability of Local funds (which, in the opinion of the Government of India, cannot be said to be the case), it does not appear that the Government of Madras has any reasonable claim to receive from the Government of India further assistance towards its famine expenditure of 1896–97 and 1897–98, towards which, out of the Imperial share of the revenue, Rx. 732,995 was contributed in 1897–98. If the Provincial liability were to be measured by the orders of March 1877 (F.D. No. 1826, dated 28th March 1877), it would stand at a much higher figure than 20 lakhs.

9. The Government of Madras was at the end of 1897–98 left with a balance in its Provincial account of Rx. 100,000, as it was anticipated that it would have a further charge of Rx. 85,000 to meet on account of famine in 1898–99. But the 100,000 was to be modified in this way. The Government of India consented to the balance of Rx. 100,000 only on condition that Local funds would be charged with Rx. 50,000 of the famine expenditure, and directed that if the actual charge to Local funds was less than Rx. 50,000, the deficiency should be made up by reduction of the intended balance of Rx. 100,000. The deficiency being Rx. 28,200 as above shown, the balance left to Madras was only Rx. 71,800. That is, the Provincial balance would have been Rx. 100,000 if the Rx. 172,316 spent from Provincial and Local together had been distributed thus:—

| | | | |
|---|---|---|---|
| Provincial .. .. .. .. .. | 122,316 | instead of | 159,738 |
| Local .. .. .. .. .. | 50,000 | | 12,578 |
| Total .. | 172,316 | | 172,316 |

in which case the Provincial expenditure would have fallen far short of the stipulated amount of Rx. 200,000.

10. The estimates just received show the following as the Provincial account of 1898–99 and 1899–1900:—

| | 1898–99. | 1899–1900. |
|---|---|---|
| | Rx. | Rx. |
| Balance, April 1 .. .. .. .. .. | 71,800 | 123,000 |
| Revenues, Provincial .. .. .. .. | 3,276,500 | 3,270,100 |
| Total .. | 3,348,300 | 3,393,100 |
| Expenditure— | | |
| Famine .. .. .. .. .. .. | 5,100 | 500 |
| Plague .. .. .. .. .. .. | 21,600 | 64,100 |
| Other Expenditure .. .. .. .. .. | 3,198,600 | 3,278,400 |
| Total .. | 3,225,300 | 3,343,000 |
| Balance, March 31 .. .. .. .. .. | 123,000 | 50,100 |



11. The Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the payments shown in paragraph 7 above, and aggregating Rx. 228,601, and by taking over the burden of famine and plague expenditure in 1898–99 and 1899–1900. The estimates of the Government of Madras will then stand thus:—

| | 1898–99. | 1899–1900. |
|---|---|---|
| | Rx. | Rx. |
| Opening Balance .. .. .. .. .. .. | 71,800 | 149,700 |
| Revenues .. .. .. .. .. .. | 3,276,500 | 3,270,100 |
| Total .. | 3,348,300 | 3,419,800 |
| Expenditure .. .. .. .. .. .. | 3,198,600 | 3,278,900 (a) |
| Closing Balance .. .. .. .. .. | 149,700 | 140,900 |

(a) Includes the 500 under Famine which is an ordinary charge for casual relief and not an anticipation of famine in the usual sense.

12. These estimates contravene existing orders by admitting an estimate for a deficiency of Rx. 8,800 upon the transactions of 1899–1900. But the Government of India do not think it necessary to call upon the Government of Madras at present to find a reduction of this amount in their estimates of expenditure. Experience justifies the expectation that the estimates of revenue when finally closed will be slightly better than they are at present, and it will be better to wait until the estimates are further considered before directing a reduction in the expenditure estimated for.

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From H. H. RISLEY, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department, to the Chief Secretary to the Government of Madras, dated Calcutta, the 29th March 1899, No. A–1429-S.

I am directed to acknowledge receipt of your letter, No. 264, dated 18th February 1899.

2. So far as this letter deals with the question of the principles of provincial finances, it will be duly considered with that subject when the views of the various Local Governments are before the Government of India. So far as it deals with the question of the relief which is under present circumstances required by the Government of Madras, I am to refer to my letter, No. A 1429-L., dated 29th March 1899, conveying the orders of the Government of India on the budget estimates of 1899–1900.

3. As regards the proposal that the Imperial Government should take over all financial responsibility for expenditure upon famine and plague, I am to refer you to the discussion of this question in Part I–VII, paragraphs 171—182 of the Famine Commissioners' report of 1881. The Government of India have all along accepted the principles there set out. It is of course impossible to make any special assignments in consideration of expenditure so irregular in its character, but the only practical way of getting over this difficulty is that set out in Resolution 1752 of this Department, dated 11th December 1883, and the general undertaking on the part of the Imperial Government to come to the aid of Provincial resources if the latter are exhausted.

4. The Government of India are well aware that the responsibility laid upon the Provincial Government for finding money, as far as it can, for expenditure on exceptional calamities necessarily checks the growth of the material prosperity of the province and reduces the ability of the Provincial Government to add to the general prosperity, comfort, and taxable power of the community at large. But they believe it would be quite inconsistent with sound finance to relieve either themselves or the

*Provincial Governments from the necessity of curtailing expenditure upon ordinary* progress when they are in the presence of special calamities which involve a strain, greater or less, upon the financial position.

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From J. B. BRUNYATE, Esq., Under Secretary to the Government of India, Finance and Commerce Department, to the Chief Secretary to the Government of Madras, dated Simla, the 25th May 1899, No. 2361-A.

I am directed to acknowledge the receipt of your letter No. 1221, dated the 13th December 1898, in which the Government of Madras communicate a further expression of their views on the question of the extent to which Local Boards in Madras should be required to contribute towards expenditure on famine relief operations. It appears that this question is complicated by the state of the law regulating the expenditure of Local Boards in Madras. In section 95 (v) of the Madras Local Boards Act, 1884, it is laid down that every Local Board shall provide for the establishment and maintenance of relief works in time of famine or scarcity. But as is pointed out in paragraph 6 of Madras Government Resolution No. 470, dated 12th June 1897, the funds of the Board cannot be devoted to general famine relief. The Government of India have carefully considered the question of the obligation of local bodies in the matter of famine relief, with reference to the principle laid down in the Government of India's Resolution No. 2531, dated the 11th December 1877 (paragraph 15) that distress should first be met from Local funds and that Provincial revenues should only be drawn upon when districts resources have been exhausted. In view of the importance of giving full effect to this principle, which has the support of the authority of the Famine Commission, and is embodied in article 33 (*c*) of the Madras Famine Code and of securing that its operation shall be uniform in different parts of India, I am to invite an expression of the views of His Excellency the Governor in Council on the question, which the present correspondence has suggested, whether the law relating to Local funds in Madras should not be assimilated to that in force in Upper India so as, while retaining the present provision requiring a Local Board to establish and maintain relief works, to provide also for the incurring of expenditure by Local Boards on other famine relief operations.

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Order—No. 731, Financial, dated 28th June 1899.

The Government of India will be addressed in reply to its first two letters read above.

2. Further action will be taken in the Local and Municipal Department as regards the third letter.

[Here enter letter, No. 732, Financial, dated 28th June 1899.]

(True Extract.)

G. STOKES,
*Chief Secretary.*

To the Local and Municipal Department.

Ed. A. Rangaswamy Aiyangar.

# Government {1899} of Madras.

## FINANCIAL.

*Recd.*
*Regd.* } 1899. *Enclosures*
*Spare copies*

## Letter, No. 732, 28th June 1899.

## JUNE.

### Local Boards and Famine.

Replying to Government of India letters on the question of the amount of famine expenditure in 1897-98 to be charged to Local Funds in this Presidency, and in regard to the financial position of this Government.

## FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA, Finance and Commerce Department.

Sir,

I am directed to reply to your letters noted in the margin.

No. 756-A, dated 16th February 1899.
No. A-1429-S., dated 29th March 1899.

2. The first of these communications is a reply to my No. 1221, Financial, of the 13th December 1898, which dealt with the question of the amount of famine expenditure in 1897–98 to be charged to, or recovered from, the resources of Local Funds in this Presidency—not, as stated in paragraph 1 of your letter, with the question of a further contribution from the Government of India in aid of Provincial resources. You intimate that the Government of India are not prepared to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards; that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy; that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to that policy; that the report of the Famine Commissioners and correspondence in 1877 enunciated the principle that distress should be met first from local resources as far as is possible, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only; that in 1883, orders were passed which require the various Local Governments to maintain minimum balances for the express purpose of their being spent on famine and the like when necessity arises; that the maintenance of these balances has been one of the prescribed conditions of every Provincial contract since 1883; that it was contemplated that after periods of heavy expenditure passed away, the Provincial Government would find itself either without any balance at credit or with only a small one; and that any expectation that the Imperial Government would make good the amount of balance at the end of a period of calamity is clearly inconsistent with the declared object of keeping the balance in hand. You then proceed to show that the Provincial expenditure on famine relief in this Presidency in 1896–97 and 1897–98 was not actually much in excess of the minimum balance of 20 lakhs prescribed for this Presidency and that if the Local Funds in Madras had contributed the share of famine expenditure with which they were debited by the Government of India, the Provincial expenditure would have fallen far short of the stipulated amount. You finally intimate that the Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the expenditure already incurred from Provincial and Local Funds on famine relief and by taking over the burden of famine and plague expenditure in 1898–99 and 1899–1900.

3. Your second letter quoted above is in reply to my No. 264, Financial, of the 18th February 1899, and paragraph 3 thereof again refers this Government to the



report of the Famine Commissioners of 1881 and to the orders of 1883 prescribing a minimum Provincial balance of 20 lakhs. As regards the incidence of famine expenditure, you intimate that the Governor-General in Council is of opinion that it would be quite inconsistent with sound finance to relieve either himself or the Provincial Governments from the necessity of curtailing expenditure upon ordinary progress when they are in the presence of special calamities which involve a strain, greater or less, upon the financial position.

4. With reference to the principles set out in the early part of paragraph 2 and in paragraph 3 above, and turning for a moment from the question whether the principles enunciated by the Famine Commission have not since been set aside in favour of a much more just and equitable position, I am to point out that the contention of this Government has hitherto been that the expenditure on the late famine was met as far as possible from local resources and that it is for it, not for the Government of India, to judge how far local resources can bear the burden.

5. Adverting to the remarks in paragraph 4 of your letter, No. A-1429-S., dated the 29th March 1899, I am to observe that this Government never contended that it would not be necessary to curtail expenditure in the presence of special calamities. Paragraph 13 of my letter, No. 264, Financial, of the 18th February 1899, commenced by drawing attention to my No. 262 of the same date, which contained the views of the Governor-in-Council as regards the debit of plague expenditure. In the earlier communication it was definitely stated that this Government did not contend that there might not come a time when a greater evil would not render such a lesser evil imperative and that under such circumstances the Governor-in-Council would afford all the aid in his power; but that he contended that no such crisis exists at present. These remarks are opposed to the construction placed in your letter upon the contentions of this Government, which were not that it should be relieved from the necessity of curtailing expenditure upon ordinary progress when it is in the presence of special calamities which involve a strain, greater or less, upon the financial position. On the contrary, the Governor-in-Council clearly recognized that in such a case it would be his first duty to lay every resource at the disposal of the Supreme Government.

6. As regards the subject of the ability of Local Boards in this Presidency to bear the amount of famine expenditure with which the Government of India has desired to debit them, I am to state that the Governor-in-Council is unable to reconcile the position now taken up by the Government of India and its announcement that the question of the recovery to be made from Local Boards is one between the Provincial Government and those Boards, with the past correspondence that has taken place in this matter. I am to refer you in this connection to the communications from this Government noted in the margin and to my letter to which your letter of the 16th February is a reply, all of which were solely concerned with the question of the ability of the District Boards to bear famine expenditure to the extent originally contemplated by the Government of India. I am further to draw attention to the fact that in Finance and Commerce Department letter, No. 3863-A, dated the 31st August 1897, the Government of India itself required information as to how far the District Boards in the distressed tracts in this Presidency had complied with the conditions in the Famine Code of subordinating the ordinary objects and methods of expenditure to the special consideration of saving life: it desired to be furnished with statements dividing the expenditure of each Board as entered in the budget estimates for 1896–97 and 1897–98 into (1) grants which are obligatory and incapable of reduction, and (2) those which are capable of reduction below the ordinary level when reduction is required to enable the Board to meet expenditure on famine relief works: and it also requested this Government to examine carefully the expenditure falling under the second category in order to ascertain whether all possible reductions had been made in 1896–97, and what reductions could still be made in 1897–98 with the object of making funds available to meet famine expenditure. Complete information on these points was furnished in Mr. Arundel's letter No. 200, dated 28th February 1898, and further detailed information was supplied in my letter No. 1221, Financial,

Endt., No. 471, Financial, dated 12th June 1897.
Letter, No. 200, Financial, dated 28th February 1898.

dated 13th December 1898. Your letter of the 16th February refrains from any comment on what has been the contention of the Governor-in-Council throughout this correspondence, viz., that local bodies in this Presidency are unable to bear famine expenditure to the extent originally contemplated by you. It dismisses this portion of the subject with the assertion that the question is one between the Provincial Government and the Local Boards, and this in spite of the fact that during the past two years the Government of India has been quite prepared to listen to, and indeed has invited, arguments as to the ability of Local Boards to contribute to famine expenditure at all.

7. The Governor-in-Council is, I am to state, unable to draw any satisfactory conclusions from the calculations in paragraphs 7–9 of your letter of the 16th February, and in this connection will content himself with observing that the actual famine expenditure from Provincial funds in 1896–97 and 1897–98 was—

| | 1896–97. | 1897–98. |
|---|---|---|
| Direct .. .. .. .. .. .. .. .. | 4·71 | 15·97 |
| Indirect .. .. .. .. .. .. .. .. | ·11 | 2·95 |
| Total .. | 4·82 | 18·92 |
| Grand Total .. | 23·74 | |

It seems therefore to this Government that the calculations in question correspond with the conclusions drawn ~~by a mere accident~~ from imperfect data.

8. I am, however, to deal specially with three important pronouncements contained in that letter. The first of these is that the general liability of the Provincial Government to aid from the resources at its command in meeting expenditure on famine or similar calamities was laid down as part of the famine policy and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to that policy. With reference to this contention, I am to point out that this policy of twenty years ago has since been repudiated by the Right Honourable the Secretary of State himself in his speech on the Indian estimates in the House of Commons in August 1897, an extract from which was quoted in the despatch from the Government of India to the Secretary of State, No. 68, dated the 3rd March 1898. This quotation has already been brought to the attention of the Government of India in paragraph 10 of my letter No. 262, and in paragraph 13 of my No. 264, of the 18th February 1899. It is reproduced below for facility of reference :—

"Upon the Imperial Government rests the primary duty of maintaining order internally "and of protecting the frontiers; of the risk of war, famine, exchange, and sudden emergencies; "of the responsibility of maintaining not only national solvency, but also the solvency of the "Provincial Governments. It is, moreover, their business, whenever they can, to remit or abolish "taxation. On the Provincial Governments, on the other hand, rests the duty of developing the "resources of their respective provinces, and by so developing them to add to the general "prosperity, comfort, and taxable power of the community at large."

9. The Governor-in-Council moreover protests emphatically against the application to plague expenditure of any principles which may have been advocated by the Famine Commission in a totally different connection, especially when these principles have, as has just been shown, been since abrogated by the Secretary of State. Any arguments based on the contention that the principles regulating famine expenditure have always been applied to plague expenditure must naturally be unsound, as it was an impossibility for the report of the Famine Commission of 1881, or for the Government of India two years later, to have contemplated the existence of plague in India seventeen or fifteen years subsequently. The views of this Government on the question of the incidence of plague expenditure have already been placed before the Government of India in my letter, No. 262, of the 18th February 1899, and I am again to draw attention to the contentions there advanced and to protest against this expenditure being thrown on any grounds of principle upon Provincial and Local resources.



10. The next point in your letter to which I am to draw attention is the announcement that the Government of India does not propose to depart from the principle that distress should be met first from local resources as far as possible and that "there should be no restriction of the local resource of separate districts to expenditure within the area of those districts only." I am here to draw attention to paragraph 3 of Mr. Arundel's letter, No. 200, Financial, dated the 28th February 1898, and to paragraph 4 of my No. 1221 of the 13th December 1898, in which the constitution of District Boards in this Presidency was explained and where it was pointed out that the law does not allow of these Local Boards being treated as a single unit but requires them to be dealt with district by district. Under the Local Boards Act, Madras V of 1884, each district and taluk in this Presidency is a separate financial entity [sections 8, 14, 54 and 56]; the funds raised within a district must be applied within it only to certain specified objects [section 95]; and among these objects is the establishment and maintenance of relief works in time of famine [clause (v) *ibid.*]. It follows, therefore, that this Government can apply the Local Funds raised in a famine-stricken district to famine relief works within the limits of that district alone, and that the contentions of the Government of India are entirely inconsistent with the legal position.

The fact that such is the case has been recognized in Finance and Commerce Department, No. A-2361, dated the 25th May 1899, and it is therefore unnecessary to pursue this aspect of the question further in the present connection. The letter will be separately replied to. The Governor-in-Council trusts, however, that now that the real position has been acknowledged by the Government of India to be as stated by this Government two years ago, the reduction in the Provincial balance of the Presidency which has been effected in consequence of past misapprehensions on the point will be made good.

11. In addition to the information already furnished to the Government of India as to the measures taken by this Government to curtail the expenditure of District Boards in 1897–98 under heads other than "Works", I am to forward the appended statement which affords particulars as regards the actual expenditure of the Boards in 1897–98 in each of the districts affected by famine. In considering the figures in this statement it is to be remembered that practically the whole of the Local Fund works, though charged directly to Local, really served as relief works. The statement proves that the Boards spent as much as they could upon works and that any further curtailment of expenditure under other heads would have been impossible. To take one district: In Ganjám a sum of 1·70 lakhs was spent upon Local Fund works. In addition to this, direct and indirect famine expenditure incurred in the year, and since levied, amounted to ·39 lakh. Practically therefore the expenditure on relief works by the District Board of Ganjám amounted to 2·09 lakhs. Seeing that the total expenditure of the Board for the year amounted to 3·26 lakhs, it cannot be said that the Board did not make a fair contribution towards relief measures. In order to obtain some idea as to what was spent on the other Local Board services in this district, it is only necessary to observe that for the whole primary education of a population of 1½ millions Rs. 37,000 was spent; for medical aid in a time of famine the outlay amounted to Rs. 23,000; upon sanitation Rs. 25,000 was spent. The total outlay under grants 2, 3 and 5, that is, the total expenditure upon education, upon medical comforts, and upon the general control and the general administration of the Local Fund services of the district amounted to 1·24 lakhs, which is about $\frac{1}{12}$th of a rupee per head of the population. It is unnecessary to recapitulate the figures of other districts as brought out by the statement, but the Governor in Council considers that the facts are sufficient to prove that it was impossible for the Local Boards in question to have reduced their expenditure under other heads in the manner contemplated by the Government of India. In this connection it must also be remembered that even of this expenditure a large amount may in fact be regarded as famine expenditure. To take for example the grant for medical relief, it may fairly be said that but for the presence of the Local Fund subordinates, medical officers would have had to have been appointed at the expense of famine relief funds. A similar assertion may be made with regard to sanitation and general management. Local Fund subordinates were utilised to the fullest extent possible in connection with famine relief.

12. The third matter upon which I am to remark is the statement in paragraph 5 of your letter of the 16th February that an expectation that, in the event of the Provincial Government being left without a 20 lakhs balance at the end of a period of calamity, the Imperial Government would make good the amount of the compulsory balance, is quite inconsistent with the declared object of keeping the balance in hand. With reference to this point, I am to state that the Governor-in-Council contends that it is but fair that if, as urged in your letter, a famine insurance balance of 20 lakhs is absolutely necessary for this Province, the Provincial balance should be invariably maintained at or above this figure. In short, if the insurance is to be a reality it must always be in evidence. This being so, the action of the Government of India in so adjusting expenditure that the Provincial balance on the 1st April 1898 stood at 10 lakhs, and in subsequently reducing that balance still further is inexplicable.

13. I am, moreover, to intimate that this Government entirely demurs to the principle now put forward by the Government of India, viz., that the liability for famine expenditure can be carried over from one contract period to another. This theory is inconsistent with the observations in paragraph 10 of Mr. Finlay's letter, No. 1245 A., dated the 16th March 1897, in which this Government was reminded that it had no funds to deal with in the first year of a contract period except what was granted it by the Imperial Government. I am further to point out that in addition to starting the Provincial Government with a balance of 10 lakhs below the prescribed minimum, a minimum upon which so much stress is laid in your letter, the Government of India has debited the Local Government with an additional sum of 4·49 lakhs as famine expenditure—2·82 being the sum irrecoverable by Provincial from District Boards and 1·67 representing the Provincial contributions made to cover deficits in District Boards the chances of recovery of which are equally remote—so that, as stated in paragraph 12 of my letter, No. 264, dated 18th February 1899, Provincial finance has suffered not to the extent of 20 lakhs, the amount of its insurance fund, as seems to be thought by the Government of India but to the extent of 42 lakhs on account of famine and plague.

14. In view of the foregoing facts and on grounds of equity I am to urge upon the Government of India a reconsideration of the position it has taken up as regards famine and plague expenditure and to express the hope that the Governor-General in Council will see the justice of recouping this province for the expenditure which it has incurred on these objects and of debiting expenditure on them to their legitimate heads under Imperial; especially that he will see fit to restore the minimum balance of 20 lakhs and will withdraw the diminution subsequently made in the opening balance allowed.

I have the honour to be,
Sir,
Your most obedient servant,

C. STOKES,
*Chief Secretary.*

OOTACAMUND,
*28th June* 1899.

Exd. A. Rungaswamy Aiyangar.

[Appendix.



**Statement showing population, area and expenditure during 1897-98 of District Boards in the Madras Presidency in the tracts affected by famine.**

| — | Ganjam. | Vizagapatam. | Kurnool. | Bellary. | Anantapur. | Cuddapah. |
|---|---|---|---|---|---|---|
| Area .. .. .. .. (square miles). | 4,877 | 4,591 | 7,609 | 6,975 | 5,266 | 8,703 |
| Population .. .. .. .. .. No. | 1,529,193 | 1,851,006 | 793,435 | 814,416 | 701,555 | 1,264,693 |
| Grant 1— | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| New works .. .. .. .. .. .. | 8,550 | 9,460 | 1,203 | 7,169 | 257 | 1,071 |
| Repairs .. .. .. .. .. .. | 1,36,973 | 1,53,450 | 61,521 | 67,088 | 17,142 | 60,716 |
| Others .. .. .. .. .. .. | 24,670 | 33,333 | 14,889 | 29,809 | 8,717 | 13,848 |
| Total .. | 1,70,193 | 1,96,243 | 77,613 | 1,04,066 | 26,116 | 75,635 |
| Grant 2— | | | | | | |
| Secondary schools .. Number of schools .. | 2 | 8 | 1 | 3 | 2 | 2 |
| Secondary schools .. Expenditure .. Rs. | 2,170 | 10,637 | 578 | 5,750 | 1,772 | 2,064 |
| Primary schools .. Number of schools .. | 85 | 113 | 100 | 39 | 48 | 88 |
| Primary schools .. Expenditure .. .. | Rs. 13,750 | Rs. 23,396 | Rs. 15,870 | Rs. 13,002 | Rs. 11,843 | Rs. 15,025 |
| Grants-in-aid .. .. .. .. .. | 15,961 | 9,887 | 3,140 | 10,486 | 4,240 | 5,691 |
| Others .. .. .. .. .. .. | 5,476 | 6,122 | 4,672 | 4,921 | 2,974 | 3,656 |
| Total .. | 37,357 | 49,842 | 24,266 | 34,159 | 20,829 | 27,436 |
| Grant 3— | | | | | | |
| Hospitals and dispensaries (No. of institutions). | 12 | 18 | 14 | 14 | 10 | 10 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Do. Expenditure excluding (a) & (b) .. | 22,278 | 30,332 | 21,130 | 22,878 | 13,562 | 17,885 |
| Do. do. (a) Midwives. | 256 | 2,021 | 519 | 1,853 | 590 | 1,059 |
| Do. do. (b) Cholera charges. | 899 | 2,933 | 585 | 1,149 | 649 | 1,655 |
| | 23,433 | 35,286 | 22,234 | 25,880 | 14,801 | 20,599 |
| Vaccination .. .. .. .. .. .. | 9,667 | 14,726 | 7,501 | 9,357 | 5,967 | 12,656 |
| Sanitation .. .. .. .. .. .. | 25,500 | 20,490 | 17,055 | 17,756 | 11,819 | 19,786 |
| Plague .. .. .. .. .. .. | 75 | .. | 7,076 | 9,001 | 11,490 | .. |
| Others .. .. .. .. .. .. | 5,609 | 6,346 | 3,243 | 3,059 | 2,293 | 3,273 |
| Total .. | 64,284 | 76,848 | 52,119 | 65,053 | 46,370 | 56,314 |
| Grant 4— | | | | | | |
| Choultries and markets .. .. .. .. | 752 | 1,369 | 918 | 1,586 | 2,575 | 689 |
| Lighting .. .. .. .. .. .. | 136 | 1,186 | .. | 1,980 | 429 | 1,863 |
| Others .. .. .. .. .. .. | 43 | 515 | 104 | 827 | 30 | 17 |
| Total .. | 931 | 3,070 | 1,022 | 4,393 | 3,034 | 2,569 |
| Grant 5— | | | | | | |
| Control and general administration .. .. | 53,331 | 21,477 | 16,762 | 16,294 | 12,673 | 19,096 |
| Grand Total .. | 3,26,096 | 3,47,480 | 1,71,782 | 2,23,965 | 1,99,022 | 1,81,050 |
| Famine expenditure included in foregoing figures— | | | | | | |
| Direct .. .. .. .. .. .. | (1) 31,000 | .. | .. | (2) 7,780 | .. | .. |
| Indirect .. .. .. .. .. .. | 17,700 | 1,295 | 924 | 635 | 103 | 801 |
| Contributions on account of famine since levied .. .. .. .. .. .. | —10,000 | 17,000 | 10,000 | .. | 6,000 | 60,00 |

(1) Included in Rs. 53,331 under grant 5.
(2) „ „ 1,04,066 „ „ 1.

NOTES CONNECTED WITH G.O., &c., Nos. 731, 732, FINANCIAL, DATED 28TH JUNE 1899.

Letter from the Government of India, Finance and Commerce Department, No. 756-A, dated 16th February 1899.

For the Secretary—

The figures in paragraphs 10 and 11 cannot be reconciled with those in G.O., No. 123, Financial, dated 19th January 1899, and the subsequent alterations requested to be made in those figures. The Accountant-General may be in a position to explain the variations, and it is submitted that the letter from the Government of India may be referred un-officially to him for favour of remarks on the figures in paragraphs 10 and 11.

(Init ) T.H.R.
27-2-99.

(Intld.) C.M.S.
28-2-99.

Yes.

(Intld.) G.S.F.
28-2-99.

No. 599, dated 28th February 1899.

To the Accountant-General (U.O.).

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From the Accountant-General (U.O.), No. 21, dated 3rd March 1899.

The variations are as follows:—

*Revenues—Provincial.*

| | Revised, 1898-99. | Budget, 1899-1900. |
|---|---|---|
| As per estimate in Madras Government order .. .. | 3,28,56 | 3,26,63 |
| ,, Government of India letter, paragraphs 10 and 11. | 3,27,65 | 3,27,01 |
| Difference .. | — 91 | + 38 |

The decrease of 91 in revised is made up of a deduction of 56 under IV. STAMPS and 35 under IX. FORESTS, and it was made in consequence of a fall in the receipts of December 1898.

The increase of 38 in the Budget occurs under IV. STAMPS and is the result of adopting the revised figure for the budget, as the stamp receipts show a progressive increase.

*Expenditure—Provincial.*

| | Revised. | Budget. |
|---|---|---|
| As per Madras Government order .. .. .. | 3,22,65 | 3,34,21 |
| ,, Government of India letter .. .. .. | 3,22,53 | 3,34,30 |
| Difference .. | — 12 | + 9 |

The revised is reduced by 12 under 11. FORESTS on account of reduction in Survey of India charges. The Budget is increased by 9, being 8 on account of provision for water-marked paper issued to districts and discount on plain paper, and 1 on account of increase under 21. MARINE for landing and shipping charges.

(Intld.) H.B.
3-3-99.
*Acct.-Gl.*

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FOR THE C.S.—

The current read above is the reply from the Government of India to this Government's letter No. 1221, Financial, dated 13th December 1898, which pointed out the impossibility of levying a contribution of 5 lakhs from district boards in this Presidency towards famine expenditure, but which did not, as India puts it in its letter, raise the question of a further contribution from the Government of India in aid of Provincial resources.

2. In paragraphs 2—8 of its letter, the Government of India endeavours to show by quotations from correspondence of 1877 and from the report of the Famine Commission of 1878 that the minimum balance of 20 lakhs which the local Government is bound to maintain under the contract is required as an insurance against famine "and the like"; that the Provincial expenditure on famine relief in 1896–97 and 1897–98 was not actually much in excess of this 20 lakhs insurance; and that if Local Funds in this Presidency had contributed the share arbitrarily fixed for them by the Government of India, the Provincial expenditure would have fallen far short of the stipulated amount.

3. It will be noticed that the Government of India has refrained from replying in any way to what has been the contention of this Government throughout this correspondence, viz., that local bodies in this Presidency are unable to bear famine expenditure to the extent originally contemplated by the Government of India. It dismisses this portion of the subject in a short paragraph (2) of two sentences, the first of which runs: "The Government of India do not propose to enter into any details regarding the amount of recovery to be made from local boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards." It is instructive to turn in connection with this summary dismissal by the Government of India of the real subject which has been in dispute for the past two years, to the file of correspondence on the five lakhs contribution, which has been tagged together separately in this case, and especially to Finance and Commerce Department letter No. 3863 A, dated 31st August 1897, and to this Government's reply thereto, in letter No. 200, Financial, dated 28th February 1898. It will be seen that the Government of India then required information as to how far the district boards in the distressed tracts had complied with the condition in the Famine Code of subordinating the ordinary objects and methods of expenditure to the special consideration of saving life; and that it desired to be furnished with statements dividing the expenditure of each of the boards as entered in the budget estimates for 1896–97 and 1897–98 into (1) grants which are obligatory and incapable of reduction, and (2) those which are capable of reduction below the ordinary level when reduction is required to enable the boards to meet expenditure on famine relief works. This Government was also required to examine carefully the expenditure falling under the second category in order to ascertain whether all possible reductions had been made in 1896–97 and what reductions could still be made in 1897–98 with the object of making funds available to meet famine expenditure. All this information was furnished in this Government's letter No. 200, Financial, dated 28th February 1898, and further detailed information was supplied in letter No. 1221, Financial, dated 13th December 1898, to which the current under disposal is a reply. It is submitted that if it had been the intention of the Government of India all along to regard the question of the recovery to be made from the local boards as one between the Provincial Government and the boards, a great deal of correspondence might have been saved if India had made a pronouncement to this effect two years ago; but the past correspondence shows that the Government of India was quite prepared to listen to, and indeed invited, arguments as to the ability of local boards to contribute to famine expenditure at all.

G.O., No. 741, Financial, dated 10th Sept. 1897.

4. India, however, now leaves the local Government to settle as best it can with the bankrupt members in the partnership and quotes correspondence twenty years old in order to show that the Provincial Government is bound to aid from the resources at its command in meeting expenditure on famine and similar calamities. It is respectfully submitted that this change of front is altogether inexplicable, unless it is to be understood as a tacit admission on the part of India that the arguments of this Government in regard to the five lakh contribution, so far as the district boards are concerned, cannot be met. The correspondence of 1877 and 1883 was at India's disposal, though it was not probably put up in the Finance and Commerce Department at the time—two years ago—and quotations from sentences and paragraphs in it to disprove what this Government has not attempted to prove, can only strengthen the conclusion which a first perusal of this letter gives, viz., that the contention of this Government cannot be met and that if India is to maintain the position it has taken up in this matter, it must start afresh on entirely new lines.

5. The calculations in paragraphs 7—9 of India's letter are considerably discounted by the fact that the decision to charge Provincial revenues with so much of the famine expenditure as could be so charged without reducing the Provincial balance on the 31st March 1898, below this 10 lakhs was announced in Finance and Commerce Department letter No. 1400 A., dated 26th March 1897. These paragraphs, so far as can be seen, attempt to prove that this 10 lakhs balance was adjusted with reference to the actual famine expenditure not only in 1896–97, but in 1897–98. The famine expenditure in 1897–98, debitable to Provincial was, as stated by India, fixed so as to leave a Provincial balance of 10 lakhs *at the end of that year*. It would have been a feat beyond the powers of any financier to predict in *March 1897*, what the amounts so debited to Provincial would be during the year which *commenced* a month later, and this for the very simple reason that the closing balance being fixed, all savings in expenditure under other Provincial heads really raised the amount debited to 33. FAMINE RELIEF in the Provincial accounts, whilst excesses would similarly reduce the figure. Another point to be noted in this connection is that the Government of India has taken into account only *direct* famine expenditure. The actual famine expenditure from Provincial in 1896–97 and 1897–98 was—

G.O., No. 824, Financial, dated 5th October 1897.

| | 1896-97. | 1897-98. |
|---|---|---|
| Direct .. .. .. .. .. .. .. | 4·74 | 15·97 |
| Indirect .. .. .. .. .. .. .. | ·11 | 2·95 |
| Total .. | 4·82 | 18·92 |
| Grand Total .. | 23·74 | |

India's figures fit its conclusions by an accident arising from imperfect data and unsound premises.

6. The facts being as stated above, it is really unnecessary, in weighing the question of the present *ability* of district boards to bear an amount of famine expenditure, which was fixed without any reference to their resources, to consider whether the Famine Commission was right; whether the orders of 1883 were right; or whether those of 1877 were founded on sound principles.

If any condemnation of these principles is, however, required, it is to be found in existing facts. A famine insurance of 20 lakhs, however excellent in theory, is really an absurd hoarding for an expenditure of a crore and might as well be 5 lakhs. When, moreover, the maintenance of such a provision cripples a local Government, as it has done this Government, and retards the advancement of the Province—while the coffers of the Imperial Government are overflowing so much as to induce a spirit of generosity unprecedented in its scope; when local boards have to strike out provisions for repairing culverts to maintain abstract principles laid down twenty years ago; in short, when the whole Presidency is thrown into a state of hopeless bankruptcy from which it can only hope to emerge, after a number of good seasons, through a process of financial starvation;—it is submitted that it is hardly necessary to state what is a patent fact, viz., that the present arrangements as regards the incidence of famine expenditure are, to put it mildly, defective. To the Provincial Government the arrangements are, it is submitted, destructive, in that, in addition to crippling the local Government and making it devote all its resources to working up to an ideal figure of a 20 lakh balance, it is for years a hopeless pauper bogging from the

Supreme Government and every scheme of improvement of administration is necessarily gauged not by its importance or its urgency, not by the capacity of the revenues raised in the Province to bear the additional expenditure, but by the amount the Supreme Government finds it can safely spare without any risk to itself. To exemplify what is contended here, the railway police scheme, which has been now sanctioned by India, was as urgently required on the 1st April 1898 as on the 1st April 1899—the date from which India has sanctioned its introduction—and its introduction was really deferred not in consideration of the needs of this Presidency, but of the amount India thought it could spare for this Government to build up its balances. The method on which provisions for new schemes have to be really juggled into the estimates and then wrangled over proves, it is submitted, that what is contended for above, is well founded. The very District Boards, which have now to face heavy expenditure on plague have been left indebted to Provincial funds in the sum of 1·67 lakhs and this after a process of indefinite squeezing. The local Government cannot hope to recover this amount for years, if it ever does recover it at all. Meanwhile its resources are *pro tanto* crippled, the local boards themselves are starving, and India is doling out benevolences—not founded on the necessities of the case, but on abstract theories on paper—in actual practice on what it thinks it can spare. The scheme of decentralization initiated by Lord Mayo more than a quarter of century ago has, so far from giving Provincial Governments an independent financial existence, made them dependents on the good will of the Supreme Government, which from its very circumstances can only take a theoretical view of Provincial matters. The evil lies in the existence of one of the factors which the decentralization scheme was intended to remove, viz., the entire financial dependence of Provincial Governments on the Central Government at Calcutta, which is naturally unable to see in detail the practical effects of theories which are good enough on paper but which require actual handling to gauge correctly. The solution of the present state of affairs lies, it is submitted, in the Government of India taking upon itself the duty enjoined by the Secretary of State only so lately as August 1897, in its laying aside theories based on a state of affairs existing twenty years ago, and in its taking its responsibilities on its own shoulders and not endeavouring to share them with its Provincial Governments. The only real solution of the matter is to make famine an Imperial charge—not to treat it as a provincial head to which the Supreme Government should make spasmodic benevolences. That the burden of famine expenditure should be so placed on Imperial was recognized by Lord George Hamilton in his speech, an extract from which has been approvingly quoted by the Government of India in another connection, and has been contended for in paragraphs 10—13 of this Governments' letter, No. 262, Financial, dated 18th February 1899, and in paragraph 13 of No. 264, Financial, of the same date. It is submitted that the matter may be again pressed home.

7. In any case this Government can, it is thought, fairly insist on one of the two conditions: either that it should be altogether relieved of maintaining this famine insurance balance of 20 lakhs; or that if it is to maintain it, the *Imperial* Government should make the balance up to the right figure when it falls below the sum of 20 lakhs owing to causes utterly beyond the control of the local Government. The fact of the balance being placed at 14 lakhs will not keep off famine or other calamities. In face of the present benevolence granted by the Government of India this Government is now face to face with the dire calamity of plague. The insurance must, if it is to be maintained, be a reality. It must always be in evidence, and on India's own pronouncements in this matter, it is submitted that a strong case now exists for asking the Supreme Government to make up the balance of 20 lakhs as this Government cannot fulfil its functions without the reserve which, as laid down by the Famine Commission and by orders dating back to 1877, is absolutely necessary to meet emergencies of famine and the like. If moreover, the 20 lakhs balance is the necessity which the Government of India endeavours to prove that it is in the present letter, the question arises why the local Government was started with 10 lakhs, subsequently reduced to 7·18, on the 1st April 1898.

8. Paragraphs 10 and 11 of the Government of India letter give the result of India's examination of the matter. The connection between plague and the Famine Commission and the orders of 1877 (which were issued without a single thought as to



plague) is not apparent and gives to these paragraphs the air of a compromise which has been too hastily jumped at. According to India's calculations, Provincial and Local responsibility for local calamities has been adequately discharged by the payments made from Provincial and Local funds in 1896–97 and 1897–98 on account of famine relief, and the Government of India proposes to settle matters by giving the Government of Madras the benefit of this assumption and by taking over the burden of famine and plague expenditure in 1898–99 and 1899–1900. Here too the Government of India has only taken direct plague expenditure into account. According to the estimates submitted last January the indirect expenditure for which provision has been made in the budget estimates for 1899–1900 amounted to 1·19 lakhs and since then the Government of India has been requested to make an additional provision of Rs. 7,000 under 3. LAND REVENUE for plague establishments in 1899–1900. The latest estimates of indirect Provincial expenditure during the *current* year place the figure at ·59 lakh.

9. Notwithstanding the recognition by India of the adequate discharge of Provincial *and Local* responsibility in regard to calamity, it would appear from the figures given in paragraph 11 of the current as well as from the orders contained in the second edition of the budget notes, dated 18th February (*i.e.*, two days later than the present letter), that the transfer to Imperial of only the *Provincial* portion of plague expenditure has been decided upon. This view is also confirmed by the sanction accorded by the Government of India in its letter, dated the 28th February, to an allotment of 1½ lakhs (applied for by this Government in its telegram recorded in G.O., No. 200 A., Financial, dated 9th February 1899), for the grant of loans in the current year to district boards and municipalities. In its letter of the 28th February, however, although the Government of India sanctions an allotment of 1½ lakhs for loans, it speaks of loans to "certain municipalities." The question of what India really means is not therefore entirely free from doubt.

10. It is understood that this Government does not intend to recede from the position taken up in paragraphs 10—13 of its letter No. 264, Financial, dated 18th February 1899, where it was contended that not only Provincial but also Local and Municipal plague expenditure should be treated as Imperial, in accordance with the dictum of the Secretary of State in the House of Commons in August 1897 and for the simple reason that local boards and municipalities have not the resources out of which they can meet the expenditure.

(Intl.) H.M.W.
( „ ) A.E.H.

(Intld.) C.M.S.
13-3-99.

*H.M. and Circulate.*

There are several points in India's letter to which I think it is necessary to call attention.

1. The position they take up is that the general liability of the Provincial Government to aid from the resources at its command in meeting expenditure on famine or similar calamities was laid down as part of the famine policy and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down.

2. They say "We do not propose to depart from the principle that distress should be met first from local resources so far as possible" and add that "there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only."

3. They say "It is clear that an expectation that the Imperial Government would make good the amount at the end of the period of calamity is quite inconsistent with the declared object of keeping the balance in hand."

OUR contentions may generally be described I think as follows:—

*First* that it was wrong for India to start us with only 10 lakhs at the beginning of the contract and that therefore we should be allowed to spend our income without regard to the balance.

*Secondly* that having given us 10 lakhs as balance India had no right to make us responsible for local expenditure in addition to the extent of 5 lakhs.

This latter contention is the one which is mainly in issue in the papers which form this file.

To take up India's points *seriatim*—

As to (1) the first ground on which we can attack India, I take it, is that the policy of 20 years old has been repudiated by the Secretary of State in his speech* of August 1897. This His Excellency has described as our *Magna Charta* and I think we may insist on it. But until this is recognized we must remember that it is open to India to say that the same principles in regard to combating the disaster shall apply to plague as to famine and it seems in fact to be India's intention definitely to lay down this rule on this point in this case. In so far however as our present argument is concerned we must emphatically point out that this is the first time India has extended or attempted to extend the famine principles to plague and we should, I think, protest against any arguments being put forward as if famine principles had always applied to plague.

* "Upon the Imperial Government rests the primary duty of maintaining order internally and of protecting the frontiers; of the risk of war, famine, exchange and sudden emergencies; of the responsibility of maintaining not only national solvency, but also the solvency of the Provincial Governments. It is, moreover, their business, whenever they can, to remit or abolish taxation. On the Provincial Governments, on the other hand, rests the duty of developing the resources of their respective provinces, and by so developing them to add to the general prosperity, comfort and taxable power of the community at large."

In regard to the second point taken by India in the determination to hold Provincial responsible for Local in this Presidency, it seems to me that India simply won't understand the position. I think there is some excuse for India for this reason that in this Presidency the perfectly plain orders of the Famine Code were calmly ignored. It is perfectly plain under the Code that at the beginning of distress the Local Government is to require all district boards to remodel their budgets, but this this Government steadily avoided doing. I do not know why. It has therefore found very great difficulty in convincing India that it has ever made any serious attempt to levy from Local Funds what they should pay. Further, I think the letter to the Government of India, No. 200, Financial, dated 28th February 1898, though it shows in detail what has been done does not show it in the form which would convince India. In talking to Sir James Westland in Calcutta I gathered that he felt that this Government had not made a *bonâ fide* effort in the way wanted and so he would care nothing for reason. I think therefore that we should now again set out perfectly plainly our arguments in somewhat the following way:—

First we must show what the legal position is, for Sir James Westland seeing in the budget a large Local Fund balance cannot understand why some of that money should not go to famine. I would point out to him therefore that under the Local Fund Act (sections 8 and 54) each district and taluk in this Presidency is a separate financial entity and the funds raised in it must be applied within it only to certain objects specified (section 95). Among them clause (v) of section 95 sets out the establishment and maintenance of relief works in time of famine. It follows therefore from this that we can apply the Local Funds raised in the district in which famine prevails to famine relief works within the limits of that district and it will be seen at once that this is entirely inconsistent with the second requirement of India set out above in the latter part of this (2) head.

We have pointed this out several times already, and may do it again. It looks as the Chief Secretary says above as though India *won't* understand our position.

(Intld.) A.T.A.
( ,, ) H.M.W.

Yes.
(Intld.) A.E.H.

What we have got to show next is that we spent as much as we could on works, *i.e.*, what the boards could afford, consequently that we curtailed the expenditure under the other heads as much as we could. With a view to showing this I have had the statement A appended prepared. It will perhaps be easiest to take one district and to consider the facts in it. Grant 1 is the grant which deals with all works. In Ganjám in the famine year 1·70 roundly was provided for Local Fund works and besides this it appears that the direct and the indirect famine expenditure in the year and since levied amounted to Rs. 58,000. In considering the amount of these figures it must be remembered that practically the whole of the Local Fund



works (Rs. 1,70,000) though charged directly to Local really served as relief works, and we may say practically that in Ganjám 2·28 roundly of Local Fund money went to relief, while in addition 3·24 were spent on relief works otherwise. Seeing that the whole income of the local board is 3·26, I think on a consideration of these figures it cannot be said that Local has not made a very fair contribution to relief.

To show that we have reduced expenditure as much as we can in other respects it is only necessary to return to the other grants. Grant 2 is the grant dealing with education. For the whole primary education of 1,529,193, Rs. 37,000 is provided and the Government of India asks us to reduce that. For medical aid in a time of famine Rs. 23,433 is provided and the Government of India wants us to reduce that. For sanitation Rs. 25,500 is provided and the Government of India wants us to reduce that. Under the whole of the grants 2, 3, 4 and 5, that is, for the education, for the medical comforts and the general control and for the general administration the whole sum provided is Rs. 1,54,972 which is very nearly exactly the tenth of a rupee per head of the population and the Government of India consider that this is a sum which ought to be reduced in time of famine. I will not weary Honourable Members with examining the figures of the other districts in the statement on similar lines. But the result will no doubt be the same, and I think that if the matter is placed before India somewhat on these lines they can hardly argue as they have hitherto done.

Let us try by all means.
(Intld.) A.T.A.
( ,, ) H.M.W.

By all means.
(Intld.) A.E.H.

As to the third point taken by India I think we might observe that we have always understood it to be the cardinal principle of the contract that at the end of the term of five years all assets and liabilities are wiped out. India wants to continue the liabilities and to absorb the assets. I do not know what else but *tabula rasa* India alludes to when it reminded the Madras Government that it had no money to deal with except what India gave it.

In fact till now the assertion I am discussing has never been questioned. I can understand India's assertion being quite true during the currency of and in relation to a definite contract, but I fail to see how it can apply to a new one. If India is to insist on such a construction it means it can make a Province accumulate 4 lakhs a year for India to put in its pocket at the end of the contract though no such provision or arrangement was made in fixing the expenditure for the contract. In our case India started the contract with 10 lakhs less than it ought and has according to our calculation in these papers wrongly imposed on us 4·48 more. It is therefore making the Province return as I have before pointed out 42 lakhs for famine. It was never the intention of the Famine Commission to make a Province repay famine expenditure out of future revenues. That such repayment cannot have been contemplated is perfectly obvious when the method of making the contract is considered. I submit therefore that this is one of the most dangerous doctrines in this very encroaching letter of India and that in our own interests as well as that of the other Local Governments we should fight it out as far as we can.

We have in this letter two encroachments, (1) the extension of the famine principles to plague and (2) the doctrine that the liability for such expenditure runs from one contract to another. I think we should, if necessary, appeal to the Secretary of State against both.

(Intld.) G.S.
30-3-99.

---

I agree generally with the arguments in the office-note and in that of the Chief Secretary.

(Intld.) A.T.A.
27-4-99.

( ,, ) H.M.W.
2-5-99.

So do I. I should like to see the draft letter.

(Intld.) A.E.H.
1-5-99.

FINANCIAL DEPARTMENT.

FOR THE C.S.—

*Please see the clean proof of the draft letter to India below.*

Attention is solicited to C. No. 2023 (letter from the Government of India, Finance and Commerce, No. A 2361, dated 25th May 1899) in the linked file.

It is submitted that that letter may be read with the papers disposed of by the present order; the order on the file being :—

"The Government of India will be addressed in reply to its first two letters read above.

[Local and Municipal to c.i.] (Intld.) G.S. 6-6-99.

2. Further action will be taken in the Local and Municipal Department as regards the third letter."

The following addition to paragraph 10 of the draft letter is submitted for approval :—

"The fact that such is the case has been recognised in Finance and Commerce Department No. A 2361, dated the 25th May 1899, and it is, therefore, unnecessary to pursue this aspect of the question further in the present connection. The letter will be separately replied to. The Governor in Council trusts, however, that now that the real position has been acknowledged by the Government of India to be as stated by this Government two years ago, the reduction of the Provincial balance of this Presidency which has been effected in consequence of past misapprehensions on the point will be made good."

(Intld.) C.M.S. 6-6-99.

Approved.

(Intld.) G.S. 6-6-99.

# Financial (1899) Department.

CURRENT No.

Note for CA

The reference in fn. 1220-41, dt. 13.12.98 may be put up, if necessary.

GSS 27.2.99.

*From*

The Govt of India Finance & Commerce Dept

*Order*

No. 756 - A

*Dated* 16 . 2 . 99

*Received* } 21 . 2 . 99.
*Registered* }

*Enclosures*

*Spare copies.*

SUBJECT

Reduction after quarrels [illegible] from Revenue of Madras and [illegible] Provincial Contributions [illegible]

BACK PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| 1220 | 21 Jul | 13-12 | 98 engr. |
| " | " | " | 98 |
| 2944 | Jul | 24-12 | 98 |
| 1390 | Jul | 31-5 | 98 |

FURTHER PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| | | | |

No. 756 A.

GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

ACCOUNTS and FINANCE.
Estimates and Accounts.

To

THE SECRETARY TO THE GOVERNMENT OF MADRAS,
FINANCIAL DEPARTMENT.

*Calcutta, the 16th February 1899.*

SIR,

I AM directed to reply to your letter No. 1221, dated 13th December 1898, in which you raise the question of a further contribution from the Government of India in aid of Provincial resources.

2. The Government of India do not propose to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards. The position they take up is that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy, and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down.

3. I am to direct your attention first to the orders of December 1883 requiring the various Local Governments to keep a balance of funds available for expenditure upon famine, which balance in the case of Madras was fixed at R20 lakhs.

It had been laid down first by the Government of India, and afterwards by the Famine Commissioners, that it was necessary that Provincial Funds should bear their adequate share in the cost of meeting famine. The Government of India wrote in their general Despatch on the subject of financial preparation for famine, No. 246 A., dated 16th August 1877, as follows :—

"39. We have, in this Despatch, more particularly referred to those funds which must be supplied through the Imperial Treasury. But we think it necessary to make it emphatically clear that it is no part of our policy to relieve Local or Provincial funds from any of the burden which, in times of famine, they now bear. As regards these funds, we do not propose to depart, in any way, from the established principle that distress should first be met from local resources so far as is possible; that district resources should only be responsible when local resources fail; Provincial resources when district resources fail; and Imperial resources last of all.

And the Famine Commissioners wrote in paragraphs 171 to 182 of their Report, strongly supporting the view that local resources should be made available for famine relief, and carefully explained in paragraph 181 that the local area to be considered in such a case was the whole province, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only.

4. It was necessary therefore to provide that the Provincial Governments should not, when famine came upon them, find themselves without resources to meet this obligation; and it was, in order to secure this end, that it was prescribed (*vide* Resolution No. 1752, dated 11th December 1883)—

In a Despatch No. 183, dated the 28th June last, from the Secretary of State for India, reviewing the expenditure incurred in India during the last ten years and the state of the

balances in the hands of the several Provincial Governments, it was suggested that the balance which each Local Government should keep in hand might be fixed at such an amount as without unduly locking up their funds would suffice to meet any exceptional demands that are at all likely to occur.

2. In accordance with this suggestion, the Governor General in Council, after taking into consideration the size, revenue, and liabilities of each Province, as also its liability to famine, has been pleased to fix the following as the minimum Provincial balances to be kept in view by the several Governments in preparing these estimates :—

| | Rx. |
|---|---|
| Central Provinces | 80,000 |
| Burma | 60,000 |
| Assam | 50,000 |
| Bengal | 200,000 |
| North-Western Provinces and Oudh | 200,000 |
| Punjab | 100,000 |
| Madras | 200,000 |
| Bombay | 200,000 |
| TOTAL | 1,090,000 |

A relatively small balance has been thought sufficient for Burma and Assam, as these Provinces are not liable to famine.

5. This balance of 20 lakhs being kept for the express purpose of its being spent upon famine and the like when necessity arises, it follows that it was contemplated that, after the period of heavy expenditure had passed away, the Provincial Government was expected to find itself, either without any balance at credit or with only a small one; and it is clear that an expectation that the Imperial Government would make good the amount of balance at the end of the period of calamity, is quite inconsistent with the declared object of keeping the balance in hand.

6. The maintenance of this balance has been one of the prescribed conditions of every Provincial contract made since 1883, and it is a condition which has been duly observed by the Government of Madras. In fact that Government entered upon the famine year 1896-97 with an available balance of Rx. 430,072, so that it might reasonably have been anticipated that even after allowing for what may be called the collateral effects of famine in causing loss of Revenue and increase of Expenditure under other heads, the policy laid down in 1883 would be realized, and the Government of Madras would be able to find its assigned contribution of 20 lakhs of rupees towards expenditure on famine relief.

7. Against the general liability of Local Funds and the specific liability of Provincial Funds the Accounts of Madras shew the following figures :—

| | Provincial. | Local. | TOTAL. |
|---|---|---|---|
| | Rx. | Rx. | Rx. |
| Famine Expenditure, 1896-97 | 47,078 | 9,207 | 56,285 |
| " " 1897-98 | 159,738 | 12,578 | 172,316 |
| TOTAL | 206,816 | 21,785 | 228,601 |

Contributions passing between Provincial and Local may affect the distribution of these figures between Provincial and Local, but do not affect the total.

8. Unless the excess of the expenditure over Rx. 200,000 is too much to represent the liability of Local Funds (which, in the opinion of the Government of India, cannot be said to be the case), it does not appear that the Government of Madras has any reasonable claim to receive from the Government of India further assistance towards its famine expenditure of 1896-97 and 1897-98, towards which, out of the Imperial share of the Revenue, Rx. 732,995 was contributed in 1897-98. If the Provincial liability were to be measured by the orders of March 1877, (F. D. No. 1826, dated 28th March 1877), it would stand at a much higher figure than 20 lakhs.

9. The Government of Madras was at the end of 1897-98 left with a balance in its Provincial Account of Rx. 100,000, as it was anticipated that it would have a further charge of Rx. 85,000 to meet on account of famine in 1898-99. But the 100,000 was to be modified in this way. The Government of India consented to the balance of Rx. 100,000 only on condition that Local Funds would be charged with Rx. 50,000 of the Famine Expenditure, and directed that if the actual charge to Local Funds was less than Rx. 50,000, the deficiency should be made up by reduction of the intended



balance of Rx. 100,000. The deficiency being Rx. 28,200 as above shewn, the balance left to Madras was only Rx. 71,800. That is, the Provincial Balance would have been Rx. 100,000 if the Rx. 172,316 spent from Provincial and Local together had been distributed thus :—

| | | |
|---|---|---|
| Provincial | 123,316 | 159,738 |
| Local | 50,000 | 12,578 |
| TOTAL | 172,316 | 172,316 |

instead of

in which case the Provincial Expenditure would have fallen far short of the stipulated amount of Rx. 200,000.

10. The estimates just received shew the following as the Provincial Account of 1898-99 and 1899-1900 :—

| | 1898-99. | 1899-1900. |
|---|---|---|
| | Rx. | Rx. |
| Balance, April 1 | 71,800 | 123,000 |
| Revenues, Provincial | 3,276,500 | 3,270,100 |
| TOTAL | 3,348,300 | 3,393,100 |
| Expenditure— | | |
| Famine | 5,100 | 500 |
| Plague | 21,600 | 64,100 |
| Other Expenditure | 3,198,600 | 3,278,400 |
| TOTAL | 3,225,300 | 3,343,000 |
| Balance, March 31 | 123,000 | 50,100 |

11. The Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the payments shewn in paragraph 7 above, and aggregating Rx. 228,601, and taking over the burden of famine and plague expenditure in 1898-99 and 1899-1900. The estimates of the Government of Madras will then stand thus :—

| | 1898-99. | 1899-1900. |
|---|---|---|
| | Rx. | Rx. |
| Opening Balance | 71,800 | 149,700 |
| Revenues | 3,276,500 | 3,270,100 |
| TOTAL | 3,348,300 | 3,419,800 |
| Expenditure | 3,198,600 | 3,278,900 (a) |
| Closing Balance | 149,700 | 140,900 |

(a) Includes the 500 under Famine which is an ordinary charge for casual relief and not an anticipation of famine in the usual sense.

12. These estimates contravene existing orders by admitting an estimate for a deficiency of Rx. 8,800 upon the transactions of 1899-1900. But the Government of India do not think it necessary to call upon the Government of Madras at present to find a reduction of this amount in their estimates of expenditure. Experience justifies the expectation that the estimates of revenue when finally closed will be slightly better than they are at present, and it will be better to wait until the estimates are further considered before directing a reduction in the expenditure estimated for.

I have the honour to be,

SIR,

Your most obedient Servant,

H. H. Risley

*Offg. Secy. to the Govt. of India.*

GOVERNMENT OF INDIA.

Finance and Commerce Department.

**ACCOUNTS and FINANCE.**

Estimates and Accounts.

To

THE SECRETARY TO THE GOVT. OF MADRAS,
FINANCIAL DEPARTMENT.

No. 756 A.

*Dated Calcutta, the 16th February 1899.*

Question of a further contribution from the Government of India in aid of Provincial resources of Madras.

G. I. C. P. O.—No. 705 F. & C. D.—16-2-99.—50.—B. N. D.

# Public (189 ) Department.

CURRENT No. 1405

*From*

The Govt. of Finance & Commerce Dept.

*Order*

No. A 1429-5

*Dated* 29 — 3 — 99

*Received* 3 — 4 — 99

*Registered* 4 — 4 — 99

*Enclosures*

*Spare copies.*

SUBJECT.

Re: the question of the principles of provincial finances, the question of the relief required by the Govt of Madras, and the proposal that the Imperial Govt should take over all financial responsibility for expenditure upon famine and plague.

## BACK PAPERS.

| G.O. | No | Department. | Date. |
|---|---|---|---|
| Cus | 1407 | 5/88 | |
| Rev | 30 8 | Jud C | 28-2-88 |
| Misc | 271 | — | 18-2-88 |

## FURTHER PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| | | | |

[ F. / 23 ]

1,000—28-6-98.

# Financial (1899) Department.

## CURRENT No. 2023

*From*

The Govt: of India,

Fin: & Com: Dept.

*Order*

Seen
(Intld) W.E.F.
18-5-99

No. a 2361

*To*

L & M.

(Intld) G.S.
19-5-99

*Dated* 25th May 1899

*Received* 31st ,,

*Registered* 1st June

*Enclosures*

*Spare copies*

I dont see that the Secretariat has suggested any reply to this invitation to express our view as to amending the law so as to make Local Funds raised in a District available for famine relief beyond its borders.

On the same principle Municipal funds might be called on to contribute to general famine expenditure. In fact the proposal strikes at the root of local self Govt. No local board could feel sure that its local revenue would not be appropriated to relieve a famine a thousand miles away.

(Intld) H.W.
20-5-99

This matter will now be taken up.

(Intld) G.S.
22-5-99

## SUBJECT.

Remarks on this Govt. letter No.1221,Finl.d/13-12-98 regarding the extent to which local Boards in Madras should be required to contribute towards expenditure on famine relief operations

## BACK PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| | | | |

## FURTHER PAPERS.

| G.O. | No. | Department. | Date. |
|---|---|---|---|
| | | | |

a

No. 2361

GOVERNMENT OF INDIA.

FINANCE AND COMMERCE DEPARTMENT.

*Simla, the* 25th May 1897.

SECRETARIAT DEPARTMENT
31 MAY 1897
GOVERNMENT OF MADRAS

I.

The Secretary to the Government of Madras,

Sir,

I am directed to acknowledge the receipt of your letter No. 1221 dated the 15th December 1896, in which the Government of Madras communicate a further expression of their views on the question of the extent to which Local Boards in Madras should be required to contribute towards expenditure on famine relief operations.

It appears that this question is complicated by the state of the law regulating the expenditure of Local Boards in Madras. In section 95(v) of the Madras Local Boards Act, 1884, it is laid down that every Local Board shall provide for the establishment and maintenance of relief works in time of famine or scarcity. But as pointed out in paragraph 6 of Madras Government Resolution No. 470, dated 12th June 1897, the funds of the Board

Board cannot be decided to grant
famine relief The Government of India
have carefully considered the question
of the obligation of local bodies in
the matter of famine relief, with
reference to the principle laid down
in the Government of India's Resolution
No. 2051, dated the 11th December 1877
(para 18) that duties should first
be met from local funds and that
Provincial revenues should only be
drawn upon when dedicated resources
have been exhausted. In view of the
importance of giving full effect to
this principle, which has the support
of the authority of the Famine Commission
and is embodied in section 33(c) of the
Madras Famine Code and of securing
that its operation shall be uniform
in different parts of India, I am to
invite an expression of the views
of His Excellency the Governor in
Council on the question, which the
present correspondence has suggested,
whether the law relating to
local funds in Madras should not

Financial Department.

10

Copy to C.

Sir,

The figures in paragraphs 10 and 11. cannot be reconciled with those in Fo. to 128 dated 8 19th Jany 1899 and the subsequent alterations required to be made in those figures. The A. G. may be in a position to explain the variations, and it is submitted that the letter from the Govt of India may be referred to G. Secy for further remarks on the figures in paras 10 & 11.

Yours &c

Sd/- [illegible]

Secy to Govt

No. 599 dy 28-2-99

Ref from A.G.

The variations are as follows:—

| Revenues - Provincial | Revised 1898-99 | Budget 1899/1900 |
|---|---|---|
| Refer to remarks in Madras Customs | 328.56 | 326.03 |
| " Govt of India letter paras 10 & 11 | 327.65 | 327.01 |
| Differs | -91 | +38. |

The decrease of 91 in Revised is made up of a deduction of 66 under IV Stamps and 36 under

under IX Forests and it was made in consequence of a fall in the Receipts of Ben. '98.

The increase of 38 in the Budget occurs under IV Stamps and is the result of adopting the Revised figure for the Budget, as the Stamp Receipts show a progressive increase.

| Expenditure - Provincial | Revised | Budget |
|---|---|---|
| As per Madras Letter dt. | 32265 | 33421 |
| " Govt. of India Letter | 32253 | 33430 |
| Differ | -12 | +9 |

The Revised is reduced by 12 under 11 Forest on account of reduction in Survey of India charges. The Budget is increased by 9, being 8 on account of provision for wove marked paper issued to Districts and Discount on Plain paper and 1 on account of increase under 21 Marine for Landing and Shipping charges.

No. 21 / 3-3-99

[illegible]

[illegible]

[illegible]

famine "and the life"; that the Provincial expenditure on famine relief in 1896-97 and 1897-98 was not actually much in excess of this 30 lacs insurance; and that if Local Funds in this Presidency had contributed the share arbitrarily fixed for them by the Govt. of India the Provincial expenditure would have fallen far short of the stipulated amount.

3. It will be noticed that the Govt. of India has refrained from replying in any way to what has been the contention of this Govt. throughout this correspondence, viz. that local bodies in this Presidency are unable to bear famine expenditure to the extent originally contemplated by the Govt. of India. It dismisses this portion of the subject in a short para.(2) of two sentences, the first of which runs

"The Govt. of India do not propose to "enter into any details regarding the "amount of recovery to be made from "local boards, as they regard that por- "tion of the question as one between "the Provincial Govt. and the Local "Boards". It is instructive to turn in connection with this summary dismissal by the Govt. of India of the real subject which has been in dispute for the past two years, to the file of correspondence on the five lacs contribution, which has been tagged together separately in this case, and especially to Fin.&Com. Dept. letter No.8868-1, dated 31st August 1897

G.O.No.741, Finl., dt/ 10-9-97 R

1897 and to this Govt's. reply thereto in Endt. No.5500 Finl., dated 25th February 1898. It will be seen that the Govt. of India then required information as to how far the District Boards in the distressed tracts had complied with the condition in the Famine Code of subordinating the ordinary objects and methods of expenditure to the special consideration of saving life; and that it desired to be furnished with statements dividing the expenditure of each of the Boards as entered in the budget estimates for 1896-97 and 1897-98 into (1) items which are obligatory and incapable of reduction and (2) those which are capable of reduction below the ordinary level when reduction is required to enable the boards to meet expenditure on famine relief works. This Govt. was also required to examine carefully the expenditure falling under the second category in order to ascertain whether all possible reductions had been made in 1896-97 and what reductions could still be made in 1897-98 with the object of making funds available to meet famine expenditure. All this information was furnished in this Govt's. letter dated 28th February 1898, and further detailed information was furnished in letter No.1541, Finl., dated 16th December 1898, to which the current under disposal is a reply.

...2.

It is submitted that if it had been the intention of the Govt. of India all along to regard the question of the recovery to be made from the local boards as one between the Provincial Govt. and the boards, a great deal of correspondence might have been saved if India had made a pronouncement to this effect two years ago; but the past correspondence shews that the Govt. of India was quite prepared to listen to, and indeed invited, arguments as to the ability of local boards to contribute to famine expenditure at all.

3. India, however, now leaves the local Govt. to settle as best it can with the bankrupt members in the partnership and quotes correspondence twenty years old in order to show that the Provincial Govt. is bound to add into the resources at its command in meeting expenditure on famine and similar calamities. It is respectfully submitted that this change of front is altogether inexplicable unless it is to be understood as a tacit admission on the part of India that the arguments of this Govt. in regard to the 5 lakh contribution, so far as the District Boards are concerned, cannot be met. The correspondence of 1877 and 1883 was at India's disposal - though it was not published in the Finance & Commerce Dept at the time - two years ago and quotations from sentences

and

(5)

and paragraphs in it to disprove what this Govt. has not attempted to prove can only strengthen the conclusion which a first perusal of this letter gives, viz. that the contention of this Govt. cannot be met and that if India is to maintain the position it has taken up in this matter it must start afresh on entirely new lines.

4. The calculations in paras. 7-8 of India's letter, are considerably discounted by the fact that the decision to charge Provincial revenues with so much of the famine expenditure as could be so charged without reducing the Provincial balance on the 31st March 1898 below this 10 lakhs was announced in Fin. & Com. Dept. letter c.1400-A, dated 24th March 1897. These paras, so far as can be seen, attempt to prove that this 10 lakhs balance was arrived at with reference to the actual famine expenditure not only in 1896-97 but in 1897-98. The famine expenditure in 1897-98 debitable to Provincial was, as stated by India, timed so as to leave a Provincial balance of 10 lakhs at the end of that year. It was would have been a feat beyond the powers of any financier to predict in March 1897 what the amounts so debited to Provincial would be during the year which commenced a month

G.O. c.564, Finl., d/ 5-10-97.

later and this for the very simple reason that the closing balance being fixed, all savings in expenditure under other Provincial heads really raised the amount debited to FAMINE in the Provincial accounts, whilst an excess would similarly reduce the figure. Another point to be noted in this connection is that the Govt. of India has taken into account only direct famine expenditure. The actual famine expenditure from Provincial in 1896-97 and 1897-98 was:

| | 1896-97 | 1897-98 |
|---|---|---|
| Direct... ... | 4.71 | 15.97 |
| Indirect. ... | .11 | 2.95 |
| Total.. | 4.82 | 18.92 |
| Grand Total. | 23.74. | |

India's figures fit its conclusions by an accident arising from imperfect data and unsound premises.

The facts being as stated above, it is really unnecessary, in weighing the question of the present ability of Dt. Board to bear an amount of famine expenditure, which was fixed without any reference to their resources, to consider whether the Famine Commission was right; whether the orders enforced were right; or whether those of 1877 were founded on sound principles.

If any condemnation of these principles is, however, required, it is to be found in existing facts. A famine insurance of 20 lacks, however, excellent in theory, is really an absurd hoarding for the expenditure of a crore and might as well be 5 lacks. When, moreover, the maintenance of such a provision cripples a local Govt., as it has done this Govt., and retards the advancement of the province -while the coffers of the Imperial Govt. are overflowing so much as to induce a spirit of generosity unprecedented in its scope; when Local Boards have to strike out provisions for repairing culverts to maintain abstract principles laid down 20 years ago; in short, when the whole Presidency is thrown into a state of hopeless bankruptcy from which it can only hope to emerge, after a number good seasons, through a process of financial starvation; it is submitted that it is hardly necessary to state what is a patent fact viz. that the present arrangements as regards the incidence of famine expenditure are, to put it mildly, defective. To the Provincial Govt. the arrangements are, it is submitted, destructive, in that in addition to crippling the local Govt. and making it devote all its resources to working up to an ideal figure of a 20 lakh balance, it is for years a hopeless pauper begging from the

Supreme

Supreme Govt. and every scheme of improvement of Administration is necessarily ~~gov~~ed not by its importance or its urgency, not by the capacity of the revenues raised with the province to bear the additional expenditure, but by the amount the Supreme Govt. finds it can safely spare without any risk to itself. To exemplify what is contended here, the Railway ~~scheme~~ Police scheme, which has been now sanctioned by India, was as urgently required on the 1st April 1898 as on the 1st April 1899 - the date from which India has sanctioned its introduction - and its introduction was really deferred not in consideration of the needs of this Presidency but of the amount India thought it could spare for this Govt. to build up its balances. The method on which provisions for new schemes have to be really juggled into the estimates and then wrangled over proves, it is submitted, that what is contended for above, is well founded. The very District Boards, which have now to face heavy expenditure on plague have been left indebted to Provincial funds in the sum of 1.37 lakh and this after a process of indefinite squeezing. The local Government cannot hope to recover this amount for years, if it ever does recover it at all. Meanwhile its resources are pro tanto crippled, the local boards themselves are starving, and India is doing out benevolences - not founded on the necessities of the case but

(9)

But on abstract theories on paper - in actual practice on what it thinks it can spare. The scheme of decentralimation initiated by Lord [illegible] more than a quarter of century ago has, so far from giving Provl. Govts. an independent financial existence, made them dependents on the good will of the Supreme Govt., which from its very circumstances can only take a theoritical view of Provl. matters. The evil lies in the existence of ~~once~~ one of the factors which the decentralization scheme was intended to remove - the entire financial dependence of Provl. Govts. on the central Govt. at Calcutta, which is naturally unable to see in detail the practical effects of theories which are good enough on paper but which require actual handling to gauge correctly. The solution of the present state of affairs lies, it is submitted, in the Govt. of India taking upon itself the duty enjoined by the Secretary of State only so lately as August 1897, in its laying aside theories based on a state of affairs existing 20 years ago, and in its taking its responsibilities on its own shoulders and not endeavouring to share them with its Provl. Govts. The only real solution of the matter is to make Famine an Imperial charge; not to treat it as a Provl. head to which the Supreme Govt. should make spasmodic benevolences. That the

burden

burden of famine expenditure should be so placed on Imperial ~~res~~ as recognised by Lord George Hamilton in his speech, an extract from which has been approvingly quoted by the Govt. of India in another connection, and has been contended for in paragraphs 10-15 of this Government's letter No. 302,Financial,dated 17-2-99 and in para.15 of No.304,Fin.,of the same date. It is submitted that the matter may be again pressed home.

7. In any case this Govt. can it is thought fairly insist on one of the two conditions: either that it should be altogether relieved of maintaining this Famine insurance balance of 20 lacks; or that if ~~to~~ it is to maintain it, the Imperial Govt. should make the balance up to the right figure when it falls below the the sum of 20 lacks owing to causes utterly beyond the control of the Local Govt. The fact of the balance being placed at 14 lacks will not keep off famine or other calamities. In face of the present benevolence granted by the Govt. of India this Govt. is now face to face with the dire calamity of plague. The insurance must, if it is to be maintained, be a reality. It must always be in evidence, and on India's own pronouncements in this matter, it is submitted that a strong case now exists for asking the Supreme Govt. to make



up the balance of 20 lacks as this Govt.cannot fulfil its functions without the reserve which, as laid down by the Famine commission and by orders dating back to 1877, is absolutely necessary to meet emergencies of famine and the like. If moreover, the 20 lacks balance is the necessity which the Govt. of India endeavours to prove that it is, in the present letter, the question arises why the Local Govt. was started with 14 lacks, subsequently reduced to 7.10, on the 1st April 1898.

8. Paras. 10 and 11 of the Govt. of India letter give the result of India's examination of the matter. The connection between plague and the Famine commission and the orders of 1877 (which were issued without a single thought as to plague) is not apparent and gives to these paras. the air of a compromise which has been too hastily jumped at. According to India's calculations, Provincial and Local responsibility for local calamities has been adequately discharged by the payments made from Provincial and Local funds in 1896-97 and 1897-98 on account of famine relief, and the Govt. of India proposes to settle matters by giving the Govt. of Bombay the benefit of this assumption and by taking over the burden of famine and plague expenditure in 1898-99 and 1899-1900. Here too

the Govt. of India has only taken direct plague expenditure into account, according to the estimates submitted last January the indirect expenditure for which provision has been made in the budget estimates for 1899-1900 amounted to 1.19 lakhs and since then the Govt. of India has been requested to make an additional provision of Rs.7,000 under S. A. & R. for plague establishments in 1899-1900. The latest estimates of indirect Provincial expenditure during the current year place the figure at .52 lakh.

9. Notwithstanding the recognition by India of the adequate discharge of Provincial and local responsibility in regard to calamity, it would appear from the figures given in para. 11 of the current as well as from the orders contained in the second edition of the budget notes dated 15th February (i.e. two days later than the present letter) that the transfer to Imperial of only the Provincial portion of plague expenditure has been decided upon. This view is also confirmed by the sanction accorded by the Govt. of India in its letter dated 28th February to an allotment of 1½ lakhs (applied for by this Govt. in its telegram recorded in G.O. Genl. No.200 A Fin., dated 2-3-99) for the grant of loans in the current year to District Boards and Municipalities. In its letter of the 28th February, however, although the Govt. of India sanctions an allotment of 1½ lakh for loans it speaks of loans to "certain Municipalities". The question of what India really means is not therefore entirely free from doubt.

10. It is understood that this Govt. does not intend to recede from the position taken up in paras. 10-15 of its letter No.304 Financial, dated 1-3-99, where it was contended that not only Provincial but also Local and Municipal plague expenditure should be treated as Imperial, in accordance with the dictum of the Secretary of State in the House of Commons in August 1897 and for the simple reason that Local Boards and Municipalities have not the resources out of which they can meet the expenditure.

Chas. 13.3.99.

Please see note attached.

11/30/24.

14

N o t e

There are several points in India's letter to which I think it is necessary to call attention

1. The position they take up is that the general liability of the Provl. Govt. to aid from the resources at its command in meeting expenditure on famine or similar calamities was laid down as part of the famine policy and that the question of the adjustment between Imperial and Provl. of the expenditure on famine should be decided according to the policy there laid down.

2. They say "We do not propose "to depart from the principle that dis- "tress should ~~first~~ be met first from "local resources so far as possible" and add that "there should be no re- "striction of the local resources of "separate districts to expenditure "within the area of those districts "only.

3. They say "It is clear that "an expectation that the Imperial "Govt. would make good the amount at "the end of the period of calamity is "quite inconsistent with the declared "object of keeping the balance in "hand."

Our contentions may generally be described I think as follows:--

first that it was wrong for India to start us with only 10 lakhs at the beginning of the contract and that therefore we should be allowed to spend our income without regard to the balance

secondly that having given us 10 lakhs as balance India had no right to make us responsible for local expenditure to the extent of 5 lakhs.

This latter contention is the one which is mainly in issue in the papers which form this file.

To take up India's points seriatim

As to (1) the first ground on which we can attack India I take it is that the policy of 20 years old has been repudiated by the Secy. of State in his speech of August '97. This His Excellency has described as our Magna Charta and I think we may insist on it. But until this is recognized we must remember that it is open to India to say that the same principles in regard to combating the disaster shall apply to plague as to famine and it seems in fact to be India's intention to definitely rule this point. In so far however as our present argument is concerned we must emphatically point out that this is the first time India has extended or attempted to extend the famine principles to plague and we should I think protest against any arguments being put forward as if famine principles

* "Upon the Imperial Govt. rests the "primary duty of maintaining order in- "ternally and of protecting the fron- "tiers; of the risk of war, famine, "exchange and sudden emergencies; of "the responsibility of maintaining not "only national solvency, but also the "solvency of the Provl. Govts. It is, "moreover, their business, whenever "they can, to remit or abolish taxation "in the Provl. Govts., on the other "hand, rests the duty of developing "the resources of their respective "provinces, and by so developing them "to add to the general prosperity, com "fort and taxable power of the communi "ty at large."



principles applied always to plague.

In regard to the second point taken by India in the determination to hold Provl. responsible for Local in this Presy., it seems to me that India simply won't understand the position. I think there is some excuse for India for this reason that in this Presy. the perfectly plain orders of the Famine Code were calmly ignored. It is peffectly plain under the Code that at the beginning of distress the local Govt. is to require all District Boards to remodel their budgets but this this Govt. steadily avoided doing. I do not know why. It has therefore found very great difficulty in convincing India that it has ever made any serious attempt to levy from Local Funds what they should pay. Further I think the letter* though it shows in detail what has been done does not show it in the form which would convince India. In talking to Sir James Westland in Calcutta I gathered that he felt that this Govt. had not made a bona fide effort in the way wanted and so he would care nothing for reason. I think therefore that we should now again set out more perfectly plainly our arguments in somewhat the following way.

First we must show what the legal position is, for Sir J. Westland seems

seeing in the bucket a large local Fund balance cannot understand why some of that money should not go to Famine. I would point out to him therefore that under the Local Fund Act (sections 7 and 24) each district and taluq in this Presy. is a separate financial entity and the funds raised in it must be applied within it only to certain objects specified (section 24). Among them clause (r) of section 24 sets out the establishment and maintenance of relief works in time of famine. It follows therefore from this that we can apply the local funds raised in the district in which famine prevails to famine relief works within the limits of that district and it will be seen at once that this is entirely inconsistent with the second requirement of India set out above in the latter part of this head.

What we have got to show is that we spent as much as we could on works, what the boards could afford. Consequently that we curtailed the expenditure under the other heads as much as we could. With a view to showing this I have had the statement marked A appended prepared. It will perhaps be easiest to take one district and to consider the facts in it. Grant 1 is the grant which deals with all works in famine in the famine year. 1.70 recently was provided for local Fund works and besides this it appears that the

We have pointed this out several times already. He may do it again. He says as Mr Co. says above as money for India work undertaken our famine

in the year and since revised amounted to Rs.2,00,000. In considering the amount of these figures it must be remembered that practically the whole of the Local Fund works (Rs.1,70,000) though charged directly to local really served as relief works and we may say practically that in Ganjam 2.23 rounds of local Fund money went to relief, while in addition 5.34 were spent on relief works. Likewise. I submit that the whole income of the local board is 5.26. I think on a consideration of these figures it cannot be said that local has not made a very fair share contribution to relief.

To show that we have reduced expenditure as much as we can in other respects it is only necessary to return to the other grants. Grant 2 is the grant dealing with education. For the whole primary education of 1,73,105 Rs.87,000 is provided and the Govt. of India asks us to reduce that. For medical aid in a time of famine Rs.15,633 is provided and the Govt. of India wants us to reduce that. For Sanitation Rs.55,700 is provided and the Govt. of India wants us to reduce that. Under the whole of the grants 2, 3, 4 and 5 for that is/the education, for the medical comforts and the general control and for the general administration the whole sum provided is Rs.1,34,073 which is very nearly exactly the tenth of a rupee per head of the population,

and the Govt. of India consider that this is a sum which ought to be in time of famine reduced. I will not weary you by examining the figures of the other districts in the statement on similar lines. But the result will no doubt be the same and I think that if the matter is placed before India somewhat on these lines they can hardly argue as they have hitherto done.

As to the third point taken by India I think we might observe that we have always understood it to be the cardinal principle of the contract that at the end of the term of five years all assets and liabilities are wiped out. India wants to continue the liabilities and to absorb the assets. I do not now what else India alludes to when it [illegible] but I am disinclined to think that it has in any way departed from this principle. Except what India pays it-

In fact till now the assertion has never been questioned. I can understand India's assertion being quite true during the currency of a contract but I fail to see how it can apply to a new one. If India is to insist on such a construction it means it can make a province accumulate a lakh a year for India to put in its pocket at the end of the contract though no such provision or arrangement was made in fixing the expenditure for the contract.



In our case India started the contract with a lakh less than it ought and has according to our calculation in these papers wrongly imposed on us 4.25 more. It is therefore main the province return as I have before pointed out 4 lakhs for Famine. It was never the intention of the Famine commission to make a province repay Famine expenditure out of its revenue is perfectly obvious when the method of making the contract is considered. I submit therefore that this is one of the most dangerous doctrines in this very encroaching letter of India and that in our own interests as well as that of the other local Governments we should fight out as far as we can.

We have in this letter two encroachments (1) the extension of the famine principles to plague and (2) the doctrine that the liability for such expenditure runs from one contract to another. I think we should, if necessary, appeal to the Secy. of State against both.

I agree generally with the arguments in the opinion now given in that

2-8-98

[ G. 75 ]

500—12-1-99.

NOTE FOR THE CHIEF SECRETARY.

If the C.S. approves of the general lines of this corrected shorthand draft it is proposed to have it put into type; as this will facilitate its further correction and circulation.

(Id.) C.A.S.

18-5-99.

Get a galley proof and shew it to me.

(Id.) C.S.

19-5-99.

Sent to Press for proof.

(Id.) C.A.S.

19-5-99.

For the C.S.

A wide margin proof of the letter is submitted Press were specially asked for a galley proof but they seem to prefer the present form for some reason.

The proof of the letter and the appendix still requires to be checked. This will be done on the clean proof which will be obtained when C.S. has corrected the present proof.

(Id.) C.A.S.

20-5-99.

B.C.

Please get a clean proof of the draft letter very sharp and on receipt have every word and statement in it (1) checked, the appended statement check- (2) ed and the draft letter flagged &c. (3) completely. With reference to para.11 (4) please see how districts other than (5) Gandam were out. The 1.34 mentioned in that para. excludes .31 contribution for Famine Relief under Grant.

(Id.) C.C.A.

23-5-99.

Proof received and sent Press.

27-5-99.

C.A.

A clean proof is submitted. Please see note put up with statement attached showing calculations as regards other districts.

(Id.) F.A.D'C.

3-6-99.

(1) done

(Id.) A.S.D.J. 1-6-99

(2) x Checked.

(Id.) T.H.M. 31-5-99

(3) done.

(Id.) A.S.D.J. 1-6-99.

Brad Board

[ G. 75 ]

Brad Board

NOTE FOR THE C.A

In checking the draft letter to Sutton & Sons Drafts & receipts were noted, changes pencilled and the letter dated and the marked below for orders.—

(1) Page 2 after the words "Bundle of Papers". The sentence which required the various detail figures to reconcile to a net amount balance of 20 Lakhs per Loan not shown ~~in~~ clearly connected ~~to~~ the ~~amount~~ amount balances ~~and~~ from General Accounts ~~and~~ Treasuries ~~and~~ should be ~~added~~ added. ~~The~~ The words "of 20 Lakhs" may be avoided. ~~The~~ ~~words~~ ~~"~~ ~~"~~ ~~should~~ ~~be~~ ~~changed~~ ~~to~~ ~~"~~

(2) In the same page and para and in the first last line ~~the~~ ~~figure~~ ~~"~~ words "and was plague" should be cancelled, as was done in reply to the letter No 756 A, dt 16 Feby 1899 the Govt of India replied to Telegram dt Shows in favour of that letter which ~~was~~ ~~to~~ ~~Govt~~ ~~of~~ ~~India~~ ~~and

the Places quoted. The draft letter is a reply to 2 letters of date, and it would perhaps be clearer to refer to the particular letter which is meant (as the first letter suggested therefore that in lieu of "yours" or "your letter" the words "your first letter" or "your letter of the 16th Feby 1929" may be substituted. From the context no doubt, it could be understood which of the two letters of India is meant but for the sake of clearness the alteration suggested seems necessary.

(4) Page 2, para 4 last but 2 lines

Perhaps the words "or fifteen" may be added after "seventeen" to omit the alteration had in that [illegible] line, viz "for the years of the Financial Commission of 1927 or for the Govt of India two years later".

(5) Para 10, last but 6 lines

The sections (8 & 54) refer to each district in this Presidency being a [illegible] financial entity. Sections 14 & 56 should be added to support the statement that each taluk

taluk is also a separate financial entity.

(5) Page 5, Para 11.

(a) The direct and indirect famine expenditure incurred in the year is ... 49

Contribution duly levied is 40

therefore the figure 48 in line 12 should be .39; for the same reason the figure 2.18 should be 2.09. The correction has been made.

(b) The amount spent on Medical aid is R 23,433 and not R 28800 (vide statement attached to the draft letter).

This alteration has been carried out the word "and" in the sentence "upon sanitation and the R 28800 was spent" may be decided.

[illegible]

a239
3/6/29.

3/6/29

| Districts | Population | Total outlay on Grants 2, 3 & 5 | Expenditure under Grants 2, 3 & 5 per head of population. |
|---|---|---|---|
| | | Rs. | Rs |
| Ganjam | 15, 29, 193 | 1, 23, 972 | 1/12 |
| Vizagapatam | 18, 51, 006 | 1, 48, 167 | 1/13 |
| Kurnool | 7, 93, 435 | 93, 147 | 1/9 |
| Bellary | 8, 14, 416 | 1, 15, 506 | 1/7 |
| Anantapur | 7, 01, 555 | 79, 872 | 1/9 |
| Cuddapah | 12, 54, 693 | 1, 02, 846 | 1/12 |

Smith

For the C.S

Please see the clean proof of the draft letter to Sedia below.

Attention is solicited to C. No. 2025 (letter from the f/g D. Fiji: Commerce No A 2361 of 25.5.98) in the handed folder

It is submitted that the letter may be read with the paper disposed of by the foregoing order - i.e. at the end of the proof flagged XX - the order on the file being:-

"The f/g D. will be addressed in reply to his first two letters read above

2. Further action will be taken in the matter of the Draft as regards the third letter."

[Encl. 6 c.s.]

The following addn. to para 10. of the draft letter should be sub. for approval

"The fact that such a case has been recognised in the Dept. No. D.2361 of the 25th May 1898 [illegible]

"unnecessary to pursue this aspect
"of the question further. The Govt.
"in Council think, however, that
"even that the full position
"has been acknowledged by the Govt
"to be ~~the~~ as stated by the
"Govt. two years ago, the ~~Govt~~
"Reduction
"balance of this Residency
"balance which has been ~~Govt~~ effected in consequence of
"a final misapprehension on the
"point will be ~~Govt~~ ready
"Govt"

Encl.
6. VI. 99

approve,
H. Elliot.

Read in connection. The
letter ~~in~~ with the
Despatch replied to.

# Government {1899} of Madras.

## FINANCIAL.

Recd. } 1899. Enclosures
Regd. } Spare copies

**G.O., No. 731, 28th May 1899.**

Issued
1 MAY.
1899

Secretary to Government.

GOVERNMENT OF MADRAS.

FINANCIAL DEPARTMENT.

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Read—again the following papers:—

G.O., Nos. 1220-21, Financial, dated 13th December 1898.

Abstract.—Passing orders in regard to the distribution of the contribution of 5 lakhs which the Government of India insists on being realized from Local funds on account of famine expenditure, and addressing that Government on the subject.

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G.O., Nos. 261-62, Financial, dated 18th February 1899.

Abstract.—Communicating to the Local and Municipal department letter from the Government of India forwarding copy of correspondence with the Government of Bombay regarding the principles on which plague expenditure should be regulated; and addressing the Government of India on the procedure adopted in this Presidency in the matter and on the necessity for a special assignment being made to Provincial funds and Local Boards on account of plague expenditure.

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G.O., Nos. 263-64, Financial, dated 18th February 1899.

Abstract.—Addressing the Government of India in regard to the financial position of the Madras Government.

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G.O., Nos. 579-80, Financial, dated 8th May 1899.

Abstract.—Communicating to the departments of the Secretariat letter from the Government of India passing orders on the budget estimates of the Madras Presidency for 1899-1900, and making certain allotments from the undistributed provision of 8·73 lakhs placed by that Government in the estimates under 45. *Civil Works*.

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Read—also the following paper:—

From H. H. RISLEY, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department (Accounts and Finance—Estimates and Accounts), to the Chief Secretary to the Government of Madras, dated Calcutta, 13th February 1899, No. 756-A.

I am directed to reply to your letter No. 1221, dated 13th December 1898, in which you raise the question of a further contribution from the Government of India in aid of Provincial resources.

2. The Government of India do not propose to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards. The position they take up is that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy, and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down.



3. I am to direct your attention first to the orders of December 1883 requiring the various Local Governments to keep a balance of funds available for expenditure upon famine, which balance in the case of Madras was fixed at Rs. 20 lakhs.

It had been laid down first by the Government of India, and afterwards by the Famine Commissioners, that it was necessary that Provincial funds should bear their adequate share in the cost of meeting famine. The Government of India wrote in their general despatch on the subject of financial preparation for famine No. 246 A., dated 16th August 1877, as follows:—

39. We have, in this despatch, more particularly referred to those funds which must be supplied through the Imperial treasury. But we think it necessary to make it emphatically clear that it is no part of our policy to relieve Local or Provincial funds from any of the burden which, in times of famine, they now bear. As regards these funds, we do not propose to depart, in any way, from the established principle that distress should first be met from local resources so far as is possible; that district resources should only be responsible when local resources fail; Provincial resources when district resources fail; and Imperial resources last of all.

And the Famine Commissioners wrote in paragraphs 171 to 182 of their report, strongly supporting the view that local resources should be made available for famine relief, and carefully explained in paragraph 181 that the local area to be considered in such a case was the whole province, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only.

4. It was necessary therefore to provide that the Provincial Governments should not, when famine came upon them, find themselves without resources to meet this obligation; and it was, in order to secure this end, that it was prescribed (*vide* Resolution No. 1752, dated 11th December 1883)—

In a Despatch No. 183, dated the 28th June last, from the Secretary of State for India, reviewing the expenditure incurred in India during the last ten years and the state of the balances in the hands of the several Provincial Governments, it was suggested that the balance which each Local Government should keep in hand might be fixed at such an amount as without unduly locking up their funds would suffice to meet any exceptional demands that are at all likely to occur.

2. In accordance with this suggestion, the Governor-General in Council, after taking into consideration the size, revenue, and liabilities of each Province, as also its liability to famine, has been pleased to fix the following as the minimum Provincial balances to be kept in view by the several Governments in preparing these estimates:—

| | Rx. |
|---|---|
| Central Provinces .. .. .. .. .. .. .. | 80,000 |
| Burma .. .. .. .. .. .. .. .. | 60,000 |
| Assam .. .. .. .. .. .. .. .. | 50,000 |
| Bengal .. .. .. .. .. .. .. .. | 200,000 |
| North Western Provinces and Oudh .. .. .. .. | 200,000 |
| Punjab .. .. .. .. .. .. .. .. | 100,000 |
| Madras .. .. .. .. .. .. .. .. | 200,000 |
| Bombay .. .. .. .. .. .. .. .. | 200,000 |
| Total .. | 1,090,000 |

A relatively small balance has been thought sufficient for Burma and Assam, as those Provinces are not liable to famine.

5. This balance of 20 lakhs being kept for the express purposes of its being spent upon famine and the like when necessity arises, it follows that it was contemplated that, after the period of heavy expenditure had passed away, the Provincial Government was expected to find itself, either without any balance at credit or with only a small one; and it is clear that an expectation that the Imperial Government would make good the amount of balance at the end of the period of calamity, is quite inconsistent with the declared object of keeping the balance in hand.

6. The maintenance of this balance has been one of the prescribed conditions of every Provincial contract made since 1883, and it is a condition which has been duly observed by the Government of Madras. In fact that Government entered upon the

famine year 1896–97 with an available balance of Rx. 430,072, so that it might reasonably have been anticipated that even after allowing for what may be called the collateral effects of famine in causing loss of revenue and increase of expenditure under other heads, the policy laid down in 1883 would be realized, and the Government of Madras would be able to find its assigned contribution of 20 lakhs of rupees towards expenditure on famine relief.

7. Against the general liability of Local funds and the specific liability of Provincial funds the accounts of Madras show the following figures:—

| | Provincial. | Local. | Total. |
|---|---|---|---|
| | Rx. | Rx. | Rx. |
| Famine Expenditure, 1896–97 .. | 47,078 | 9,207 | 56,285 |
| " " 1897–98 .. | 159,738 | 12,578 | 172,316 |
| Total .. | 206,816 | 21,785 | 228,601 |

Contributions passing between Provincial and Local may affect the distribution of these figures between Provincial and Local, but do not affect the total.

8. Unless the excess of the expenditure over Rx. 200,000 is too much to represent the liability of Local funds (which, in the opinion of the Government of India, cannot be said to be the case), it does not appear that the Government of Madras has any reasonable claim to receive from the Government of India further assistance towards its famine expenditure of 1896–97 and 1897–98, towards which, out of the Imperial share of the revenue, Rx. 732,995 was contributed in 1897–98. If the Provincial liability were to be measured by the orders of March 1877 (F.D. No. 1826, dated 28th March 1877), it would stand at a much higher figure than 20 lakhs.

9. The Government of Madras was at the end of 1897–98 left with a balance in its Provincial account of Rx. 100,000, as it was anticipated that it would have a further charge of Rx. 85,000 to meet on account of famine in 1898–99. But the 100,000 was to be modified in this way. The Government of India consented to the balance of Rx. 100,000 only on condition that Local funds would be charged with Rx. 50,000 of the famine expenditure, and directed that if the actual charge to Local funds was less than Rx. 50,000, the deficiency should be made up by reduction of the intended balance of Rx. 100,000. The deficiency being Rx. 28,200 as above shown, the balance left to Madras was only Rx. 71,800. That is, the Provincial balance would have been Rx. 100,000 if the Rx. 172,316 spent from Provincial and Local together had been distributed thus:—

| | | | |
|---|---|---|---|
| Provincial .. .. .. .. | 122,316 | instead of | 159,738 |
| Local .. .. .. .. .. | 50,000 | | 12,578 |
| Total .. | 172,316 | | 172,316 |

in which case the Provincial expenditure would have fallen far short of the stipulated amount of Rx. 200,000.

10. The estimates just received show the following as the Provincial account of 1898–99 and 1899–1900:—

| | 1898–99. | 1899–1900. |
|---|---|---|
| | Rx. | Rx. |
| Balance, April 1 .. .. .. .. .. | 71,800 | 126,000 |
| Revenues, Provincial .. .. .. .. | 3,276,500 | 3,270,100 |
| Total .. | 3,348,300 | 3,393,100 |
| Expenditure— | | |
| Famine .. .. .. .. .. .. | 5,100 | 500 |
| Plague .. .. .. .. .. .. | 21,600 | 64,100 |
| Other Expenditure .. .. .. .. .. | 3,198,600 | 3,278,400 |
| Total .. | 3,225,300 | 3,343,000 |
| Balance, March 31 .. .. .. .. .. | 123,000 | 50,100 |



11. The Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the payments shown in paragraph 7 above, and aggregating Rx. 228,601, and by taking over the burden of famine and plague expenditure in 1898–99 and 1899–1900. The estimates of the Government of Madras will then stand thus:—

| | 1898–99. | 1899–1900. |
|---|---|---|
| | Rx. | Rx. |
| Opening Balance .. .. .. .. .. | 71,800 | 149,700 |
| Revenues .. .. .. .. .. .. | 3,276,500 | 3,270,100 |
| Total .. | 3,348,300 | 3,419,800 |
| Expenditure .. .. .. .. .. .. | 3,198,600 | 3,278,900 (a) |
| Closing Balance .. .. .. .. .. | 149,700 | 140,900 |

(a) Includes the 500 under *Famine* which is an ordinary charge for casual relief and not an anticipation of famine in the usual sense.

12. These estimates contravene existing orders by admitting an estimate for a deficiency of Rx. 8,800 upon the transactions of 1899–1900. But the Government of India do not think it necessary to call upon the Government of Madras at present to find a reduction of this amount in their estimates of expenditure. Experience justifies the expectation that the estimates of revenue when finally closed will be slightly better than they are at present, and it will be better to wait until the estimates are further considered before directing a reduction in the expenditure estimated for.

— —

From H. H. RISLEY, Esq., Officiating Secretary to the Government of India, Finance and Commerce Department, to the Chief Secretary to the Government of Madras, dated Calcutta, the 29th March 1899, No. A–1429 S.

I am directed to acknowledge receipt of your letter, No. 264, dated 18th February 1899.

2. So far as this letter deals with the question of the principles of provincial finances, it will be duly considered with that subject when the views of the various Local Governments are before the Government of India. So far as it deals with the question of the relief which is under present circumstances required by the Government of Madras, I am to refer to my letter, No. A 1429-L., dated 29th March 1899, conveying the orders of the Government of India on the budget estimates of 1899–1900.

3. As regards the proposal that the Imperial Government should take over all financial responsibility for expenditure upon famine and plague, I am to refer you to the discussion of this question in Part I–VII, paragraphs 171—182 of the Famine Commissioners report of 1881. The Government of India have all along accepted the principles there set out. It is of course impossible to make any special assignments in consideration of expenditure so irregular in its character, but the only practical way of getting over this difficulty is that set out in Resolution 1752 of this Department, dated 11th December 1883, and the general undertaking on the part of the Imperial Government to come to the aid of Provincial resources if the latter are exhausted.

4. The Government of India are well aware that the responsibility laid upon the Provincial Government for finding money, as far as it can, for expenditure on exceptional calamities necessarily checks the growth of the material prosperity of the province and reduces the ability of the Provincial Government to add to the general prosperity, comfort, and taxable power of the community at large. But they believe it would be quite inconsistent with sound finance to relieve either themselves or the

Provincial Governments from the necessity of curtailing expenditure upon ordinary progress when they are in the presence of special calamities which involve a strain, greater or less, upon the financial position.

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Order—No. 731, Financial, dated 28th May 1899.

The Government of India will be addressed.

(True Extract.)

*Chief Secretary.*

Standard file.

Corresponding entries 30-6-99 5-8-99 4-7-99

To
The Lt.-M. Dept. (with docket of C. No. 2028 in original)

Don't permit the brackets only

Ord. 6

Erd. A. Rungaswamy Aiyangar.

FINANCIAL DEPARTMENT.

Letter—from

The CHIEF SECRETARY to the GOVERNMENT of FORT ST. GEORGE,

To

The SECRETARY to the GOVERNMENT of INDIA,
Finance and Commerce Department.

Sir,

I am directed to reply to your letters noted below :—

No. 756-A, dated 16th February 1899.
No. A–1429-S., dated 29th March 1899.

2. The first of these communications is a reply to my No. 1221, Financial, of the 13th December 1898, which dealt with the question of the amount of famine expenditure in 1897–98 to be charged to, or recovered from, the resources of Local funds in this Presidency—not, as stated in paragraph 1 of your letter, with the question of a further contribution from the Government of India in aid of Provincial resources. You intimate that the Government of India are not prepared to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards; that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy; that the question of the adjustment between the Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down; that the report of the Famine Commissioners and correspondence in 1877 enunciated the principle that distress should be met first from local resources as far as is possible, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only; that in 1883 orders were passed which require the various Local Governments to maintain a minimum balance of 20 lakhs ~~that this balance is maintained~~ for the expressed purpose of its being spent on famine and the like when necessity arises; that it was contemplated that after periods of heavy expenditure passed away, the Provincial Government would find itself either without any balance at credit or with only a small one; that any expectation that the Imperial Government would make good the amount of balance at the end of the period of calamity is clearly inconsistent with the declared object of keeping the balance in hand; and that the maintenance of this balance has been one of the prescribed conditions of every Provincial contract since 1883. You then proceed to show that the Provincial expenditure on famine relief in this Presidency in 1896–97 and 1897–98 was not actually much in excess of this 20 lakhs minimum, and that if the Local Funds in Madras had contributed the share of famine expenditure with which they were debited by the Government of India, the Provincial expenditure would have fallen far short of the stipulated amount. You finally intimate that the Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the expenditure

already incurred from Provincial and Local Funds on famine relief and on plague, and by taking over the burden of famine and plague expenditure in 1898-99 and 1899-1900.

3. Your second letter quoted above is in reply to my No. 264, Financial, of the 18th February 1899, and paragraph 3 thereof again refers this Government to the report of the Famine Commissioners of 1881 and to the orders of 1883 prescribing a minimum Provincial balance of 20 lakhs. As regards the incidence of famine expenditure, you intimate that the Governor-General in Council is of opinion that it would be quite inconsistent with sound finance to relieve either themselves or the Provincial Governments from the necessity of curtailing expenditure upon ordinary progress when they are in the presence of special calamities which involve a strain, greater or less, upon the financial position.

4. With reference to the principles set out in the early part of paragraph 1 and paragraph 3 above, and turning for a moment from the question whether the principles enunciated by the Famine Commission have not since been set aside in favour of a much more just and equitable position, I am to point out that the contention of this Government has hitherto been that the expenditure on the late famine was met as far as possible from local resources and that it is for it to judge how far local resources can bear the burden, not for the Government of India ~~arbitrarily to pile up the load~~.

5. With reference to the remarks in paragraph 4 of your letter, No. A-1429-S, dated the 29th March 1899, I am to point out that this Government never contended that it would not be necessary to curtail expenditure in the presence of special calamities. Paragraph 13 of my letter, No. 264, Financial, of the 18th February 1899, commenced by drawing attention to my No. 262 of the same date, which contained the views of the Governor in Council as regards the debit of plague expenditure. In the earlier communication it was definitely stated that this Government did not contend that there might not come a time when a greater evil render such a lesser evil imperative and that under such circumstances the Governor in Council would render all the aid in his power; but that he contended that no such crisis exists at present. These remarks are opposed to the construction placed in your letter upon the contentions of this Government, which were not that it should be relieved from the necessity of curtailing expenditure upon ordinary progress when it is in the presence of special calamities which involve a strain greater or less upon the financial position. On the contrary, the Governor in Council clearly recognized that in such a case it would be his first duty to lay every resource at the disposal of the Supreme Government.

6. With reference to the subject of the ability of Local Boards in this Presidency to bear the amount of famine expenditure with which the Government of India has desired to debit them, I am to state that the Governor in Council is unable to reconcile the position now taken up by the Government of India and its announcement that the question of the recovery to be made from Local Boards is one between the Provincial Government and those Boards with the past correspondence that has taken place in this matter. I am to refer you in this connection to the communications

G.O., No. 471, Financial, dated 12th June 1897.

G.O., No. 200, Financial, dated 28th February 1898.

from this Government noted in the margin and to my letter to which yours is a reply, all of which were solely concerned with the question of the ability of the District Boards to bear famine expenditure to the extent originally contemplated by the Government of India. I am further to draw attention to the fact that in Finance and Commerce Department letter,

G.O., No. 741, Financial, dated 10th September 1897.

No. 3863-A, dated the 31st August 1897, Boards in the distressed tracts in this Presidency had complied with the conditions in the Government of India itself required information as to how far the District

the Famine Code of subordinating the ordinary objects and methods of expenditure to the special consideration of saving life: it desired to be furnished with statements dividing the expenditure of each Board as entered in the budget estimates for 1896–97 and 1897–98 into (1) grants which are obligatory and incapable of reduction and (2) those which are capable of reduction below the ordinary level when reduction is required to enable the Board to meet expenditure on Famine Relief works: and it also requested this Government to examine carefully the expenditure falling under the second category in order to ascertain whether all possible reductions had been made in 1896–97 and what reductions could still be made in 1897–98 with the object of making funds available to meet famine expenditure. Complete information on this point was furnished in Mr. Arundel's letter No. 200, dated 28th February 1898, and further detailed information was supplied in my letter No. 1221, Financial, dated 13th December 1898. Your letter under reply refrains from any comment on what has been the contention of the Governor in Council throughout this correspondence, viz., that local bodies in this Presidency are unable to bear famine expenditure to the extent originally contemplated. It dismisses this portion of the subject with the assertion that the question is one between the Provincial Government and the Local Boards, and this in spite of the fact that during the past two years the Government of India has been quite prepared to listen to, and indeed has invited, arguments as to the ability of Local Boards to contribute to famine expenditure at all.

7. The Governor in Council is, I am to state, unable to draw any satisfactory conclusions from the calculations in paragraphs 7–9 of your letter. So far as he is able to gather, these calculations are intended to prove that the decision to charge Provincial revenues with so much of the famine expenditure as could be so charged without reducing the Provincial balance on the 31st March 1898 below 10 lakhs was arrived at, and the adjustment of this 10 lakhs was made, with reference to the actual famine expenditure not only in 1896–97 but in 1897–98. This decision was announced in Finance and Commerce Department Resolution No. 1400A, dated the 26th March 1897, and it is incomprehensible that it should have been possible to then predict the amount of famine expenditure to be debited to Provincial revenues during the year which commenced a month later, since the closing balance being fixed, all savings in expenditure under other Provincial heads really raised the amount debited to *33. Famine Relief* in the Provincial accounts, while excesses similarly reduced this figure. In this connection I am to draw attention to the fact that the Government of India has taken into account only *direct* famine expenditure. The actual famine expenditure from Provincial funds in 1896–97 and 1897–98 was—

| | 1896-97. Rs. | 1897-98. Rs. |
|---|---|---|
| Direct .. .. .. .. | 4·71 | 15·97 |
| Indirect .. .. .. .. | ·11 | 2·95 |
| Total .. | 4·82 | 18·92 |
| Grand Total .. | 23·74 | |

It seems therefore to this Government that the calculations in question correspond with the conclusions drawn by a mere accident arising from imperfect data.

8. I am, however, to deal specially with three important pronouncements contained in your letter under reply. The first of these is that the general liability of the Provincial Government to aid from the resources at its command in meeting expenditure on famine or similar calamities was laid down as part of the famine policy and that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to this policy. With reference to this contention, I am to point out that this policy of twenty years ago has since been repudiated by the Right Honourable the Secretary of State himself in his speech on the Indian estimates in the House of Commons in August 1897, an extract from which was quoted in the despatch from the Government of India to the Secretary of State, No. 68, dated the 3rd March 1898. This quotation has already been brought to the attention of the Government of India in paragraph 10 of my letter No. 262, and in paragraph 13 of my letter No. 264, of the 18th February 1899. It is reproduced below for facility of reference:—

the Famine Code of subordinating the ordinary objects and methods of expenditure to the special consideration of saving life: it desired to be furnished with statements dividing the expenditure of each Board as entered in the budget estimates for 1896–97 and 1897–98 into (1) grants which are obligatory and incapable of reduction and (2) those which are capable of reduction below the ordinary level when reduction is required to enable the Board to meet expenditure on Famine Relief works: and it also requested this Government to examine carefully the expenditure falling under the second category in order to ascertain whether all possible reductions had been made in 1896–97 and what reductions could still be made in 1897–98 with the object of making funds available to meet famine expenditure. Complete information on this point was furnished in Mr. Arundel's letter No. 200, dated 28th February 1898, and further detailed information was supplied in my letter No. 1221, Financial, dated 13th December 1898. Your letter under reply refrains from any comment on what has been the contention of the Governor in Council throughout this correspondence, viz., that local bodies in this Presidency are unable to bear famine expenditure to the extent originally contemplated. It dismisses this portion of the subject with the assertion that the question is one between the Provincial Government and the Local Boards, and this in spite of the fact that during the past two years the Government of India has been quite prepared to listen to, and indeed has invited, arguments as to the ability of Local Boards to contribute to famine expenditure at all.

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| | 1896-97. Rs. | 1897-98. Rs. |
|---|---|---|
| Direct .. .. .. .. .. .. .. | 4·71 | 15·97 |
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| Total .. | 4·82 | 18·92 |
| Grand Total .. | 23·74 | |

It seems therefore to this Government that the calculations in question correspond with the conclusions drawn by a mere accident arising from imperfect data.

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"Upon the Imperial Government rests the primary duty of maintaining order internally and of protecting the frontiers; of the risk of war famine, exchange, and sudden emergencies; of the responsibility of maintaining not only national solvency, but also the solvency of the Provincial Governments. It is, moreover, their business, whenever they can, to remit or abolish taxation. On the Provincial Governments, on the other hand, rests the duty of developing the resources of their respective provinces, and by so developing them to add to the general prosperity, comfort, and taxable power of the community at large."

9. The Governor in Council moreover protests emphatically against the application to plague expenditure of any principles which may have been advocated by the Famine Commission in a totally different connection, especially when these principles have, as has just been shown, been since abrogated by the Secretary of State. Any arguments based on the contention that the principles regulating famine expenditure have always been applied to plague expenditure must naturally be unsound, for it is perhaps unnecessary to state that it was an impossibility for the report of the Famine Commission of 1881, or for the Government of India two years later, to have contemplated the existence of plague in India seventeen years subsequently. The views of this Government on the question of the incidence of plague expenditure have already been placed before the Government of India in my letter, No. 262, of the 18th February 1899, and I am again to draw attention to the contentions there advanced and to protest against this expenditure being thrown ~~as a matter~~ of principle upon Provincial and Local resources.

10. The next point in your letter to which I am to draw attention is the announcement that the Government of India does not propose to depart from the principle that distress should be met first from local resources as far as possible and that "there should be no restriction of the local resource of separate districts to expenditure within the area of those districts only." I am here to draw attention to paragraph 3 of Mr. Arundel's letter, No. 20[illegible], Financial, dated the 28th February 1898, and to paragraph 4 of my No. 1221 of the 13th December 1898, in which the constitution of District Boards in this Presidency was explained and where it was pointed out that the law does not allow of these Local Boards being treated as ~~homogeneous~~, but requires them to be dealt with district by district. Under the Local Boards Act, Madras V of 1884, each district and taluk in this Presidency is a separate financial entity (sections 8 and 54); the funds raised within a district must be applied within it only to certain specified objects (section 95); and among these objects is the establishment and maintenance of relief works in time of famine [clause (v) *ibid.*] It follows, therefore, that this Government can apply the Local Funds raised in a famine-stricken district to famine relief works within the limits of that district alone, and that the contentions of the Government of India are entirely inconsistent with the legal position.

11. In addition to the information already furnished to the Government of India as to the measures taken by this Government to curtail the expenditure of District Boards in 1897–98 under heads other than "Works", I am to forward the appended statement which affords particulars as regards the actual expenditure of District Boards in 1897–98 in each of the districts affected by famine. In considering the figures in this statement it is to be remembered that practically the whole of the Local Fund works, though charged directly to local, really served as relief works. The statement proves that the Boards spent as much as they could upon works and that any further curtailment of expenditure under other heads would have been impossible. To take one district, in Ganjám a sum of 1·70 lakhs was spent upon Local Fund works. In addition to this, direct and indirect famine expenditure incurred in the year and since levied amounted to ·48 lakh. Practically the before the expenditure on relief works by the District Board of Ganjám amounted to 2·18 lakhs. Seeing that the total expenditure of the District Board for the year amounted to 3·26 lakhs, it cannot be said that the Board did not make a fair contribution towards relief measures. In order to obtain some idea as to what was spent on the other Local Board services in this district, it is only necessary to observe that for the whole primary education of a population of 1½ millions Rs. 37,000 was spent, for medical aid in a time of famine, the outlay amounted to Rs. 25,000; upon sanitation another Rs. 25,000 was spent. The total outlay under grants 2, 3 and 4, that is, the total expenditure upon education, upon medical comforts, and upon the general control and the general administration

of the Local Fund services of the district amounted to 1·32 lakhs, which is ~~very nearly exactly two-tenths of~~ a rupee per head of the population. It is unnecessary to recapitulate the figures of other districts as brought out by the statement, but the Governor in Council considers that the ~~foregoing~~ facts are ~~alone~~ sufficient to prove that it was impossible for the Local Boards in question to have reduced their expenditure under other heads in the manner contemplated by the Government of India. In this connection it must also be remembered that even of this expenditure a large amount may in fact be regarded as famine expenditure. To take for example the grant for medical relief it may fairly be said that, but for the presence of the Local Fund subordinates, medical officers would have had to have been appointed at the expense of famine relief funds. A similar assertion may be made with regard to sanitation and general management. Local Fund subordinates were utilised to a fullest extent possible in connection with famine relief.

12. The third matter upon which I am to remark is the statement in paragraph 5 of your letter of the 16th February that on expectation that in the event of the Provincial Government being left without a 20 lakhs balance at the end of a period of calamity the Imperial Government would make good the amount of the compulsory balance is quite inconsistent with the declared object of keeping the balance in hand. With reference to this point, I am to state that the Governor in Council contends that it is but fair that if, as urged in your letter, a famine insurance balance of 20 lakhs is absolutely necessary for this Province, the Provincial balance should be invariably maintained at or above this figure. In short if the insurance is to be a reality it must always be in evidence. This being so, the action of the Government of India in so adjusting expenditure that the Provincial balance on the 1st April 1898 stood at 10 lakhs and in subsequently reducing that balance still further is inexplicable.

13. I am moreover to intimate that this Government entirely demurs to the principle now put forward by the Government of India, viz., that the liability for famine expenditure can be carried over from one contract period to another. This theory is ~~diametrically opposed~~ to the observations in paragraph 10 of Mr. Finlay's letter, No. 1245 A., dated the 16th March 1897, in which this Government was reminded that it had no funds to deal except what was granted it by the Imperial that in addition to starting the Provincial low the prescribed minimum, a minimum letter, the Government of India has debited um of 1·49 lakhs as famine expenditure— cial from District Boards and 1·67 repre- to cover deficits in District Boards the mote—so that, as stated in paragraph 12 1899, Provincial finance has suffered to and plague.

*Note.*—Page 5 of G.O., No. 824, Financial, dated 5th October 1897.

with in the first year of a contract period e Government. I am further to point out t Government with a balance of 10 lakhs be upon which so much stress is laid in your l the Local Government with an additional s 2·82 being the sum irrecoverable by Provi senting the Provincial contributions made chances of recovery of which are equally r of my letter, No. 264, dated 18th February the extent of 42 lakhs on account of famine

14. In view of the foregoing facts and the Government of India a reconsideration famine and plague expenditure and to expr Council will see the justice of recouping thi incurred on these objects and of debiting heads under Imperial. Especially that he minimum balance of 20 lakhs and will wi quently made in the opening balance allow on grounds of equity I am to urge upon of the position it has taken up as regards ss the hope that the Governor-General in s province for the expenditure which it has expenditure on them to their legitimate will see fit to ~~start the contract with~~ the draw the ~~subsequent~~ diminution subsed.

I have the honour to be,

Sir,

Your most obedient servant,

OOTACAMUND,

*th May* 1899.

*Chief Secretary.*

[Statement

APPENDIX TO LETTER No. FINANCIAL, DATED 1899.

STATEMENT showing population, area and expenditure during 1897–98 of District Boards in the tracts affected by famine.

| — | Ganjám. | Vizagapatam. | Kurnool. | Bellary. | Anantapur. | Cuddapah |
|---|---|---|---|---|---|---|
| Area .. .. .. .. (square miles). | 4,877 | 4,591 | 7,509 | 5,975 | 5,266 | 8,703 |
| Population .. .. .. .. .. No. | 1,629,193 | 1,851,006 | 793,435 | 814,416 | 701,555 | 1,254,693 |
| Grant 1— | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| New works .. .. .. .. .. .. | 8,550 | 9,460 | 1,203 | 7,169 | 257 | 1,071 |
| Repairs .. .. .. .. .. .. | 1,36,973 | 1,53,450 | 61,521 | 67,083 | 17,142 | 60,716 |
| Others .. .. .. .. .. .. | 24,670 | 33,333 | 14,889 | 29,809 | 8,717 | 13,848 |
| Total .. | 1,70,193 | 1,96,243 | 77,613 | 1,04,066 | 26,116 | 75,635 |
| Grant 2— | | | | | | |
| Famine expenditure included in foregoing figures— | | | | | | |
| Direct .. .. .. .. .. .. | 3,1,000 | .. | .. | 8,000 | .. | .. |
| Indirect .. .. .. .. .. .. | 17,000 | 1,000 | 1,000 | 1,000 | .. | 1,000 |
| Contributions on account of famine since levied .. .. .. .. .. .. | —10,000 | 17,000 | 10,000 | .. | 6,000 | 60,000 |
| Total .. | .. | .. | .. | .. | .. | .. |
| Secondary schools .. Number of schools .. | 2 | 8 | 1 | 3 | 2 | 2 |
| Secondary schools .. Expenditure .. Rs. | 2,170 | 10,637 | 578 | 5,750 | 1,772 | 2,064 |
| Primary schools .. Number of schools .. | 85 | 113 | 100 | 39 | 48 | 88 |
| Primary schools .. Expenditure .. .. | Rs. 13,760 | Rs. 23,396 | Rs. 16,870 | Rs. 13,002 | Rs. 11,843 | Rs. 16,025 |
| Grants-in-aid .. .. .. .. .. | 15,961 | 9,687 | 3,146 | 10,486 | 4,240 | 5,691 |
| Others .. .. .. .. .. .. | 6,476 | 6,122 | 4,672 | 4,921 | 2,974 | 3,656 |
| Total .. | 37,357 | 49,842 | 24,266 | 34,159 | 20,829 | 27,436 |
| Grant 3— | | | | | | |
| Hospitals and dispensaries (No. of institutions). | 12 | 18 | 14 | 14 | 10 | 10 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Expenditure excluding (a) & (b) .. .. .. | 22,278 | 30,332 | 21,130 | 22,878 | 13,562 | 17,886 |
| Expenditure on Hospitals and dispensaries. (a) Midwives (expenditure) .. | 256 | 2,011 | 619 | 1,853 | 690 | 1,059 |
| Expenditure on Hospitals and dispensaries. (b) Cholera charges .. .. | 899 | 2,943 | 585 | 1,149 | 649 | 1,655 |
| | 23,433 | 35,286 | 22,234 | 25,880 | 14,801 | 20,590 |
| Vaccination .. .. .. .. .. .. | 9,667 | 14,726 | 7,501 | 9,367 | 5,967 | 12,656 |
| Sanitation .. .. .. .. .. .. | 25,500 | 20,490 | 17,065 | 17,756 | 11,819 | 19,786 |
| Plague .. .. .. .. .. .. | 75 | .. | 2,076 | 9,001 | 11,490 | .. |
| Others .. .. .. .. .. .. | 5,609 | 6,346 | 3,243 | 3,059 | 2,293 | 3,273 |
| Total .. | 64,284 | 76,848 | 52,119 | 65,063 | 46,370 | 66,314 |
| Grant 4— | | | | | | |
| Choultries and markets .. .. .. .. | 752 | 1,369 | 918 | 1,586 | 2,575 | 689 |
| Lighting .. .. .. .. .. .. | 136 | 1,186 | .. | 1,930 | 429 | 1,863 |
| Others .. .. .. .. .. .. | 43 | 515 | 104 | 827 | 30 | 17 |
| Total .. | 931 | 3,070 | 1,022 | 14,393 | 3,034 | 2,569 |
| Grant 5— | | | | | | |
| Control and general administration .. .. | 53,331 | 21,477 | 16,762 | 16,294 | 12,673 | 19,096 |
| Grand Total .. | 3,20,096 | 3,47,480 | 1,71,782 | 2,23,965 | 1,09,022 | 1,81,050 |

APPENDIX TO LETTER No. FINANCIAL, DATED 1899.

STATEMENT showing population, area and expenditure during 1897-98 of District Boards in the tracts affected by famine.

| — | Ganjam. | Vizagapatam. | Kurnool. | Bellary. | Anantapur. | Cuddapah. |
|---|---|---|---|---|---|---|
| Area .. .. .. .. (square miles). | 4,877 | 4,591 | 7,509 | 5,975 | 5,266 | 8,703 |
| Population .. .. .. .. .. No. | 1,629,193 | 1,851,006 | 793,435 | 814,416 | 701,555 | 1,254,693 |
| Grant 1— | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| New works .. .. .. .. .. .. | 8,550 | 9,460 | 1,203 | 7,169 | 257 | 1,071 |
| Repairs .. .. .. .. .. .. | 1,36,973 | 1,53,450 | 61,521 | 67,088 | 17,142 | 60,716 |
| Others .. .. .. .. .. .. | 24,670 | 33,333 | 14,889 | 29,809 | 8,717 | 13,848 |
| Total .. | 1,70,193 | 1,96,243 | 77,613 | 1,04,066 | 26,116 | 75,635 |
| Grant 2— | | | | | | |
| Secondary schools .. { Number of schools .. | 2 | 3 | 1 | 3 | 2 | 2 |
| Secondary schools .. { Expenditure .. Rs. | 2,176 | 10,637 | 678 | 5,750 | 1,772 | 2,064 |
| Primary schools .. { Number of schools .. | 85 | 113 | 100 | 39 | 48 | 88 |
| Primary schools .. { Expenditure .. .. | Rs. 13,750 | Rs. 23,396 | Rs. 15,870 | Rs. 13,007 | Rs. 11,843 | Rs. 16,025 |
| Grants-in-aid .. .. .. .. .. | 15,961 | 9,687 | 3,146 | 10,486 | 4,240 | 5,691 |
| Others .. .. .. .. .. .. | 5,476 | 6,122 | 4,672 | 4,021 | 2,974 | 3,656 |
| Total .. | 37,367 | 49,842 | 24,266 | 34,159 | 20,829 | 27,436 |
| Grant 3— | | | | | | |
| Hospitals and dispensaries (No. of institutions). | 12 | 18 | 14 | 14 | 10 | 10 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Expenditure excluding (a) & (b) .. .. .. | 22,278 | 30,332 | 21,130 | 22,878 | 13,562 | 17,885 |
| Expenditure on hospitals and dispensaries. (a) Midwives (expenditure) .. | 256 | 2,044 | 619 | 1,853 | 590 | 1,059 |
| Expenditure on hospitals and dispensaries. (b) Cholera charges .. .. | 899 | 2,913 | 585 | 1,149 | 649 | 1,655 |
| | 23,433 | 35,290 | 22,234 | 25,880 | 14,801 | 20,599 |
| Vaccination .. .. .. .. .. .. | 9,667 | 14,720 | 7,501 | 9,357 | 5,967 | 12,656 |
| Sanitation .. .. .. .. .. .. | 25,500 | 20,400 | 17,065 | 17,756 | 11,819 | 19,786 |
| Plague .. .. .. .. .. .. | 75 | .. | 7,076 | 9,001 | 11,490 | .. |
| Others .. .. .. .. .. .. | 6,609 | 6,346 | 3,243 | 3,059 | 2,293 | 3,273 |
| Total .. | 64,284 | 76,848 | 62,119 | 65,053 | 46,370 | 56,314 |
| Grant 4— | | | | | | |
| Choultries and markets .. .. .. .. | 762 | 1,260 | 918 | 1,586 | 2,575 | 680 |
| Lighting .. .. .. .. .. .. | 136 | 1,186 | .. | 1,980 | 429 | 1,863 |
| Others .. .. .. .. .. .. | 43 | 625 | 104 | 827 | 30 | 17 |
| Total .. | 931 | 3,070 | 1,022 | 4,393 | 3,034 | 2,569 |
| Grant 5— | | | | | | |
| Control and general administration .. .. | 53,331 | 21,477 | 16,762 | 16,294 | 12,673 | 19,096 |
| Grand Total† .. | 3,26,096 | 3,47,480 | 1,71,782 | 2,23,965 | 1,09,022 | 1,81,050 |
| Famine Expenditure included in foregoing figures— | (X) | | | | | |
| Direct .. .. .. .. .. .. | 31,000 | .. | .. | 5,000 | .. | .. |
| Indirect .. .. .. .. .. .. | 17,000 | 1,000 | 1,000 | 1,000 | .. | 1,000 |
| Contributions on account of famine since levied .. .. .. .. .. .. | —10,000 | 17,000 | 10,000 | .. | 6,000 | 60,000 |

No. 733-Financial, dated 28th June 1899.

# FINANCIAL DEPARTMENT.

Letter—from

THE CHIEF SECRETARY TO THE GOVERNMENT OF FORT ST. GEORGE,

To

THE SECRETARY TO THE GOVERNMENT OF INDIA, FINANCE AND COMMERCE DEPARTMENT.

Sir,

I am directed to reply to your letters noted in the margin.

No. 756-A, dated 16th February 1899.
No. A-1429-S., dated 29th March 1899.

2. The first of these communications is a reply to my No. 1221, Financial, of the 13th December 1898, which dealt with the question of the amount of famine expenditure in 1897–98 to be charged to, or recovered from, the resources of Local funds in this Presidency—not, as stated in paragraph 1 of your letter, with the question of a further contribution from the Government of India in aid of Provincial resources. You intimate that the Government of India are not prepared to enter into any details regarding the amount of recovery to be made from Local Boards, as they regard that portion of the question as one between the Provincial Government and the Local Boards; that the general liability of the Provincial Government to aid from the resources at its command in meeting the expenditure on famine and similar calamities was laid down as part of the famine policy; that the question of the adjustment between Imperial and Provincial of the expenditure on famine should be decided according to the policy there laid down; that the report of the Famine Commissioners and correspondence in 1877 enunciated the principle that distress should be met first from local resources as far as is possible, and that there should be no restriction of the local resources of separate districts to expenditure within the area of those districts only; that in 1883, orders were passed which require the various Local Governments to maintain a minimum balance of 20 lakhs for the express purpose of its being spent on famine and the like when necessity arises; that the maintenance of this balance has been one of the prescribed conditions of every Provincial contract since 1883; that it was contemplated that after periods of heavy expenditure passed away, the Provincial Government would find itself either without any balance at credit or with only a small one; and that any expectation that the Imperial Government would make good the amount of balance at the end of a period of calamity is clearly inconsistent with the declared object of keeping the balance in hand. You then proceed to show that the Provincial expenditure on famine relief in this Presidency in 1896–97 and 1897–98 was not actually much in excess of this 20 lakhs minimum, and that if the Local Funds in Madras had contributed the share of famine expenditure with which they were debited by the Government of India, the Provincial expenditure would have fallen far short of the stipulated amount. You finally intimate that the Government of India propose to settle matters by giving the Government of Madras the benefit of the assumption that Provincial and Local responsibility for local calamity has been adequately discharged by the expenditure already incurred from Provincial and Local Funds on famine relief and on plague, and by taking over the burden of famine and plague expenditure in 1898–99 and 1899–1900.

3. Your second letter quoted above is i reply to my No. 264, Financial, of the 18th February 1899, and paragraph 3 ther f again refers this Government to the report of the Famine Commissioners of 188 nd to the orders of 1883 prescribing a minimum Provincial balance of 20 lakhs. A regards the incidence of famine expendi- ture, you intimate that the Governor-Genera n Council is of opinion that it would be quite inconsistent with sound finance to r ieve either himself or the Provincial Governments from the necessity of curtailing penditure upon ordinary progress when they are in the presence of special calamitie which involve a strain, greater or less, upon the financial position.

4. With reference to the principles set in the early part of paragraph 2 and in paragraph 3 above, and turning for a momen rom the question whether the principles enunciated by the Famine Commission hav not since been set aside in favour of a much more just and equitable position, I am o point out that the contention of this Government has hitherto been that the ex nditure on the late famine was met as far as possible from local resources and t it is for it to judge how far local resources can bear the burden, not for the G ernment of India.

5. Adverting to the remarks in para graph 4 of your letter, No. A-1429-S, dated the 29th March 1899, I am to observ that this Government never contended that it would not be necessary to curtail ex nditure in the presence of special calam- ities. Paragraph 13 of my letter, No. 264 Financial, of the 18th February 1899, commenced by drawing attention to my N /62 of the same date, which contained the views of the Governor in Council as rega ds the debit of plague expenditure. In the earlier communication it was definitely st ted that this Government did not contend that there might not come a time when a grea r evil would not render such a lesser evil imperative and that under such circumstances the Governor in Council would afford all the aid in his power; but that he contended t no such crisis exists at present. These remarks are opposed to the construction plac in your letter upon the contentions of this Government, which were not that it uld be relieved from the necessity of curtailing expenditure upon ordinary progr s when it is in the presence of special calamities which involve a strain, greater or ss, upon the financial position. On the contrary, the Governor in Council clearly r ognized that in such a case it would be his first duty to lay every resource at the d posal of the Supreme Government.

6. As regards the subject of the ob ty of Local Boards in this Presidency to bear the amount of famine expenditure th which the Government of India has desired to debit them, I am to state that the Governor in Council is unable to recon- cile the position now taken up by the Gov nment of India and its announcement that the question of the recovery to be made from Local Boards is one between the Provincial Government and those Boards/wit the past correspondence that has taken place in this matter. I am to refer you this connection to the communications om this Government noted in the mar- in and to my letter to which yours is a ply, all of which were solely concerned th the question of the ability of the istrict Boards to bear famine expendi- the Government of India. I am further

G.O., No. 471, Financial, dated 12th June 1897.

G.O., No. 200, Financial, dated 28th February 1898.

ture to the extent originally contemplated b ce and Commerce Department letter, to draw attention to the fact that in Fi o. 3863-A, dated the 31st August 1897, the Government of India itself required

G.O., No. 741, Financial, dated 10th September 1897.

formation as to how far the District Boards in the distressed tracts in this Presi ney had complied with the conditions in the Famine Code of subordinating the ordi y objects and methods of expenditure to the special consideration of saving life: esired to be furnished with statements dividing the expenditure of each Board as e red in the budget estimates for 1896–97 and 1897–98 into (1) grants which are obli tory and incapable of reduction and (2) those which are capable of reduction bel the ordinary level when reduction is required to enable the Board to meet expe ture on Famine Relief works: and it also requested this Government to exam carefully the expenditure falling under the second category in order to ascertain ther all possible reductions had been made in 1896–97 and what reductions coul till be made in 1897–98 with the object

of making funds available to meet famine expe… itture. Complete information on these
points were furnished in Mr. Arundel's lett… No. 200, dated 28th February 1898,
and further detailed information was suppl… in my letter No. 1221, Financial,
dated 13th December 1898. Your letter und… reply refrains from any comment on
what has been the contention of the Governor… Council throughout this correspond-
ence, viz., that local bodies in this Presidency… are unable to bear famine expenditure
to the extent originally contemplated by you… It dismisses this portion of the subject
with the assertion that the question is out… between the Provincial Government
and the Local Boards, and this in spite of the… fact that during the past two years the
Government of India has been quite prepared… listen to, and indeed has invited, argu-
ments as to the ability of Local Boards to con… tribute to famine expenditure at all.

7. The Governor in Council is, I am to… tate, unable to draw any satisfactory
conclusions from the calculations in paragra… is 7–9 of your letter, and in this con-
nection will content himself with observing t… at the actual famine expenditure from
Provincial funds in 1896–97 and 1897–98 was—

| | 1896–97. | 1897–98. |
|---|---|---|
| | Rs. | Rs. |
| Direct .. .. .. .. .. .. .. .. | 4·71 | 15·97 |
| Indirect .. .. .. .. .. .. .. .. | ·11 | 2·95 |
| Total .. | 4·82 | 18·92 |
| Grand Total .. | 23·74 | |

It seems therefore to this Government that t… e calculations in question correspond
with the conclusions drawn by a mere acciden… arising from imperfect data.

8. I am, however, to deal specially with t… ee important pronouncements contained
in your letter under reply. The first of th… e is that the general liability of the
Provincial Government to aid from the resou… es at its command in meeting expendi-
ture on famine or similar calamities was laid… down as part of the famine policy and
that the question of the adjustment between… mperial and Provincial of the expendi-
ture on famine should be decided according… this policy. With reference to this
contention, I am to point out that this policy o… wenty years ago has since been repudi-
ated by the Right Honourable the Secretary… f State himself in his speech on the
Indian estimates in the House of Commons… August 1897, an extract from which
was quoted in the despatch from the Gover… ent of India to the Secretary of State,
No. 68, dated the 3rd March 1898. This… tation has already been brought to the
attention of the Government of India in par… graph 10 of my letter No. 262, and in
paragraph 13 of my No. 264, of the 18th… ebruary 1899. It is reproduced below
for facility of reference :—

"Upon the Imperial Government rests the… imary duty of maintaining order internally
and of protecting the frontiers; of the risk of war… famine, exchange, and sudden emergencies;
of the responsibility of maintaining not only nati… al solvency, but also the solvency of the
Provincial Governments. It is, moreover, their b… ness, whenever they can, to remit or abolish
taxation. On the Provincial Governments, on th… ther hand, rests the duty of developing the
resources of their respective provinces, and by… developing them to add to the general
prosperity, comfort, and taxable power of the com… nity at large."

9. The Governor in Council moreover p… osts emphatically against the applica-
tion to plague expenditure of any principles… hich may have been advocated by the
Famine Commission in a totally different con… ction, especially when these principles
have, as has just been shown, been since a… ated by the Secretary of State. Any
arguments based on the contention that the… ciples regulating famine expenditure
have always been applied to plague expendi… s must naturally be unsound, for it
~~is perhaps unnecessary to state that it~~ was… impossibility for the report of the
Famine Commission of 1881, or for the Gov… ment of India two years later, to have
contemplated the existence of plague in In… seventeen years subsequently. The
views of this Government on the question o… e incidence of plague expenditure have
already been placed before the Government… India in my letter, No. 262, of the 18th
February 1899, and I am again to draw att… on to the contentions there advanced
and to protest against this expenditure being… rown on any grounds of principle upon
Provincial and Local resources.

10. The next point in your letter to ...hich I am to draw attention is the announcement that the Government of Indi... does not propose to depart from the principle that distress should be met first fro... local resources as far as possible and that "there should be no restriction of th... local resource of separate districts to expenditure within the area of those districts ...ly." I am here to draw attention to paragraph 3 of Mr. Arundel's letter, No. 20... Financial, dated the 28th February 1898, and to paragraph 4 of my No. 1221 o... the 13th December 1898, in which the constitution of District Boards in this Presi...cy was explained and where it was pointed out that the law does not allow ...these Local Boards being treated as a single unit but requires them to be dealt wi... district by district. Under the Local Boards Act, Madras V of 1884, each district a... taluk in this Presidency is a separate financial entity [sections 8 and 54]; the fund... raised within a district must be applied within it only to certain specified objects [sec...n 95]; and among these objects is the establishment and maintenance of relief works ...n time of famine [clause (v) *ibid.*]. It follows, therefore, that this Government *can apply the Local Funds raised in a famine-stricken district* to famine relief works within the limits of that district alone, and that the contentions of the Government of In...a are entirely inconsistent with the legal position.

11. In addition to the information alread... furnished to the Government of India as to the measures taken by this Governmen... to curtail the expenditure of District Boards in 1897–98 under heads other than "...orks", I am to forward the appended statement which affords particulars as regard... the actual expenditure of the Boards in 1897–98 in each of the districts affected by ...amine. In considering the figures in this statement it is to be remembered that pr...tically the whole of the Local Fund works, though charged directly to local, really ...rved as relief works. The statement proves that the Boards spent as much as they ...uld upon works and that any further curtailment of expenditure under other heads ...ould have been impossible. To take one district: In Ganjám a sum of 1·70 lakhs is spent upon Local Fund works. In addition to this, direct and indirect famine expenditure incurred in the year and since levied amounted to ·48 lakh. Practically therefore the expenditure on relief works by the District Board of Ganjám amounted to 2·18 lakhs. Seeing that the total expenditure of the Board for the year amounted to 3·26 lakhs, it cannot be said that the Board did not make a fair contribution towards relief measures. In order to obtain some idea as to what was spent on other Local Board services in this district, it is only necessary to observe that the whole primary education of a population of 1½ millions Rs. 37,000 was spent for medical aid in a time of famine the outlay amounted to Rs. 23,000; upon sanitation another Rs. 25,000 was spent. The total outlay under grants 2, 3 and 4, that the total expenditure upon education, upon medical comforts, and upon the general control and the general administration of the Local Fund services of the district amounted to 1·24 lakhs, which is about ½th of a rupee per head of the population. It is unnecessary to recapitulate the figures of other districts as brought out by the statement, but the Governor in Council considers that the facts are sufficient to prove that it was impossible for the Local Boards in question to have reduced their expenditure under other heads in the manner contemplated by the Government of India. In this connection it must also be remembered that even of this expenditure a large amount may in fact be regarded as famine expenditure. To take for example the grant for medical relief it may fairly be said that, but for the presence of the Local Fund subordinates, medical officers would have had to have been appointed at the expense of famine relief funds. A similar assertion may be made with regard to sanitation and general management. Local Fund subordinates were employed to the fullest extent possible in connection with famine relief.

12. The third matter upon which I am to ... is the statement in paragraph 5 of your letter of the 16th February that an expectation that, in the event of the Provincial Government being left without a 20 lakhs balance at the end of a period of calamity, the Imperial Government would make good the amount of the compulsory balance is quite inconsistent with the declared object of keeping the balance in hand. With reference to this point, I am to state that the Governor in Council contends that it is

but fair that if, as urged in your letter, a famine insurance balance of 20 lakhs is absolutely necessary for this Province, the Provincial balance should be invariably maintained at or above this figure. In short if the insurance is to be a reality it must always be in evidence. This being so, the action of the Government of India in so adjusting expenditure that the Provincial balance on the 1st April 1898 stood at 10 lakhs and in subsequently reducing that balance still further is inexplicable.

13. I am moreover to intimate that this Government entirely demurs to the principle now put forward by the Government of India, viz., that the liability for famine expenditure can be carried over from one contract period to another. This theory is inconsistent with the observations in paragraph 10 of Mr. Finlay's letter, No. 1245 A., dated the 16th March 1897, in which this Government was reminded that it had no funds to deal with in the first year of a contract period except what was granted it by the Imperial Government. I am further to point out that in addition to starting the Provincial Government with a balance of 10 lakhs below the prescribed minimum, a minimum upon which so much stress is laid in your letter, the Government of India has debited the Local Government with an additional sum of 4·49 lakhs as famine expenditure—2·82 being the sum irrecoverable by Provincial from District Boards and 1·67 representing the Provincial contributions made to cover deficits in District Boards the chances of recovery of which are equally remote—so that, as stated in paragraph 12 of my letter, No. 264, dated 18th February 1899, Provincial finance has suffered not to the extent of [illegible] 20 lakhs, the amount of its insurance fund as seems to be thought by the Government of India to the extent of 42 lakhs on account of famine and plague.

*Note.*—Page 5 of G.O., No. 824, Financial, dated 5th October 1897.

14. In view of the foregoing facts and on grounds of equity I am to urge upon the Government of India a reconsideration of the position it has taken up as regards famine and plague expenditure and to express the hope that the Governor-General in Council will see the justice of recouping this province for the expenditure which it has incurred on these objects and of debiting expenditure on them to their legitimate heads under Imperial; especially that he will see fit to restore the minimum balance of 20 lakhs and will withdraw the diminution subsequently made in the opening balance allowed.

I have the honour to be,
Sir,
Your most obedient servant,

G. STOKES,
*Chief Secretary.*

OOTACAMUND,
*May* 1899.

[Statement.

APPENDIX TO LETTER No. FINANCIAL, DATED JUNE 1899.

STATEMENT showing population, area and expenditure during 1897-98 of District Boards in the tracts affected by famine.

| — | Ganjám. | Vizaga-patam. | Kurnool. | Bellary. | Anantapur. | Cuddapah. |
|---|---|---|---|---|---|---|
| Area .. .. .. .. (square miles). | 4,877 | 4,591 | 7,509 | 5,075 | 5,266 | 8,703 |
| Population .. .. .. .. .. No. | 1,529,193 | 1,851,006 | 793,435 | 814,416 | 701,555 | 1,254,693 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Grant 1— | | | | | | |
| New works .. .. .. .. .. .. | 8,560 | 9,460 | 1,203 | 7,169 | 257 | 1,071 |
| Repairs .. .. .. .. .. .. | 1,36,973 | 1,53,450 | 61,521 | 67,088 | 17,142 | 60,716 |
| Others .. .. .. .. .. .. | 24,670 | 33,333 | 14,889 | 29,809 | 8,717 | 13,848 |
| Total .. | 1,70,193 | 1,96,243 | 77,613 | 1,04,066 | 26,116 | 75,635 |
| Grant 2— | | | | | | |
| Secondary schools .. Number of schools .. | 2 | 3 | 1 | 3 | 2 | 2 |
| Secondary schools .. Expenditure .. Rs. | 2,170 | 10,637 | 578 | 5,760 | 1,772 | 2,064 |
| Primary schools .. Number of schools .. | 85 | 113 | 100 | 39 | 48 | 88 |
| Primary schools .. Expenditure .. .. | Rs. 13,750 | Rs. 23,396 | Rs. 15,870 | Rs. 13,002 | Rs. 11,943 | Rs. 16,025 |
| Grants-in-aid .. .. .. .. .. | 15,961 | 9,687 | 3,146 | 10,486 | 4,240 | 5,691 |
| Others .. .. .. .. .. .. | 5,476 | 6,122 | 4,672 | 4,921 | 2,974 | 3,656 |
| Total .. | 37,357 | 49,842 | 24,266 | 34,159 | 20,829 | 27,436 |
| Grant 3— | | | | | | |
| Hospitals and dispensaries (No. of institutions). | 12 | 18 | 14 | 14 | 10 | 10 |
| | Rs. | Rs. | Rs. | Rs. | Rs. | Rs. |
| Do. Expenditure excluding (a) & (b) .. | 22,278 | 30,332 | 21,130 | 22,878 | 13,562 | 17,885 |
| Do. do. (a) Midwives. | 256 | 2,021 | 519 | 1,853 | 590 | 1,059 |
| Do. do. (b) Cholera charges .. | 899 | 2,933 | 585 | 1,149 | 649 | 1,655 |
| | 23,433 | 35,286 | 22,234 | 25,880 | 14,801 | 20,599 |
| Vaccination .. .. .. .. .. .. | 9,667 | 14,726 | 7,501 | 9,357 | 5,967 | 12,656 |
| Sanitation .. .. .. .. .. .. | 25,500 | 20,490 | 17,065 | 17,756 | 11,819 | 19,786 |
| Plague .. .. .. .. .. .. | 75 | .. | 2,076 | 9,001 | 11,490 | .. |
| Others .. .. .. .. .. .. | 5,609 | 6,346 | 3,243 | 3,059 | 2,293 | 3,273 |
| Total .. | 64,284 | 76,848 | 52,119 | 65,053 | 46,370 | 56,314 |
| Grant 4— | | | | | | |
| *Choultries* and markets .. .. .. .. | 752 | 1,369 | 918 | 1,586 | 2,575 | 689 |
| Lighting .. .. .. .. .. .. | 136 | 1,186 | .. | 1,980 | 429 | 1,863 |
| Others .. .. .. .. .. .. | 43 | 515 | 104 | 827 | 30 | 17 |
| Total .. | 931 | 3,070 | 1,022 | 4,393 | 3,034 | 2,569 |
| Grant 5— | | | | | | |
| Control and general administration .. .. | 58,331 | 21,477 | 16,762 | 16,294 | 12,673 | 19,095 |
| Grand Total .. | 3,20,096 | 3,47,460 | 1,71,782 | 2,23,965 | 1,09,022 | 1,81,050 |
| Famine expenditure included in foregoing figures— | (1) | | | (2) | | |
| Direct .. .. .. .. .. .. | 31,000 | .. | .. | 7,780 | .. (103) | .. |
| Indirect .. .. .. .. .. .. | 17,700 | 1,265 | .. 924 | 635 | .. | 801 |
| Contributions on account of famine since levied .. .. .. .. .. .. | —10,000 | 17,000 | 10,000 | .. | 6,000 | 50,000 |

(1) Includes Rs 58,331 under grant 5

(2) " " 1,04,066 " " 1

Checked Test 3.6.99

ERRATUM.

In the last line of paragraph 7 of Letter, No. 732, Financial, dated 28th June 1899, *for* "with the conclusions drawn by a mere accident" *read* "by a mere accident with conclusions drawn."

G. STOKES,
*Chief Secretary.*

*7th July* 1899.

The following Erratum will be issued.

Erratum.

In the last line of paragraph 7 of letter N° 732, Financial, dated 28th June 1899 for "with the conclusions drawn by a mere accident" read "by a mere accident with conclusions drawn."

C.W.B. 7.7.99

F.T.F

Date Received 14/7/99

Secy
Mr
Ref
} Have all S. Cs already proceeded

Read

To Hon'ble Chief Secretary to Govt. of Madras
Fin & Comm. Dept.

Financial Department

Note for order of C.A.

The Accountant brings to notice that on striking off copies of Letter No 732 Financial, dated 28th June 1899, the last figure in "60,000" in the last column of the appendix to the letter was dropped. Please see proof-marked proof (A) and final copy (B).

Shall order given to get the copies have corrected and also written to Financial Secy / Govt, & have the same done with copies at Govt.

The question is as regards copies that have been sent to India. May a revised sheet containing the appendix be sent to India & substituted for the corresponding sheets? It is very much regretted that this was not noticed earlier.

Secy
13/7/99

× the against contributions on account of famine fund levied.

It is clear that the G. has decided and in pursuance of Judl will see that Mr. Ilbert's suggestion is carried out. Will D.O. to the Chief Secy. to the Govt. of Bengal & ascertain if so.

Done
Ilbert
10/7/99

Secy
Secy
17-7-99

BC

Chief Secretariat
Madras. July 18th/899

No

Dear Sir,

On page 7 of Financial Letter No 732 dated 28th June 1899 regarding Land Revenue and Famine, I am directed to request a ~~Duplicate~~ Triplicate of the Abstract of Proposals for the Last Famine, viz. 60,000 in the Columns "Employed" ~~and~~ Held on the 30 ~~Relief Works~~ and ~~Gratuitous Relief~~ on the 30 ~~and~~ ~~Average~~ Daily Number ~~Relieved~~ during the Month.

It was omitted in all the copies of the letter sent to the G of I

~~Yours~~ Yours truly

Head Clerk

To

The Chief Secretary
to Government
Govt of India Financial,
Simla.

Received
19/7/99

sent to Press.

Returned for signature.

Despatched in print.

Received G.O. No.
on

No.

Forwarded as G. No.

Order on Government

Letter on Government

Statement when wrote

Proofs and Slips for what Matter they consist of respectively

Notes

A = Print in full
B = Not to be printed
C = Proof obtained only
D = Proof looking well

Nature of revise required

{ Order complete.
Letter only.
Order complete with Letter.