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MADRAS RECORD OFFICE.

Government of Madras.

Revenue DEPARTMENT.

G.O. No. 932 Press Mis.

Dated 15th July 1859.

Not to be folded or roughly handled

Proceedings of the Madras Government, Revenue Department, from 9th to 15th July 1859.

Read the following Papers.

No. 11. From W. GREY, Esq., Secretary to the Government of India; to J. D. BOURDILLON, Esq., Secretary to the Government of Fort Saint George; dated Fort William, the 20th June 1859, No. 1195.

Home Department.

I am directed by the Governor General in Council to acknowledge the receipt of your letter, No. 774 dated the 11th Instant, submitting reports by the Board of Revenue at Madras upon the proposals for the imposition of a duty upon native grown Tobacco, and for increasing the duty upon Salt in the Madras Presidency to 1 Rupee 8 annas a maund, and communicating the opinions of the Right Honorable the Governor in Council upon those questions. These papers, I am instructed to state, will receive the attentive consideration of the Government of India, in conjunction with the replies received on the same subjects from the other local Governments and Administrations.

2. Meanwhile, the Governor General in Council is desirous to request a fuller expression of the views of the Madras Government in respect to those other measures, the adoption of which, it is suggested in the Minute of the Right Honorable the Governor, might render a resort to further increased taxation unnecessary. In his Minute, His Excellency indicates an opinion that great and, as would appear to be meant, immediate results might be obtained, as well in the Madras Presidency as elsewhere, "by reduction of expenditure combined with various measures of good administration." Beyond, however, the mention of certain measures which, it is hoped, may increase the productiveness of the Salt tax in Madras, and a reference to some important financial results stated to have been recently obtained in connection with the Military expenditure of the Madras Presidency, the Minute of the Right Honorable the Governor does not show to what particular plans he looks for the very desirable results which he believes to be attainable. As regards the measures of improved administration to which the Minute refers, it is not probable that, even if they were fully matured, they could be so immediately operative as in any dergee to affect the necessity for having recourse to special means for meeting the actually existing financial emergency; but on the other hand, any reduction of expenditure which can be immediately brought about, would, it is obvious, at once improve the financial position of Government, and diminish the pressure upon it now actually existing. I am directed, therefore, to state that the Governor General in Council will be glad to receive from the Government of Madras, at as early a date as possible, a report indicating more particularly those sources of expenditure which, on full consideration and with a knowledge of the circumstances under which the expenditure is incurred, the Right Honorable the Governor in Council may feel himself able to point to with confidence as expenditure that can be prudently at once dispensed with. The Right Honorable the Governor in Council will doubtless be aware that reduction of expenditure, in whatever part of India, which can be looked to as a prospective measure only, will not relieve the exigency of the present moment, or diminish the actual necessity for seeking to augment the revenues by increased taxation.

No. 12. MINUTE by the HONORABLE the PRESIDENT, dated July 11th, 1859.

In the letter from the Secretary to the Government of India, dated the 20th Ultimo, we are asked for a fuller expression of the views of the Madras Government in reference to the "reduction of expenditure combined with various measures of good administration," which, it was suggested in my Minute dated the 10th Ultimo, might render a resort to further increased taxation unnecessary.

Experience warrants the belief, that with proper management, the finances of India may be rapidly restored to a satisfactory state. It has been done twice in my own time. The financial embarrassment consequent upon the Pindara and Nepal wars, was so completely retrieved during the early part of Lord Amherst's Government, that it was seriously proposed to employ a portion of the surplus in paying the private debts of the Civil Servants. This plethora was followed by another depletion, caused by the first Burmese war; and this was relieved by the

wise and vigorous administration of Lord William Bentinck. The financial prosperity in the latter part of Lord William Bentinck's and the first part of Lord Auckland's administration, was brought to a close by the Affghan and Seikh wars.

It is not true that the finances of India are, on the whole, unelastic. The revenue is no doubt so, in one point of view, because the people are poor, and because, not being represented in the Government, nor having any effectual confidence in it, they habitually take refuge in passive resistance as their only protection against new and indefinite taxation. It was by acting upon the *expenditure*, that the finances were restored in Lord Amherst's and Lord William Bentinck's time. There was a large remission of impolitic taxation by the abolition of the Transit and Town duties; but I do not recollect a single new tax having been imposed.

Circumstances are now more favorable for the restoration of our finances than they were on the two occasions above adverted to. Large independent Native Armies were then maintained at Gwalior, in Oude, and in the Punjaub; and we had to keep up a large Sepoy Army to counterbalance them. Those independent Armies no longer exist, and most of the revenues which supported them, besides other large annexations, have been added to our Exchequer. Formerly, with the revenue of rather more than half of India, we had to provide for the military protection of the whole of India, under conditions which, for the reason above stated, were peculiarly burdensome; now, with two-thirds of the revenue of India, we are left to choose our own method of military administration. The Sepoy Army of Upper India, which continued the old scale of expenditure after the occasion for it had ceased, has dissolved itself. Both in our foreign and domestic relations, we are now our own masters. India is at our disposal as it never was before, and we ought to do our utmost to profit by it before the opportunity has passed.

In the present crisis of our affairs, the full value of this advantage cannot be too clearly understood. One of the earliest observations made of the people of India, was that the fighting was done by a separate caste, and that everybody else followed his ordinary occupation. This holds good to this day. The people of India are, in general, extremely docile and easily governed. There are particular castes or classes among them, who, although they usually follow agriculture and other peaceable pursuits, are Soldiers by hereditary profession. The Rajputs and Brahmins who composed the late Bengal Army, give us no molestation while they are cultivating their ancestral acres in Oude or Behar. After the fierce struggle which ended in the subjugation of the Punjaub, the Seikh Soldiery were rapidly absorbed into the body of the people; and it was only after we had called them out, and given them a new military organization, that they again became a cause of anxiety to us. The plain inference is, that we ought not to evoke spirits which we may find it difficult to lay. Our chief danger is from our Native Army itself. Our Mahomedan predecessors acted upon this principle. They maintained a moderate force composed chiefly of Mahomedans, and the result was that there was always a surplus in the Treasury. Every Hindu State acts upon it. The head of the State is surrounded by a few hundred or a few thousand, as the case may be, of his own tribe, while the rest of the people quietly do their own business in their respective municipalities. Hence the normal condition of Native Indian States has been, that they have had a surplus revenue, which has been systematically laid up against the time of need.

The true remedy, therefore, in every point of view, political as well as financial, is to reduce the auxiliary native force which has been raised as a set-off against our late Sepoy Army. It was hastily called forth from the body of the people, in numerous cases by Local Officers acting upon their own discretion, and it can as easily be returned to it. This has been done on every former occasion. The large Levies raised by Lord Lake in Upper India in the first Mahratta war, were disbanded by Lord Cornwallis. The same thing took place in Lord Hastings' and Lord Amherst's time after the second Mahratta war. As Indian financial difficulties are caused by the enormous Levies which the nature of Indian warfare demands, so those difficulties are relieved by their disbandment. By adopting this course, important *immediate* results are obtained. There is no danger to be apprehended; for, Irregular Troops raised to meet a sudden emergency do not expect to be permanently maintained, and can easily resume occupations which they have only recently laid down. The greater number gladly return to their families with the donation of so many months pay which it is customary to

Proceedings of the Madras Government, Revenue Department, from 9th to 15th July 1859.

give. The only danger is in keeping them embodied when there is no longer active employment for them. The prevailing high prices of agricultural produce, of which the withdrawal of so large a portion of the youth of the country from productive labour is one of the chief causes, makes the present time particularly favorable for such an operation.

In Madras the ancient military organization, the parent stem from which the withered Bengal branch sprang, still occupies the ground. Yet I showed in my Minute of the 28th of May, that large savings of military expenditure were in progress in the South of India; and that in two or three years, it might be reduced below the ante-mutiny standard. In Northern India there are much greater advantages for dealing with the subject. What we have there, is a "rudis indigestaque moles," which, by proper manipulation, can be speedily contracted to a vessel of rare excellence.

These results can, however, be obtained only by "good administration." The first and main point of all, is to have a clear plan blocked out for the re-organization of our military system in Upper India. I long ago expressed my opinion on this subject in a series of letters, which I wrote at great personal sacrifice, and published in England; and I have since adverted to different parts of the subject in my evidence before the Indian Army Commission, and in some of the Minutes which I have recorded since I returned to India. The Commander-in-Chief of this Presidency has worked out, in a series of Minutes and Reports, the practical application of a plan, which, in all its main features, is similar to mine.

The key to the re-organization of our Indian military system, is the reformation of the existing Police on the English and Irish Constabulary principle. Until this is done, the Army cannot be concentrated, and reduced to the proportions really required as a reserve in support of the Civil power; neither can trustworthy, vigilant aid be obtained for the full collection of the Salt Tax, and the Sayer, or Excise upon spirituous liquors; above all, until this is done, we cannot give our Indian fellow-subjects that protection of person and property, without which it is impossible they can pursue their avocations with confidence and spirit, to the augmentation of the wealth of the community, and, with it, through the medium of all the taxes, of the public revenue. A complete, and, in my opinion, a very satisfactory plan for the re-organization of the Police of the Madras Presidency, has been before the Legislative Council since February last, and I will not attempt to estimate the pecuniary loss to the State from the opposition it has met with there. It was not "Police Corps" which it was proposed to establish. These are neither Police nor Regular Army; and, while they cause a heavy expenditure, they are a source of disquietude both to the Government and people. It was a bonâ fide recast of the actually existing Police, on the English and Irish principle, superintended, in all its details, by European Officers, but placed entirely at the disposal of the Magistrates.

In order to show the immediate effect of good administration in diminishing the expenditure and increasing the Revenue, it would be necessary to go the round of every Department, and I must, therefore, confine myself to a few more instances. In the Department of Public Works, a comparatively small establishment is employed to conduct a large expenditure; and the nature of that expenditure is such, that it is extremely susceptible of being enlarged or contracted accordingly as it is vigilantly controlled or the reverse. One good practical illustration is worth a hundred arguments, and I, therefore, request that reference may be made to the recent proceedings on the Court Martial of Captain Keighly, an Officer of the Madras Infantry, who was employed under the Supreme Government as Engineer in charge of the Public Works at Rangoon. It will there be seen that, although extensive works connected with the formation of the new station, were in progress, there was practically no control; that Captain Keighly and his subordinates drew upon the local treasury for any sums of money they pleased; and that when, at last, he was made to answer for his expenditure, he burnt his accounts. The Madras Railway has, for several years, been a heavy drain upon the public finances, and, so far from creating new traffic, it has not even absorbed the whole of that which already existed. Both the Madras and Supreme Governments have repeatedly recorded their opinion, that this was owing to the fares being fixed at a higher rate than the Natives were able to pay; yet these fares remain unaltered. The demand for small coin, to supply the want created by the rapidly developing industry of the South of India, is

extremely great, and labor is becoming every day more scarce and valuable; yet the coining at the Madras Mint is still done by hand. Three days ago fourteen persons were weighing copper money there on behalf of the General Treasury, in scales holding each about a handful. To substitute for all these two or three men with a large pair of scales, or to count and weigh the pieces by the cheap and unerring machinery in use in the English and French Mints, may seem a small reform; yet, as the public expenditure is only an aggregate of details, it is by such reforms as this, carried through all the public establishments, that a sound financial condition is to be attained. There is not even an annual revision of the Public Establishments, similar to that which takes place at Home in connection with the Estimates; the consequence of which is, that expenditure is often continued long after the circumstances which originally occasioned it, have ceased; and when it is at last stopped, it is owing to accident, or to an overwhelming financial pressure like that which at present exists.

Good administration is as effective in increasing the revenue, without adding to the burdens of the people, as in diminishing the expenditure. In my Minute of the 10th Ultimo, I stated that there had been an increase in this Presidency of 54,65,705, Rupees, in the first ten months of the current revenue year, on an annual revenue of 4,86,63,248 Rupees; and that this was owing to the reduction of our formerly excessive land-tax, whereby the land owners have been encouraged to bring new lands into cultivation. The returns of another month have since been received, and the increase on the eleven months is Rupees 55,34,923, of which only a small sum is due to the additional Custom Duties.

I also stated in my Minutes dated the 10th and 13th Ultimo, that the Salt Tax in this Presidency, at its existing rate, might by "good administration" be much more fully collected than it is at present. In the large District of Ganjam, for instance, there is scarcely any legal consumption; and vast Provinces in the interior, including the Nagpore and Hyderabad countries, are reduced to the necessity of using miserable substitutes for this first rate necessary of life. This Government has already taken measures for enforcing the collection of the Tax in its Maritime Provinces, and for furnishing supplies of Salt (subject of course to our Tax) to the population of the interior of the Continent by the Godavery, the navigation of which is being opened.

I have before me a list of irrigation works which were suspended by what is called "the restrictive order," issued by the Supreme Government in consequence of the financial pressure caused by the mutiny; and if I were permitted to make a selection from them for immediate execution, it would be like sowing gold. In this climate water is better than land, for it increases the productiveness of land six-fold.

Lord Stanley has lately called the attention of all the Indian Governments to the financial and social importance of the principle of permitting the redemption of the land Tax. My opinion is decidedly adverse to any operation, in the present state of British India, which would weaken this main prop of our revenue, and, by placing at the disposal of the Indian Governments large anticipated resources, would diminish the pressure upon them to reduce expenditure. But, under certain circumstances, and within certain limits, the principle of Lord Stanley's Despatch may be acted upon with great public benefit. I have already applied it to the whole of the Inám lands of this Presidency; and it may be extensively acted upon by the sale of the fee simple of building land in towns, and of waste lands suited for the cultivation of Coffee and other valuable products by Europeans. This would bring large sums at once into the Treasury, and would also lay a foundation for still greater increase to the revenue hereafter, in consequence of the rapid development, which such a course of policy could not fail to give to the resources of the country.

In my Minute dated the 10th Ultimo, I alluded to "rendering the large balances in the Treasuries more available." This is a resource of great importance, whether it be regarded in its immediate effect, or in the indirect influence it would have in facilitating the business of the country. In England, with a revenue of sixty or seventy millions sterling, the public balances do not ordinarily exceed six. In India, with a revenue of thirty millions, they amount to twelve. This costly and embarrassing state of things is chiefly caused by our confining ourselves to the use of such a cumbrous medium of exchange as silver. One remedy is the substitution of a gold standard with a subsidiary silver currency, according to the arrangement

Proceedings of the Madras Government, Revenue Department, from 9th to 15th July 1859.

…s succeeded so well in England. Another is the establishment of a Government Note …on, within proper limits and under proper regulations. This last is more effectual than … in the proportion in which paper is more easily and safely remitted than gold; and …o the great recommendation of not disturbing the existing measure of value. I would … that the issue should be limited by law to three millions sterling; that it should be …d of Government Notes of different denominations, but none of them less than ten … and that these Notes should be declared a legal tender, and should be receivable as … in all British Treasuries, and be also payable in Rupees at the General Treasuries of … Madras, Bombay, Sinde, the Punjab, and Agra. Paper money to the amount of fourteen …sterling, is kept out in England without the deposit of an equivalent amount of bullion, … it has been found, by experience, that the Note circulation can never be reduced to so …nt as that; and as three millions sterling would not be more than ten per cent. of …al Indian revenue, or more than two per cent. of the amount of coin held in the …we might with safety go that length. As the balances in the General Treasuries … have to be increased, the amount of the Note circulation would be equivalent to a loan …overnment without interest. A still greater financial advantage would be derived from …acilities of remittance which would be afforded. To render the pecuniary resources of … available at the time and place required, might then be as closely studied in India as in … with the result that the demands upon the public would be provided for by means of …alances than before. Private transactions of all kinds would be greatly facilitated, and … would be in permanent increasing demand.

…st not conclude without briefly adverting to that measure of "good administration," …he security for all the others. To select persons for every employment without reference …sideration except that of superior fitness, is so important a part of good Government, …y almost be said to be the whole. If it were, for the future, clearly understood that this … the sole test, except where some positive rule interfered, a stimulus of the highest …alue would be given to the entire public service. The increased attention which has, …rs, been paid in England, to this point, has infused new life into our Home Establish-

…e I have now sufficiently explained, in obedience to the demand of the Supreme Go… in what manner immediate financial results might be obtained by "reduction of ex… combined with measures of good administration." These measures, properly carried …d soon restore the finances without increased taxation, and would give a clear increasing …rplus to be employed in Public Works.

(Signed) C. E. TREVELYAN.

…red in consequence that the following letter be despatched.

From J. D. BOUDRDILLON, Esq., Secretary to Government, Revenue Department; to W. GREY, Esq., Secretary to the Government of India; dated 13th July 1859, No. 932.

… directed to acknowledge the receipt of your letter dated 20th June 1859, No. 1195, …ward in reply a copy of a Minute recorded by the Honorable the Governor pointing …eans by which the finances of India may be retrieved from their present embarrass… …hout any new taxation, as has been done on former occasions.

Revenue Dept

Ex Chief Dispt

No 932.

To

H. Grey, Esqr.

Secretary to the Government of

India

Sir,

I am directed to acknowledge the receipt of your letter dated 20th June 1859 No 1195, and to forward in reply a copy of a minute recorded by the Honorable the Governor pointing out the means by which the finances of India may be retrieved from their present embarrassment, without any new taxation.

~~It has been thought proper~~

For Secy to Govt 13 July 1859

Copy in a Letter to Govt
Dy 14th July 1859 No 27.

Revenue 1859 Depart.
Rec: of Govt. 18th July,
No 932
To The Secy to the
Govt of India
Dy 15th July 59.
Jud. Dept. No 1806

Forwarding a Minute recorded by the President pointing out the means by which the finances of India may be retrieved from their present

No 41 to 46.