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for the month of March 1860.*

No. 59. Minute by the Honorable the PRESIDENT, dated 29th March 1860.

Immediately upon receiving Mr. Wilson's Financial Statement, I cut short my official tour, and returned to Madras to consult with my colleagues. The crisis is more pregnant with portentous results of good and evil than any which has occurred within the memory of the present generation. Upon the line now taken will depend whether the dearly-bought experience of the great mutiny will be used to construct a solid, safe and gradually developing political system, or whether India will be launched upon a new sea of troubles the opposite shore of which no human sagacity can discern.

A masterly Financial Statement has been made at Calcutta on the English model. Mr. Wilson's exposition is precisely such a one as Mr. Gladstone might have made to the present House of Commons. It includes all the latest improvements of modern Finance, and would have been in advance of the House of Commons less than twenty years ago. But in England there is a real representation of the people. Every class of persons affected by such a scheme would, through their representatives, have taken part in the discussion; and whatever decision might have been arrived at, it would have been carried into effect with their general knowledge and consent. In India notwithstanding a studious imitation of the forms of a popular assembly, we are further from a real representation of local interest than ever. Even the Government of the South of India, which is responsible for the administration, has no power of influencing the legislation. As regards the Natives it is a leap in the dark. Till the tax-gatherer actually makes his demand they will have no conception of what has been prepared for them.

If Mr. Wilson's Statement had been made in England, it would have been examined in detail by other practised Public men, and the conclusions arrived at, after full and repeated discussion, might have been safely adopted. But Financial knowledge of this sort is new to India. The Natives are entirely destitute of it. Even the Europeans have made small progress in it, else they would, before this, have produced a plan of Financial re-organisation suited to the circumstances of India. Comprehensive Finance, which deals boldly with all existing interests, and readjusts taxation to suit the circumstances of the time, is the growth of our Parliamentary system; and great danger is to be apprehended from its sudden introduction into India without the checks and safeguards which belong to the original institution.

The circumstance that the new advantages conferred by the arrangement are in favor of the European interest, is an additional reason for distrusting our first impressions. The reduction from 20 to 10 per cent. on the principal articles of European consumption in this country, and the transfer to the free list of the principal

to such an increase in the exportation of sugar from India as would seriously injure our West Indian Colonies. The soil of India was, however, also wanted to grow food for its great population, and exportable articles in reference to which it had an undoubted advantage over the rest of the world; and only an insignificant effect was produced by the abolition of the differential duty upon sugar. So will it be with opium in China. Every acre laid down to poppies will be an acre withdrawn from rice or tea; and this cannot go far. It is more probable that the cultivation of tea will be extended in China than that of opium.

But, even if there be some risk of a falling-off of the opium revenue at some indefinite future period, it is better to incur it than to face the undoubted evils arising from the imposition of three such taxes as those which have been proposed. China cannot, at any rate, suddenly emancipate itself from its dependence upon Bengal for its supply of opium; and if India is not harassed and exhausted by unnecessary taxes, we shall every year become better able to make good any deficiency in one branch of revenue from the natural increase in others. New taxation is such an unquestionable evil, that we ought not to inflict it upon the populations under our government for any speculative object. We may take a lesson from our practice in England in this respect. Taxation is there studiously adjusted from year to year with a strict reference to proved necessities. If we had an annual revenue in England like that from opium, we should not think of imposing new taxes to create an insurance fund against its possible reduction.

I now come to the really essential point—the deficiency which has to be made good.

“An account of the estimated gross public income and expenditure of India “in the year ending the 30th April 1860,” is appended to the Financial statement, showing an excess of expenditure over income in India of £3,783,109; and Mr. Wilson says in his speech, that, according to the last accounts he had received from the Secretary of State, the Home charges, including £1,114,000 for guaranteed interest to Railway Companies, will amount to £5,507,020; which, added to the deficit in India, will raise it to £9,290,129.

The whole of the information furnished in regard to the probable income of the year which begins on the 1st of May 1860, is contained in the following Extract from Mr. Wilson’s speech:—

“And what is our prospect for the next year? After the way in which we “have been deceived by estimates, you will understand with how much diffidence “I must regard any estimate that can be made. But we can only, in looking into “the future, take the best means within our reach. I have a special dislike to “prospective budgets; they baffle and deceive the ablest financier. However “correct calculations may be, a change of circumstance often upsets them all. “Well, but availing myself of the best information at my command as things now “stand, allowing for a reduction of £1,000,000, which will appear in the accounts “of the present year as compensation for losses—allowing for a decrease in the “Military charges of £1,740,000, for which arrangements have up to this time been “made—and allowing, too, for an increase of income from salt duties, for which “the necessary sanction has been obtained, of £410,000, I cannot, even with all “these allowances, reduce the deficit of next year below £6,500,000.”

No detailed Estimate of Income and Expenditure is given.

Those who know, as I do by nineteen years’ experience, the extreme particularity with which the probable income and expenditure of the forthcoming year are calculated in England and submitted for the criticism of the public, will be surprised at the scantiness of the information now furnished. Everything hinges upon this Estimate. In the present instance it is a question, not merely of increased taxation, but of the introduction of new systems of taxation pregnant with portentous consequences. If we are to have English Budgets for India, let us also have English safeguards. Let us not have one measure of care for our own interests and another for those of our Indian fellow-subjects.

attained by a reduction of unnecessary expenditure. In other words, reduction of expenditure is the *primary* mode of making good a deficiency. In framing our English Budgets, we never think of proposing additional taxation if the balance can be restored by reducing establishments. The transfer to this country of the forms of English finance is of much less consequence than the naturalization of the principles which are the basis of our national prosperity. We ought not to have one rule when we govern ourselves and another when we govern our Indian fellow-subjects.

Another important difference is, that reduction of expenditure is pure gain. Nay, the advantage is even greater, for by reducing expenditure, the machinery of various kinds required for carrying it on is rendered unnecessary, and thus a further saving follows. In Military affairs, the second economy is greater than the first; for the expenditure in Subsidiary Departments, Pensions, &c., is notoriously larger than the pay of the Officers and Men. In taxation, the case is reversed. What is obtained by taxation is gained at the expense of a heavy charge for collection; and this is especially the case in reference to new taxes.

In another way heavy deductions would have to be made from what would be gained by these taxes. Our immense Native Civil Establishments have always been under-paid; and owing to the general increase of the prices of the necessaries of life, the pressure upon them is now more severe than ever. For the same reason our European Officers of the junior ranks, and our European Non-Commissioned Officers, and Native Commissioned and Non-Commissioned Officers, find it difficult to live upon their pay. We should, therefore, have to increase the remuneration of large classes of Public Servants. The effect produced would be like that of the Superannuation abatements from the salaries of the Civil Establishments at Home, which cost the Government more from the tendency they created to a general increase of salaries, than was gained by the abatements.

There is yet one very essential difference between raising money by additional taxation and by reduction of expenditure. Owing to our vast Military Establishments, to the still more numerous followers of various kinds connected with them, and to our enormous half-paid, half-employed host of Revenue and other Civil Native servants, the amount of labour withdrawn from productive industry in India is very great. The state of things in France and the other European countries where the plan of maintaining a large portion of the community in dependence upon the Government at the expense of the rest of the community, is most acted upon, gives no idea of the excess to which the system has been carried in this country. Reduction of expenditure would transfer the surplus portion of this immense stipendiary class to productive industry, and would make them tax-payers instead of tax-consumers. Additional taxation would not only render it necessary to retain the whole of our overgrown, embarrassing, exhausting Native Army, but would also largely augment the swarm of subordinate Civil Employés, who, without either sufficient pay or moral principle to restrain them, prey in a direct manner upon the vitals of the people. This is an important view of the subject under present circumstances, owing to the deficient state of the labor market, and the large proportion of able-bodied men belonging to the various divisions of the working classes, who are maintained in idleness at our innumerable Military stations and detached posts.

I have always been of opinion that this financial crisis might be satisfactorily met by reduction of expenditure only, combined with some obvious administrative improvements, whereby both our Civil and Military Establishments would be rendered more effective, and the existing taxes would be more fully collected.

Nobody who knows anything of India supposes that any important financial result can be obtained by a reduction of Civil salaries. Some reductions may be made, but these will be balanced by necessary increases in other quarters. The cause of the present financial difficulty is the increase of the Military expenditure,

Mr. Wilson appears to excuse himself for not furnishing this information by expressing a dislike to prospective Budgets. I do not understand what he means. Mr. Gladstone framed a prospective Budget when he included in his scheme the intended transactions of the next three years, and his calculations were upset by the unexpected occurrence of the Russian War; but a detailed Estimate of the expected Income and Expenditure of the next ensuing year is an essential element of every ordinary Budget. An English Parliamentary Budget is nothing else but a calculation of the Income and Expenditure of the next year, and a plan for disposing of the surplus or supplying the deficiency, as the case may be.

Mr. Wilson observes at the commencement of his speech, "We have a public opinion; an enlightened public opinion, both Native and European, and above all we have a free Press and free discussion; and we are of opinion that nothing but good can be derived from those useful—I would say necessary—elements of a prosperous social structure, by frankness on our part." But there can be no free public discussion without a free communication of official information. The "frankness" must be complete. This Government is more interested in the question than any portion of the European or Native public, because it is responsible for the tranquillity and well-being of about thirty millions of Her Majesty's subjects in the south of India, whose interests have been entrusted to our care. We, therefore, desire to know what the grounds are for believing that the proposed new taxation is necessary. We wish to see whether the asserted deficit of £8,500,000 includes any charges which will not recur, like the large payments to be made next year for the Carnatic and Tanjore Debts; and whether allowance has been made for the extensive redemption of Public Debt, which forms part of the new Currency Measure; or for the great increase in the revenue of this Presidency, which is fully sustained this year, with a large addition arising from a more full collection of the Salt Tax, to which we have been giving—as we said we could—particular attention. One saving we know to have been greatly undervalued. Mr. Wilson says, "Allowing for a decrease in the Military charges of £1,740,000, for which arrangements have up to this time been made." The arrangements which have been already made for the decrease of Military charges in the Presidencies of Madras and Bombay alone amount to more than this, and no notice whatever is taken of the far larger amount which may be saved in the Bengal Presidency, or of the further considerable reductions which may be effected in this Presidency, if the present tranquil course of events is not interrupted.

The following Extract from Mr. Wilson's speech conveys a satisfactory assurance that, whether the deficiency be £8,500,000 or, as I believe, a great deal less, there is time for mature deliberation as to the best means of restoring the equilibrium of the finances. "Our balances in the Exchequer are large—larger than they have been since 1853, and larger by upwards of six millions than on the 30th of April last year. In India and at Home I expect our balances on the 30th of April next will be about £10,600,000 against £13,398,000 last year."

Such an unprecedented hoard as this ought to be utilized. It cannot be kept lying idle without great loss to the Public, and serious derangement of prices. In his speech on a Paper Currency for India, Mr. Wilson justly points out "economizing our cash balances," that is reducing them below even the average of former years, as an important financial resource. Whether a Bank account is resorted to or not, this may be done to a great extent by limiting the present excessive number of separate cash balances, and making more frequent transfers to the Central Treasuries, which will be much facilitated by the new Paper Currency.

There are two modes of re-adjusting the national balance-sheet: diminution of expenditure, and increase of income, but these by no means stand on the same footing.

There are a portion of the property of the community taken by the Government for necessary public expenditure. The Government has, therefore, no right to demand additional taxes unless it can be shown that the object cannot be

and the remedy is to be found in the removal of that cause, namely, in a corresponding diminution of Military expenditure.

The deficit of next year is estimated by Mr. Wilson at £6,500,000; but the increase of Military expenditure in the current year as compared with the year before the mutiny, is stated by him at £8,519,227, or the difference between £21,782,081 in 1859-60 and £13,262,854 in 1858-7.

In this Presidency a satisfactory comment has been made in the reduction of Military expenditure. Mr. Wilson observes that, on comparing the number of Troops in the different Presidencies in 1857 and at the close of 1859, he found the increase in Bengal barely 6 per cent., while in Madras it was 50 per cent., and in Bombay 30 per cent. Supposing the figures to be correct, the explanation is obvious. The old Bengal Native Army collapsed, and a more numerous Native Army has been raised in its place. The Madras and Bombay Armies remained faithful, and were largely augmented to suppress the Mutiny of the Bengal Army. We have, however, reduced the four extra Regiments raised in consequence of the Mutiny, and the 300 men added for the same reason to each of the 52 previously existing Native Infantry Regiments. We have also disbanded our two expensive Native Veteran Battalions, which formed part of the regular Establishment before the Mutiny. But the most important step of all, is that the new Police is taking the place of the Military Force in Jail, Treasury, Escort and other Civil duties, and in the duties of many small detached Military Stations; and that the Native Army in this Presidency will soon be concentrated with the European troops at a few central Military Stations. We have also urged upon the Supreme Government the necessity of relieving that portion of our Army which is employed in Burmah, from the Civil duties of various kinds by which it is broken up and harassed, and its discipline deteriorated. These arrangements are, of course, preliminary to another and much larger reduction of the Army. In Bombay the reduction of the Military Expenditure has hardly commenced; but the Government are, I am informed, prepared to undertake it on an extensive scale. The great reduction, however, is Northern India, where, besides the old Police and the remnants of the old Bengal Native Army, there are numerous Native levies and Sikh Regiments under the Commander-in-Chief, and a separate Civil Army under the Local Governments known as Military Police and Police Corps. It is down all these heterogeneous elements into a good Police, and a good Auxiliary Native Force distributed among a few central Military Stations in support of the European Reserves, may be a work of difficulty, but it is perfectly practicable; and it will be productive of a state of security, of general contentment, and of financial prosperity, which cannot be attained in any other way.

In my Minute of the 11th of July last, I observed that, as Indian financial difficulties are caused by the enormous levies which the nature of Indian warfare demands, so these difficulties are relieved by the disbandment of the levies; and that this process has been twice gone through in our own time. To this Mr. Wilson replies that the cases of Lord Amherst and Lord William Bentinck are not to be compared in intensity with our present position. But, if the deficiency was smaller, so was the revenue from which it had to be supplied. The revenue of British India has nearly doubled since Lord William Bentinck's time. The Exports and Imports have increased from £13,847,289 in 1833-4 to £80,219,660 in 1858-9. The balances in the Indian Treasuries have risen from £6,000,000 or £7,000,000 to upwards of £15,000,000. But one advantage of the present time is, for the purpose at hand, worth all the rest. Large independent Native Armies were maintained in Lord Amherst's and Lord William Bentinck's days, at Guahar, in Oude, and in the Punjab; and we had to keep up a large Native Army to counter-balance them. Since that, we have dissolved those independent Native Armies, and our Federal Native Army has dissolved itself. We are now free to reorganise our establishments as we think best. We know by experience that we have nothing to fear from the people, and that our only danger is from our Native Army itself. What we ought to do, therefore, obviously is, to establish an efficient Civil Police,

country, at one stroke, a financial reformation more complete in all the most approved principles of political economy than that which was introduced into England by Sir Robert Peel in 1842, but to make the most of the circumstances in which we are placed; and, above all, not to risk all our hopes of progress by prematurely taking up the most advanced position.

Mr. Wilson alludes with strong disapprobation to a claim for exemption on behalf of Madras and Bombay which he says he has seen "cropping out in official documents as being encouraged by Gentlemen of influence." In September last fifteen Civil Officers of this Government, selected on account of their "ability and judgment and knowledge of the Native character," were called upon, by desire of the Governor-General, to give their opinions "fully" and "freely" on the Law proposed to be passed for Licensing Trades and Professions; and some of them reported that the Natives thought it hard that they should be taxed for a rebellion in which they took no part, but, on the contrary, did all they could to help to put it down. These Gentlemen did not encourage the feeling, but they reported the existence of it as a fact, as it was their duty to do. Even the Natives of the South of India, who entertained this feeling, must have justice done them. Mr. Wilson argues as if the 120 millions of people inhabiting the numerous distant countries which in the aggregate constitute British India, are as much under the influence of a common interest and feeling as the people of the United Kingdom. The comparison might have been more correctly made with the different nations of Europe, which are not so much separated in language and habits as the people of the North and South of India are. The British element by which they are held together is homogeneous; but, below the surface, there is nothing but diversity and ignorance of each other. With this explanation it will seem less strange if the people of Madura and Malabar think it hard that they should suffer for the offences of the people of Oudh and Rohilkand.

In this Presidency we are in the midst of a series of well-considered reforms which, carried to completion, will change the face of the South of India. The people are in excellent temper; the Government has their full confidence; and a very few years will suffice for the accomplishment of the object. A new survey and settlement are in progress, whereby the Land Tax will be moderated, equalized and fixed. The vast number of small landed estates, hitherto free from land tax, spread over the face of the Presidency under the name of *Izams*, are being converted into freeholds, subject to the payment of a quit-rent commutable, at the option of the holder, for a single payment at twenty years' purchase. Freeholds are likewise being created in favor of the holders of building land, and of lands in the Hill ranges suited for the cultivation of Coffee and other products of European enterprise. The formation of the new Police is going on in most of the Districts of the Presidency under circumstances of difficulty from which the introduction of the same institution into Ireland and England was not exempt. We hope, with the sanction of the Home Authorities, shortly to commence the amalgamation of the Supreme and Sadr Courts into a single High Court, and to strengthen and improve the Subordinate Courts. Above all, we have just completed the first general revision that has ever been made of our Native Revenue Establishments. This strikes at the root of the greatest evil with which the South of India has been afflicted—the redundant number, and the ill-paid, irresponsible character of the Native Revenue Officers. Now, if these three Tax Ordinances are passed, this full course of well-matured and successful improvement will be arrested in the midst. Even if the state of the popular mind permitted our going on with it, the time and strength of the Government and its Officers would not suffice for both objects. The European Officers of all grades are already overtaken; and they would be absorbed for an indefinite time to come by the efforts required for the creation and working of the new machinery for the new taxes. The pains which have been taken to protect the people by limiting the number and improving the position and character of the Native Officers, would especially be rendered of no avail; and swarms of harpies would again be let loose upon the country armed with powers far exceeding those of their predecessors.

proportion of the youth of the country who would be transferred from unproductive to productive labour by that diminution; and the freedom we should have, in consequence of the abandonment of the three tax ordinances, for giving our principal attention to administrative improvements, we might safely rely upon the rapid growth of a balance in our favor owing to the increased yield of the existing taxes.

In this good work Madras is prepared to take her full share, and we undertake to realize by reduction of expenditure more than the most sanguine estimate that can be formed of the net revenue derivable from the three proposed taxes in this Presidency. This brings me to the last point on which I have to make any remarks.

Mr. Wilson observes as follows towards the conclusion of his Financial statement: "I have told you that the Indian deficit of the present year is £4,063,809. How is that distributed? In round figures the sum of £1,500,000 applies to Bengal, and that of £2,500,000 to Bombay and Madras." The Secretary of State for India is also reported to have said in the recent debate on Mr. Vansittart's motion: "In 1833 the direction of legislation was towards centralization; but the result of that policy had been greatly to discourage the local Governments. Latterly they (Her Majesty's Ministers) had been endeavouring to relieve the central authority. They had removed the Superintendence of Baroda to Bombay, and of Mysore to Madras; they had also taken measures to bring Singapore under the jurisdiction of the Colonial Office. An important question arose as to the destination of local taxes. If each province had a surplus, nothing would be more reasonable than that what remained, after contributing its quota to the Imperial expenditure, should be spent by the local authorities on their own local objects. Unfortunately, however, many of them had either an actual deficit, or at best a very small surplus."

It will, however, be seen from the "Total Income and Expenditure of each Division of Territory, 1856-7 to 1859-60," appended to Mr. Wilson's Financial Statement, that our Income in the year before the Mutiny was Rupees 5,76,70,497, and our Expenditure Rupees 5,66,54,248; so that, after providing for the expenditure of the large portion of the Madras Army employed under the Supreme Government, there was a surplus of Rupees 10,16,249 or £101,624 18s. The subsequent increase of expenditure was, as I have already said, caused by the augmentations of the Madras Army required for the suppression of the Bengal Mutiny.

But having long been aware that the true financial position of the Madras Presidency was misunderstood, and foreseeing that the question was likely soon to arise in a practical shape, I took the precaution, before I set out on my recent tour, to instruct the Accountant General to furnish a balance sheet of the income and expenditure of the Madras Presidency for the last official year, deducting from the balance against us the expense of that portion of the Madras Army which is serving beyond the limits of the Presidency and those of Mysore and Hyderabad. The result will be seen in the papers appended to this Minute.

The calculation has been made in the way least favorable to the Madras Presidency.

As this Presidency derives no revenue from, and has no political connection with Hyderabad, while it is charged with all the Civil and Military expenses of the Ceded Districts, the expense of the large Madras Force serving in the Hyderabad Territory should be classed with the Madras Force at Nagpur, &c., as part of the annual contribution of this Presidency towards the general expenses of the Empire. The expense of the Hyderabad Subsidiary Force is chargeable to the Ceded Districts as between the Nizam and the Government of India; but the account between the Madras Presidency and the Government of India stands on the footing above described.

and to limit the Native Troops to the number indispensably required as auxiliaries to our European Force, upon which, with proper management, we can entirely rely.

"The Indian atmosphere was probably never," as Mr. Wilson observes, "at any former time so settled and clear"; a "great repose" has spread itself over India. Our European Force is unusually strong. Owing to the general rise of prices, the rates of pay fixed for the Native Troops under a different state of things have become insufficient for their support, while the general rise of wages and of agricultural profits, tempts them to private employment. When permission was lately given to our Sepoys to take their discharge in order to aid in the reduction of the 300 men per Regiment, the extent to which they wished to avail themselves of the privilege caused much surprise.

Here, therefore, we stand in a position of great advantage at the turning point of two policies.

If we determine upon reducing a large portion of our Native Army and improving the condition of the remainder, the financial difficulty will be overcome; we shall have a feeling of security which we have not enjoyed for many years; and we shall be free to work out those improvements in the different branches of Indian Administration upon which the prosperity of the country depends. The result of this policy may be as clearly foreseen as any thing in human affairs can be.

But it will be far otherwise if we use our strength to impose upon the people of India a new system of taxation which is extremely distasteful to them; which is not justified by any necessity; and which is totally unsuited to the present state of society in this country. The arguments used by myself and my colleagues, and by many of the ablest of the Officers serving under us, against the Tobacco and Licensing taxes, are equally applicable to the taxes now proposed. To those papers I refer in justification of my strong expression of condemnation of these taxes.

I have just returned from an official tour through the Districts which form the heart of the Madras Presidency, and never have I received a stronger impression of a population living in a tranquil, contented, advancing state. They were entirely unaware of the discussions which had been going on at Calcutta about the imposition of new taxes, and not a word was said to me on the subject. There are other parts of the Presidency where the people are of a more turbulent and martial character. I do not pretend to say what the effect of the new taxes, if they are persevered in, will be upon these populations. I will confine myself to saying what I know to be the case.

All people are, of course, averse to taxes; but the Native feeling in reference to the imposition of new taxes is different in kind from this; and is not so destitute of reason as may at first sight appear. The Natives of this country have always lived under despotic Governments; and in the absence of any better means of placing a limit upon the exactions of their rulers, they have been accustomed to take their stand upon long-established practice, which they regard as we do our ancient hereditary privileges. Hence it has always been observed that while they are extremely patient under established grievances, they are always disposed to meet new impositions by active or passive resistance. They would take the restoration of the Transit and Town duties as a matter of course; but the introduction into India of direct taxation is calculated to arouse all their latent feelings of opposition. The authority of the Indian lawgiver Menu would have no more influence with them than quotations from the Rubric or Canon Law would have upon a country congregation in England suffering from the innovations of a reforming High Church clergyman. Not one in ten thousand ever heard of the Institutes of Menu, which stand in about the same relation to modern India as the Anglo-Saxon Institutes do to modern England. The extravagance of the political maxims laid down shows that they never could have had any practical application. As the Natives become more enlightened, and we are able to give them a greater share in the Government of their country, an improved state of things will arise; but in the meantime we must take them as they are. The object is, not to reproduce in this

Additional taxation on the scale and in the manner proposed is, also, totally incompatible with reduction of expenditure.

Official hierarchies never look with favor on reduction of expenditure. What would have been done in this way at home if we had depended upon the official body alone, without the pressure of Parliament and the Public? In Northern India the private interest is stronger because the Officers of the dissolved regular Army are posted to the Irregular levies, which have to be reduced. The favorite remedy at Calcutta, from the first, has been increase of taxation; and while there is any hope of the Government taking action in this direction, there will be no real attempt at reduction of expenditure.

Others, from disinterested—but, in my opinion, mistaken—motives advocate additional taxation for the purpose of carrying on Public Works on an extensive scale. Well-matured Public Works, carefully conducted out of a surplus revenue obtained without disturbing the tranquil course of the administration, are greatly to be desired; but funds procured by such taxes as these, would be as wastefully raised as they would be likely to be wastefully applied. Public Works may be economically carried on when they are gradually undertaken as means are forthcoming, and when it is an object to make the most of moderate means; but large funds suddenly placed at the disposal of a Public Department accustomed to a more limited scale of expenditure, are certain to weaken the restraints upon economy. The formation of a professional establishment equal to the charge of extensive new undertakings is also a work of time. At present, owing to the suspension of most of our public works, our establishment is at a low ebb. Besides, there is a point beyond which public administration in matters of this sort cannot be depended upon, even under the most favorable circumstances; and if our public establishments are unduly extended, the inevitable result will be waste and bad work, and the discouragement of private enterprise. The application of private capital and enterprise to India under favorable circumstances ought to be our great end and aim. Every other improvement will follow upon this.

Mr. Wilson proposes that on incomes above 500 rupees, 3 per cent. should be levied for the Public Treasury and 1 per cent. for local purposes. I do not understand the object of this. So far as roads, bridges, canals, and other public works, are provided for out of the public revenue, a suitable appropriation ought to be made in the annual estimates on a general view of these and of the other demands upon the public purse. The objections to fixed special appropriations have led to their general rejection in modern finance. They complicate the public accounts, and give either too much or too little for the object in view. On the other hand, purely local improvements ought to be made from local means; and where municipalities exist, they can tax themselves without the assistance of the Government.

If we use the strength which our present advantages give to force obnoxious taxes upon the people, we shall place ourselves in a position towards them which will be totally incompatible with a simultaneous reduction of the Native Army. We cannot afford to have a discontented people and a discontented army upon our hands at the same time. The Secretary of State, in his recent positive orders for the reduction of the Army, properly pointed out that, if recent levies are to be reduced, it ought to be done at once, else they acquire claims and habits which might make their subsequent reduction hazardous and expensive: Frankenstein might reappear in another shape.

It is characteristic of the manner in which these three tremendous taxes are proposed to be applied to all the various peoples, nations and languages composing the British Empire in India, that there are confessed to be "absolutely no data upon which any reliable calculation can be made of their result." I can assign a fixed measure of the results to be obtained by the reduction of Military expenditure. This reduction can, and ought to be carried, by the end of next year or soon after, to the full extent required to equalize Income and Expenditure; and considering the increased security consequent upon the diminution of the Military Force; the large

The balance has also been struck on the transactions of the last official year; and, if the calculation had been made in reference to the current year, a portion of the large reductions of Military expenditure ordered in December last, would have been included, and the result would have been more favorable to this Presidency. It would have been still more satisfactory, if the calculation had been made according to the usual practice, on an estimate of the income and expenditure of a financial year upon which we are now about to enter.

But, notwithstanding these disadvantageous circumstances, if the cost of that portion of the Madras Army which was serving beyond the limits of the Presidency and of the States of Mysore and Hyderabad, be deducted from the contribution of the Madras Presidency towards the general expenditure of the Empire, there remains a surplus of £258,000 in the year 1858-9 in favor of this Presidency; and if the expense of the Madras Troops at Hyderabad were included in the contribution, as it ought to be, the surplus would be much larger.

The ordinary financial position of the Madras Presidency is shown in the following Extract from the Annual Report of the Accountant General for the 1856-7:—

Another view is presented in the undermentioned Statement of the result of the finances of the Presidency for the same ten years, exclusive of the charges on account of the Madras Troops employed on the general service of India and at other Presidencies. From this it will be seen that in every one of the years under notice, there has been a surplus, the average of which per annum is Rupees 70,52,543."

Years.	Territorial Receipts.	Territorial charges; the payment of Troops employed elsewhere, being deducted.	Surplus.
1846-47	5,35,12,884	4,51,31,077	83,81,807
1847-48	5,38,16,086	4,86,15,335	62,00,751
1848-49	5,32,18,618	4,60,20,980	71,97,638
1849-50	5,16,07,106	4,42,52,705	73,54,401
1850-51	5,24,13,799	4,32,07,751	92,06,048
1851-52	5,39,15,001	4,39,45,927	99,69,074
1852-53	5,48,69,598	4,39,93,525	1,08,76,073
1853-54	5,09,83,888	4,57,08,320	52,75,568
1854-55	5,11,56,415	4,95,84,192	15,72,223
1855-56	5,49,66,757	4,94,73,352	54,93,405
	53,04,59,597	45,99,34,164	7,05,25,433
	Average per annum		70,52,543

This places the Southern Presidency in a favorable position in reference to the principle laid down by Sir C. Wood, that, "if each province had a surplus, nothing would be more reasonable than that what remained, after contributing its quota to the Imperial expenditure, should be spent by the local authorities on their own local objects."

Partly owing to its wedgelike shape, but still more to the quiet and industrious character of the majority of its inhabitants, the Madras Presidency may be governed with remarkably small expense for Military protection. There can, therefore, be no doubt that, when we have made the further reductions of Military expenditure which we are preparing, there will be an ample surplus to satisfy the reasonable expectations of the Supreme Government, to carry on our most important Public works, and to accomplish the long-desired object of abolishing the remaining portion of the Muhtarafa.

(Signed) C. E. TREVELYAN.

Proceedings of the Madras Government, Public Department,
for the month of March 1860.

of the country who would be transferred from one to another; and the freedom we should have in the disposal of the three tax ordinances, for the purpose of making improvements, we might safely rely on the result favoring owing to the increased yield.

In this good work, we are enabled to take her full share, and we are enabled to realize the most sanguine expectations of the three proposed improvements. This is the last point on which I have to remark.

Mrs. Wilson observed: "I have told you the conclusion of his Financial Statement: 'I have told you the deficit of the present year is £1,500,000 for Bengal, and that of 22,000,000 for the sum of £1,500,000 for India is also reported to be the sum of £1,500,000 for Bengal and Madras.' The Secretary of the Treasury in the recent debate on Mr. Wilson's motion: 'In 1838, the direction of the policy was towards centralization; the result of that policy was to discourage the local Governments. Latterly they' (Her Majesty's Government) 'had been endeavouring to relieve the central authority. They had been endeavouring to relieve the and of Mysore to Madras, and the Superintendent of Mysore, and the jurisdiction of the Colonel, who takes measures to bring the destination of local taxes. An important question arises as to more reasonable than that which remained, after contributing its quota to the Imperial expenditure, should be spent by the local authorities on their own local objects. Unfortunately, however, many of them had either an actual deficit, or at best a very small surplus.'"

It will, however, be seen from the "Total Income and Expenditure of the Division of Territory, 1856-7 to 1859-60," appended to Mr. Wilson's Financial Statement, that our Income in the year before the Mutiny was Rupees 5,78,70,497, and our Expenditure Rupees 8,08,54,248; so that, after providing for the expenditure of the large portion of the Madras Army employed under the Government, there was a surplus of Rupees 10,16,249 or £101,624 18s. The subsequent increase of expenditure was, as I have already said, caused by the augmentations of the Madras Army required for the suppression of the Bengal Mutiny.

But having long been aware that the true financial position of the Madras Presidency was misunderstood, and foreseeing that the question was likely soon to arise in a practical shape, I took the precaution, before I set out on my recent tour, to instruct the Accountant General to furnish a balance sheet of the income and expenditure of the Madras Presidency for the last official year, deducting the balance against us the expense of that portion of the Madras Army which was serving beyond the limits of the Presidency and those of Mysore and Hyderabad. The result will be seen in the paper appended to this Minute.

The calculation has been made in the way least favorable to the Madras Presidency.

As this Presidency derives no revenue from, and has no political connection with, Hyderabad, while it is charged with all the Civil and Military expenses of the Ceded Districts, the expense of the large Madras Force serving in the Hyderabad Territory should be classed with the Madras Force at Nagpur, &c., as part of the annual contribution of this Presidency towards the general expenses of the Empire. The expense of the Hyderabad Subsidiary Force is chargeable to the Ceded Districts as between the Nizam and the Government of India; but the account between the Madras Presidency and the Government of India stands on the footing above described.

APPENDIX.

FINANCIAL DEPARTMENT.

No. 1.

MEMORANDUM.

The Chief Secretary to Government has the honor to request that the Accountant General will furnish him at his earliest convenience with a Balance Sheet of the Income and Expenditure of the Madras Presidency for the last official year—to be prepared in a compact form under general heads as subjoined.

2. The statement should include the entire charge for the Army disbursed from the Revenue of this Presidency; but when the Balance Sheet has been closed on the above comprehensive principle, there should be deducted from the deficit, or be added to the surplus, as the case may be, the estimated charge for that portion of the Madras Army which is employed beyond the limits of the Presidency—care being taken that, besides the pay of the Officers and Men, a due proportion of Commissariat and other Departmental charges is allotted to such portion of the Force. The Commissariat and other Departmental charges on account of the Foreign Service Force will, of course, be higher than those for an equal number of troops serving at home.

The Madras Troops in Mysore and the Hyderabad Subsidiary Force kept up by treaty and chargeable against the Revenue of the Ceded Districts, are to be considered as within the Presidency.

Income.

Produce of the Land Tax.
Salt Tax.
Stamps, &c.

Expenditure.

Military.
Pay of Officers and Men, Departmental
charges, Revenue and Police Estab-
lishments.

Deduct or add (as the case may be) the expense of that portion of the Madras Army which is serving beyond the limits of the Presidency with the exceptions stated—Pay of Officers and Men—proportion of Departmental charges.

FORT ST. GEORGE,
3rd January 1860.

(Signed) T. PYCROFT,
Chief Secretary.

To the Accountant General.

No. 2.

FINANCIAL DEPARTMENT.

No. 468.

OFFICIAL MEMORANDUM.

In compliance with the request contained in the Official Memorandum of the Chief Secretary to Government, dated the 3rd January last, No. 1, the Accountant General has the honor to transmit herewith a Statement of the Income and Expenditure of the Madras Presidency for 1858-9, which exhibits a deficit of Income of Rupees 1,25,14,096, inclusive of charges on account of that portion of the Madras Army which is employed beyond the limits of this Presidency; but exclusive of those charges,* the Statement shows a surplus of Income of Rupees 22,87,636.

* Mysore and Secunderabad excepted.

2. The Statement of Medical Stores supplied in 1858-9, to Madras Troops serving beyond the limits of this Presidency, has not as yet been received from the Director General, Medical Department, and consequently the amount has not been included with the Departmental charges at the end of the Statement under the head "Deduct charges of that portion of the Madras Army employed beyond the limits of this Presidency, &c.;" the amount cannot, however, be large, and will scarcely affect the general result. The Statement of the Director General, Medical Department, when received, will be forwarded to the Chief Secretary with a Memorandum explanatory of its effect upon the Statement now enclosed.

FORT SAINT GEORGE,
ACCOUNTANT GENERAL'S OFFICE,
2nd March 1860.

(Signed) R. P. HARRISON,
Accountant General.

To the Chief Secretary to Government.

STATEMENT showing the Income and Expenditure of the Madras Presidency for 1858-9.

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Proceedings of the Madras Government, Public Department,
for the month of March 1860.

INCOME.		EXPENDITURE.	
Ordinary.		Ordinary.	
Revenue Department.	Land Tax	Pay of Officers and Men	2,14,09,251
	Salt		
	Abhari		
	Land and Sea Customs		
	Mohurrah		
General	Land Revenue	Revenue and Police Establishments	77,67,374
	Other Items		
Public Works	Stamps	Judicial Establishments	26,62,993
	Post Office		
Marine	Public Works	Charges of the General Department	66,09,243
	Public Works		
Total Ordinary Receipts	14,62,176	Total Ordinary Charges	43,36,552
	Extraordinary.		
Military	Sale proceeds of Provisions, Stores, Horses, &c.	Civil Departments	4,07,641
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.		
Civil	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.	Military Departments	82,367
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.		
Total Extraordinary Receipts		Total Extraordinary Charges	
9,64,525		49,26,460	
Receipts		Total Receipts	
24,16,701		93,06,000	
Total Receipts		Total Expenditure	
24,16,701		93,06,000	

15

Proceedings of the Madras Government, Public Department,
for the month of March 1860.

INCOME.		EXPENDITURE.		
Ordinary.		Ordinary.		
Revenue Department.	Land Tax	Pay of Officers and Men	2,14,09,251	
	Salt			
	Abkhari			
General	Land and Sea Customs	Revenue and Police Establishments	77,67,374	
	Mohurrah			
	Land Revenue			
Public Works	Stamps	Judicial Establishments	26,62,993	
	Post Office			
	Other Items			
Marine	Public Works	Charges of the General Department	66,09,243	
	Public Works			
	Public Works			
Total Ordinary Receipts		Total Ordinary Charges		
14,62,176		43,36,552		
Extraordinary.		Extraordinary.		
Military	Sale proceeds of Provisions, Stores, Horses, &c.	Civil Departments	4,07,641	
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.			
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Receipts		Total Receipts		
24,16,701		93,06,000		
Total Receipts		Total Expenditure		
24,16,701		93,06,000		

INCOME.		EXPENDITURE.		
Ordinary.		Ordinary.		
Revenue Department.	Land Tax	Pay of Officers and Men	2,14,09,251	
	Salt			
	Abkhari			
General	Land and Sea Customs	Revenue and Police Establishments	77,67,374	
	Mohurrah			
	Land Revenue			
Public Works	Stamps	Judicial Establishments	26,62,993	
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	Other Items			
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Extraordinary.		Extraordinary.		
Military	Sale proceeds of Provisions, Stores, Horses, &c.	Civil Departments	4,07,641	
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.			
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.			
Total Extraordinary Receipts		Total Extraordinary Charges		
9,64,525		49,26,460		
Receipts		Total Receipts		
24,16,701		93,06,000		
Total Receipts		Total Expenditure		
24,16,701		93,06,000		

INCOME.		EXPENDITURE.		
Ordinary.		Ordinary.		
Revenue Department.	Land Tax	Pay of Officers and Men	2,14,09,251	
	Salt			
	Abkhari			
General	Land and Sea Customs	Revenue and Police Establishments	77,67,374	
	Mohurrah			
	Land Revenue			
Public Works	Stamps	Judicial Establishments	26,62,993	
	Post Office			
	Other Items			
Marine	Public Works	Charges of the General Department	66,09,243	
	Public Works			
	Public Works			
Total Ordinary Receipts		Total Ordinary Charges		
14,62,176		43,36,552		
Extraordinary.		Extraordinary.		
Military	Sale proceeds of Provisions, Stores, Horses, &c.	Civil Departments	4,07,641	
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.			
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account of Public Works, Refunds of charges, Sale of Government Lands, &c., &c.			
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	Other Items			
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	Mohurrah			
	Land Revenue			
Public Works	Stamps	Judicial Establishments	26,62,993	
	Post Office			
	Other Items			
Marine	Public Works	Charges of the General Department	66,09,243	
	Public Works			
	Public Works			
Total Ordinary Receipts		Total Ordinary Charges		
14,62,176		43,36,552		
Extraordinary.		Extraordinary.		
Military	Sale proceeds of Provisions, Stores, Horses, &c.	Civil Departments	4,07,641	
	Value of Copper used in Coins, Recoveries on the Expenditure incurred in previous years on account			

Errors Excepted.
(Signed) R. P. HARRISON,
Accountant General.

Fort St. George, ACCOUNTANT GENL.'S OFFICE,
2nd March 1860.

N.B.—The difference between the two Statements is therefore 1,25,14,096 + 22,87,636 = 1,48,01,732; in other words, the Madras Presidency bears charges which do not appertain to her own Government equal to nearly 2 crores and a half per annum.

No 60. MINUTE by His Excellency the COMMANDER-IN-CHIEF, dated 26th March 1860.

Beyond recording my cordial and unqualified concurrence, I will not presume to make any observation upon the very able, and, to my mind, most conclusive Minute of our President, dated the 20th March 1860, on Mr. Wilson's Financial Statement.

(Signed) PAT. GRANT.

No. 61. MINUTE by the Honorable W. A. MOREHEAD, dated 24th March 1860.

I have read with care the President's Minute of the 20th instant, and I am enabled to state, from what has been done, and is now doing, in this Presidency, that the principles laid down, and the measures contended for, in that Minute, are in respect to Southern India correct. And I believe that their adoption would render the financial position of the Madras Presidency one of great prosperity.

2. The political objections urged by the President and Mr. Maltby to the course of taxation advocated by Mr. Wilson, are in my opinion well founded. A sullen feeling of dissatisfaction already exists wherever Mr. Wilson's scheme of taxation has been understood by the people, and this feeling will, if the proposed taxation is carried out, undoubtedly, become one of general and serious discontent.

3. I agree with Mr. Maltby in the remarks which he has made on these taxes. An Income tax for this Presidency, I look upon as hopeless. As a general measure, it can only end in failure. No Native will disclose his true position, and we have no means of ascertaining it. The incomes of our public servants, and of the greater portion of the European inhabitants, can be easily obtained, but to impose a tax which would only thus partially operate, would be unjust, and ought not to be attempted.

4. To the introduction of a Tobacco tax into this Presidency objections were taken when it was originally proposed. Of the correctness of the opinions then recorded I am convinced, and I can only now earnestly ask the Supreme Government to believe that they were not hastily or unadvisedly formed.

5. For the postponement of the Licensing tax good reasons seem to me to have been assigned. At present nothing ought to be done. The Muhtarafa tax yielding 11 lacs should be continued, until, as observed by the President, we obtain a surplus revenue, when it can be abolished.

6. As it is, I fear, however, not improbable that the intended reduction of expenditure, and the progressive increase of our resources, may prove too slow in their results to provide for the immediate wants of the State, I would suggest for consideration the propriety of augmenting some of our present sources of revenue that are collected with facility and which from being objects of general demand would produce at once, if required, a considerable increase of revenue, without, as it appears to me, disturbing, or in any way exciting, the minds of the people.

7. To effect this object, I am of opinion, that with safety, and without any actual hardship, the tax, or price, on salt might be further increased. This tax, although usually loudly decried, is in reality not an oppressive one; it would be paid without remark, and could be reduced when the public burdens were diminished. Its collection would entail no extra cost, so that its proceeds would be all gain to the State. To the consumers residing at a distance from the coast, the enhanced price of Salt would be more than met if Government salt depôts were established wherever facilities existed for the carriage of Salt in large quantities. The establishment of Salt depôts has been sanctioned by the Home Authorities, but as yet none have been established.

8. The Stamp tax is another tax that I would propose at once to extend. This tax would partake in some degree of the nature of a new tax. The people are, however, accustomed to the use of Stamps in various transactions, and could

not misapprehend or mistrust the object intended when they were required to use Stamps for Bills of exchange, Bank cheques, and receipts above a certain amount. The amount of Stamp fixed should be small.

9. These taxes appear to me to be unobjectionable. They would be more or less contributed to by every one, and would still, as desired by Mr. Maltby, permit "the people, unharassed with new taxation, to follow their industrial pursuits in "ease and tranquillity."

(Signed) W. A. MOREHEAD.

No. 62. MINUTE by the Honorable E. MALTBY, dated 24th March 1860.

1. I fully agree with the President that the proposed financial measures form a most portentous crisis for this Presidency. The attempt to tax Incomes especially involves dangerous consequences, and a tax of that description is, in my opinion, so unsuited to this Presidency, that we should not only incur most serious political risk in introducing it, but expose ourselves also to financial disappointment.

2. It appears to me that an Income tax can only be carried out effectively in a country where the Government and the people are on a thoroughly good understanding and have a mutual confidence and sympathy—in other words, where the governors and the governed have the same national feelings and interests, and where education and a representative system give a high moral tone and political enlightenment. Here the state of things is far different. The people have been long accustomed to a despotic Government, and tradition has taught them to seek relief from over-taxation by concealing their means, and from oppression, when it becomes unbearable, by revolt. They have submitted to the rule of us foreigners because it is mild and equitable, and enables them to pursue their avocations in greater security and ease than under former Governments. This is the tie on which we must depend for their cheerful submission, since a foreign rule must always in itself be distasteful to a people, and requires to be attended with strong palliative advantages.

3. If, therefore, our rule leads to the imposition of novel taxes, and particularly such as by their nature are especially repugnant to the people, we must not expect our subjects to show submissive loyalty, but must be prepared for wide-spread discontent, and probably for open as well as for secret opposition. It would not reconcile the people of Southern India to distasteful taxation of a novel nature, to be told that it fell upon them in consequence of their being under the same Government as Northern India, from which they are in language and race entirely distinct. Their feeling on the occasion would not be one of attachment to the unity of the Empire, but rather one of regret that they were connected with a Government which brought such risks and responsibilities upon them. In short, with all respect for the Right Honorable Mr. Wilson, I must consider that his arguments on this point would be found of little weight beyond the European part of the community, and that he has appealed to a general feeling of self-denying loyalty which it would be in vain for us to expect in our Mohammedan and Hindoo subjects.

4. Now an enquiry into Incomes would be most distasteful to the people, and no measure would perhaps excite more keenly their repugnance and alarm. The habit of centuries, during which they have found protection in concealing their means, is yet far from eradicated, and their dislike to an Income tax would be the greater from their feeling no confidence that it would be limited to the rate now proposed when their means of paying had been once ascertained. A general combination to defeat our tax gatherers would be entered into—a feeling of estrangement would ensue between the people and the Officers of Government, and I cannot doubt that in many places open opposition would be shown. I have seen the District of Canara cause great embarrassment and Military expense to the Government by

passive resistance to taxation, and more recently riots have occurred on this sensitive subject even in unwarlike and well-disposed parts of the country.* Opposition of

* I allude here to the following occurrences:—

The disorganization of the District of South Arcot, under Mr. Ashton, by a supposed attempt to tax the backyards of the ryots in which they grow vegetables, tobacco, &c.

Riots at Canjeverum, suppressed only by Military aid, in consequence of an extension of the Loom tax.

Serious disturbances at Vellore in 1850 on attempting to carry out a Municipal Cess, which was in consequence abandoned.

this nature might be eventually put down by our Troops, but public confidence would be shaken, the industry and improvement of the country would be impeded, and the Government in losing the goodwill of its subjects would lose its best security. History, it must be remembered, gives no instances of Governments being either permanent or prosperous which had to employ Military force in collecting their revenues.

5. I further believe that the attempt to carry out an Income tax in this Presidency would not have sufficient financial success to compensate for the serious political risks and disadvantages which it entailed. We have none of the great Bengal Zemindars to whom the measures of our administration have given princely incomes of a description which can be easily ascertained. Our provinces are also comparatively few Native Merchants and Bankers of moderately large means. The wealth of the country is less than in Bengal, and is spread with more evenness over the community, so that great numbers would have to be taxed to produce a revenue of any consequence to the State. This would necessitate the employment of a large body of tax-gatherers at a heavy expense, and as their private interests and feelings would be against the Government, and the people have numerous methods of concealing their incomes, the ultimate gain to the Treasury would be small. On the other hand, what general demoralization would arise from the corruption of the tax-gatherers, the fraudulent evasions of the people, and the opportunity which would be given for exactions and the indulgence of private enmities by preferring charges of perjury and fraud! The social fabric would thus be disorganized, and the time of the Officers of Government would be occupied with these matters to the neglect of their ordinary administrative duties.

6. To understand fully the political and social risks and difficulties of the proposed Income tax it must be borne in mind that the tax is to descend to Incomes of Rupees 200 per annum, or Rupees 17½ per mensem, without apparently any exception but that of Ryotwary landholders. It would, therefore, extend to nearly all grades of the community, and the tax-gatherer would have to deal even with petty Clerks, and Shopkeepers, domestic Servants, the Commissioned Officers of Native Regiments, and the Non-Commissioned Officers of the European Army. And here I would briefly allude to that claim to exemption from special taxation which Madras is supposed by Mr. Wilson to have advanced. Its European community are ready, I need hardly observe, to bear their share of any taxation which the exigencies of the Empire required to be imposed, and the whole community have acquiesced in such measures as the enhancement of the Sea Custom duties and the monopoly price of Salt. But the question assumes a different character, as respects the Native population of the Madras Provinces, when direct taxation in the shape of an Income tax, is sought to be newly imposed upon them. Not only would the tax be odious in itself, but it would be deemed unjust, since its novelty and the time and circumstances under which it was imposed would connect it inseparably in the Native mind with the idea of a penalty or fine from which they ought to be exempt. I must acknowledge that I see much ground for such a feeling; but whether it be right or wrong, this feeling has so strong an existence that it cannot be overlooked with safety, and was, therefore, properly noticed by the Officers of Government who were consulted regarding the new taxation. In Bengal and the North-West Provinces an Income tax might be submitted to out of deference to the principle which makes our parishes and hundreds responsible for damages done in popular disturbances; and the great wealth which has been acquired in those parts of the Empire under our rule by numbers who contribute

little or nothing to the expenses of the Government, might make such a tax equitable and profitable; but in the Madras provinces similar arguments in favor of the tax do not exist.

7. Next to the tax on Incomes I regard the Tobacco tax as the most objectionable and injurious of the proposed new measures. In this Presidency such a tax would interfere with the land tenures and assessment, and would bring back the evils of that mistaken system of Native taxation from which the Government have only recently assured the people that they were finally relieved. But I need not dwell on this subject, which has been treated in detail in former papers, and more especially in a letter addressed to Government by the Revenue Board under date the 21st April last.

8. A Licensing tax, though practically difficult, does not appear to me open to the same objections as the other two measures, and it must be admitted to be abstractly just that persons engaged in trades and professions should contribute in some degree to the expenses of the Government which enables them to follow their callings in peace and security. The question here, consequently, is when and in what manner a Licensing tax could best be introduced. It proceeds would hardly be of great importance, and I would, therefore, suggest a brief delay, as the Officers of Government are now fully occupied with those measures of administrative reform to which the President has alluded in his Minute. The remodelling of our Revenue establishments, the revision of the Land Assessment, the general Survey, the settlement of Ināms, or rent-free lands, and the introduction of the new Police, are all now in progress, and it would not be for the interest of the State to delay or impede their completion. A licensing tax would necessarily supersede the present Muhtarafa Revenue, and could not, therefore, add much to the resources of the State.

9. In evidence of the value of the reforms now in successful and tranquil progress I would solicit attention to the table appended to this Minute, which is taken from the administration report of the Revenue Board for 1858-9, and exhibits the Madras revenues from land and extra sources for the last thirty years. The first year of this series shows a total collection of 449 lacs of Rupees, while that of the last year amounts to no less than 536 lacs. On analysing the details, it will be found that half a million pounds sterling have been added to the annual revenue of this Presidency during the last five years by the reforms now in progress; and as those improvements become further developed, and our Railways and Public Works are brought into more extended operation, it may with certainty be anticipated that the Public Revenues will show a further advance, provided no measures are introduced to excite alarm and discontent, and mar the fruits of industry and order.

10. I would, therefore, strongly recommend an application to the Supreme Government to suspend their proposed measures in respect to this Presidency pending a reference to the Secretary of State in Council, if our arguments have not sufficient weight with them to avert this threatened taxation. The momentous character of the interests at stake justify such an application on our part, especially when the present rapidity of communication is considered and the following argument may be urged in favor of this course—if an Income tax is to be attempted, it would be politically wise, in my opinion, to introduce it first in one part of India, selecting of course that part which offers the most facilities. It is a novel experiment, the success of which must be uncertain, and in the event of failure we should then avoid the great danger of raising a flame of discontent throughout the whole Empire and uniting the entire people in a feeling of opposition to us at the same moment.

11. The financial embarrassments depicted in the Right Honorable Mr. Wilson's speech must not be passed over by me in entire silence. I am by no means blind to their importance, but the President has dwelt in his Minute on the improving Revenue of the Empire and its elastic internal resources under a sound administration, as a ground for looking to the future with confidence. I concur in this

view and in the opinion that relief from our embarrassments is to be found only in a well-regulated economy, attention to the present sources of Revenue, and, above all, in Military reductions. Unless we are content with that amount of Military force which our Treasury enables us to maintain, taking care that it be of the most efficient description, our difficulties cannot cease. It has been shown by the President that Madras, besides paying its own expenses, now contributes largely to the exigencies of the Empire, and its means of affording financial assistance will be increased by the Military reductions already ordered. Should further financial aid be required at our hands, I hesitate not to give my strong opinion, as an individual member of the Government, that it would be far safer to dispense with three European Regiments, at least two of our Native Cavalry Corps, and a corresponding portion of Native Infantry, than to attempt to introduce the proposed taxes. We should still have a much stronger force than during the year of mutiny and peril; and with Secunderabad, Kamptee and Bangalore well garrisoned, few Troops would be necessary to support the police within our provinces, *provided the people are unharassed with new taxation, and left to follow their industrial pursuits in ease and tranquillity.*

(Signed) E. MALTBY.

STATEMENT (D) showing the Collections of Revenue in the Madras Presidency, from Land and Sundry sources, for 30 years, Fualy 1239, A.D. 1829-30, to Fualy 1268, A.D. 1868-9.

Fualy.	Land Revenue Collections.	Sundry sources including extra Revenue and Interest.	Total Collection.
1239	RS. 309,40,919	RS. 140,13,273	RS. 449,54,192
1240	308,76,824	133,77,047	442,52,871
1241	299,92,952	135,09,469	435,02,422
1242	266,53,038	123,08,377	389,61,415
1243	313,69,892	126,34,584	440,04,476
1244	314,54,485	129,61,510	444,15,995
1245	311,68,111	126,27,512	437,95,623
1246	295,91,073	130,26,200	426,16,274
1247	324,47,822	125,17,584	449,65,406
1248	314,34,889	128,39,027	442,73,916
1249	334,85,610	131,05,054	465,90,664
1250	324,90,389	129,50,637	454,41,025
1251	322,02,905	133,27,301	455,30,206
1252	323,79,731	135,19,588	458,99,319
1253	323,36,389	131,23,558	454,59,947
1254	332,45,230	112,22,929	444,68,158
1255	334,33,562	108,65,500	443,49,062
1256	340,60,753	105,97,649	446,58,406
1257	345,21,771	107,00,510	452,22,281
1258	354,49,074	104,65,185	459,14,259
1259	343,52,348	107,21,319	450,73,665
1260	352,40,389	108,60,284	461,00,673
1261	367,38,280	110,68,476	478,07,756
1262	363,92,356	108,81,310	472,73,666
1263	334,13,130	101,67,680	435,80,810
1264	344,38,357	104,79,843	449,02,980
1265	367,14,885	111,41,575	478,56,461
1266	366,80,351	114,42,324	501,22,675
1267	369,51,857	119,33,820	489,35,707
1268	410,29,593	126,30,573	536,60,166

(Signed) J. D. SIM,
Secretary.

No. 63.

ORDER THEREON, 26th March 1860, No. 441.

Resolved that the following letter be despatched.

(Signed) T. PYCROFT,
Chief Secretary.

No. 64. To the President and Council of India, dated 26th March 1860, No. 442.

We have the honor to transmit Minutes recorded by us, expressive of our unanimous opinion of the financial measures recently proposed in the Legislative Council.

2. We also desire to refer to the following Proceedings and correspondence, relating to the Tobacco and License Taxes suggested last year, the statements and arguments contained in which are equally applicable to the Tobacco, Licence and Income Taxes now proposed. It will be remembered that the Licence Tax of last year, in its amended form, included an Income Tax.

3. According to our belief, this is a more serious crisis than the Mutiny itself. There is only one way of dealing with a Mutiny, which is to put it down; but here a choice has to be made between two opposite lines of policy pregnant with the most portentous results.

4. If you should not be persuaded by our arguments, we trust that you will, at any rate, concede so much to the responsible position of the Government charged by Her Majesty with the administration and the preservation of tranquillity in the South of India, as not to proceed with the three proposed new Taxes, so far as this Presidency is concerned, until sufficient time has elapsed to allow of Her Majesty's Government expressing an opinion upon our representations.

5. Three months are allowed according to the constitution of the present Anglo-Indian Legislature, for the publication, previously to the commencement of the actual legislation, even of an ordinary project of law affecting any part of the British Indian Territories, not subject to the Presidency of Bengal; and it is right, before measures are practically entered upon by which the policy of an Empire would be changed, that all who are responsible for the well-being of the Empire should be consulted.

6. We press this application with the more confidence, because it is evident from statements recently made by the Secretary of State for India in the Debate on Mr. Vansittart's motion on Indian Finance, that Her Majesty's Government are aware that it may be necessary to make different financial arrangements in reference to the great Territorial Divisions of the Anglo-Indian Empire according to their respective circumstances, and because the proposed new taxation would be totally incompatible with the reduction of the Native Army which has been recently commanded by Her Majesty's Government.

(Signed)
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C. E. TREVELYAN.
PAT. GRANT.
W. A. MOREHEAD.
E. MALTBY.

No. 65. To H. FORBES, Esq., Member of the Legislative Council of India for Madras, dated 26th March 1860, No. 443.

I am directed by the Honorable the Governor in Council to forward to you the accompanying copy of a letter which has been addressed by this Government to the Government of India, relative to the measures now before the Legislative Council, for levying a duty on Tobacco—a Licence Tax, and an Income Tax. I enclose also copies of the Minutes which accompanied the letter, and of the correspondence referred to in those Minutes.

2. The views of this Government in regard to the proposed taxes will be seen from their letter and Minutes. You will perceive that they are unanimously and decidedly opposed to these taxes, which, in their judgment, are totally unsuited to the circumstances of this Presidency; would be in the highest degree vexatious and oppressive in collection; would arrest the progress of economy and improvement; and defeat the measures now being successfully carried out for the moral and social

advancement of the people. They regard these taxes further as inexpedient in a financial point of view, inasmuch as, allowing for the cost of the additional establishments which will have to be maintained for their collection, and for the degree to which they will be evaded, the returns to be expected from them will not be equal to what might be obtained under a better system, by due attention to administrative reform, to the development of the resources of the country, and to rigorous reduction of Military expenditure.

3. I am to request that, as the representative of this Government, you will communicate these their sentiments to the Legislative Council, and will advocate and illustrate them to the utmost of your power. I have also to request that you will lay this letter and all the accompanying papers on the table of the Council, and will move that they be all printed.

(Signed) T. PYCROFT,
Chief Secretary.