

ignore the covenant made with Royal Engineer officers, that they should be suitably employed in military duties. I notice a great many reverting to the Imperial List owing to this cause.'

No department of Indian administration is more interesting than that of Public Works. The greatness of the difficulties to be surmounted, the engineering problems to be solved, have a fascination of their own. The variety of its undertakings seems bewildering, yet in that variety there is a charm. The routine of revenue or judicial administration, however absorbing it may be to the worker, is not easily made interesting to a casual observer or to a reader. But engineering is always attractive. It is one of the typical pursuits of the age. Great feats of constructive skill and of daring design dazzle the beholder, who sees, and the reader, who reflects. India is studded with such modern monuments. But it is right to remember that the Department, which supervises the irrigation of Sind, which built the Nira Canal, which designed the drainage and waterworks at Ahmadábád, and the architectural buildings that form so decorative a feature of Bombay City, can do efficiently its humbler although not less important duties : that it supplies hilly districts with their first roads, and policemen with their barracks.

In his Public Works' policy, Lord Reay's hands were strengthened alike by the high-minded loyalty of the officers of the Department, and by the generous benefactions made by Indian gentlemen for works of public utility. The foregoing pages have indicated, as far as

an outsider can venture to indicate, the internal strain within the Department from the financial reforms and reduction of offices. However much that strain might be reduced by skilful readjustments and by fortuitous retirements, it must have taxed the loyalty of many of the officers concerned. The success of Lord Reay's Public Works' policy was mainly due to the noble spirit in which the Departmental officers accepted and carried out his reforms. He has himself acknowledged in eloquent terms, both while in India and in public speeches since his return to England, his sense of personal gratitude to the officers of that Department.

Lord Reay appreciated not less cordially the public spirit which induced many citizens of Bombay and residents throughout the Presidency to spontaneously come forward, and to ask the Government to undertake large works of general usefulness at their private cost. I have already referred to some of the princely benefactions of this class. The following paragraph summarises the principal ones which have come to my notice, and shows a total of Rs. 10,79,408 contributed by private benevolence to public works during the five years under review.

More than half of this large sum was contributed by one man, Sir Dinshaw Manekji Petit, who was most deservedly created a baronet in 1890. He is the second Bombay native gentleman who has received the distinction of an hereditary title, and in the liberality of his benefactions he deserves to rank with Sir Jamsetjee Jejeebhoy, who was created a baronet in 1857.

Both charitable and educational schemes in Bombay city benefited by Sir Dinshaw Petit's liberality. In January, 1888, he offered Rs. 1,25,000 for the erection of a Lying-in Hospital, which sum he afterwards allowed to be used for the construction of a Hospital for Women and Children, as an extension of the Jamsetjee Jejeebhoy Hospital. He also gave a lakh of rupees towards building a Home for Lepers near Bombay.

In promotion of education Sir Dinshaw presented the property known as the Hydraulic Press, valued at three lakhs of rupees, in exchange for the Elphinstone College buildings, which were converted into the Victoria Jubilee Technical Institute. He likewise gave Rs. 16,419 for the construction of a Patho-Bacteriological Laboratory in connection with the Veterinary College at Parell, and Rs. 6000 toward the erection of a Gymnastic Institution in Bombay. But he did not restrict his generosity to Bombay city. He also presented five and four-fifth acres of land at Poona for the site of the Pasteur Laboratory in connection with the Poona College of Science, and gave Rs. 11,500 and Rs. 10,000 for the foundation of charitable dispensaries at Bassein and Murbád in the Thána District. The total amount and value of the gifts of this great philanthropist for charitable and educational purposes during the period of Lord Reay's administration reached the sum of Rs. 5,68,919.

Coming to other benefactors, Bai Motlibai, widow of Mr. Nauroji Wadia, gave a lakh and a half of rupees and a valuable site of 20,954 square yards, adjoining the Jamsetjee Jejeebhoy Hospital, for the building of

an Obstetric Hospital. Mr. Harkisondas Narottamdas gave a lakh of rupees for a Clinical Hospital for Women and Children ; but the conditions made by Government were not acceptable to the donor, and the amount was therefore refunded. Mr. Framji Dinshaw Petit gave Rs. 75,000 for the erection of a Laboratory, fitted with the most modern appliances, in connection with the Grant Medical College at Bombay. The Allbless family, namely the trustees of the late Bomanji Edulji Allbless, the widow of Mr. Edulji Framji Allbless, and the sons of Mr. Dorabji Edulji Allbless, presented amongst them Rs. 72,000 for the establishment of an Obstetric Hospital on land adjoining the Cama Hospital, and of a mortuary for Parsis in connection with it, and also (with the assistance of Rs. 5000 from the Countess of Dufferin's Fund) for the building of quarters for the lady doctors of the Cama and Allbless Hospitals. Mr. Sorabji Cowasji Powalla gave Rs. 31,473 for a gratuitous charitable dispensary in the Fort, Bombay ; Mr. M. M. Bhownaggee, C.I.E., Rs. 15,699 for a Home for Pupil Nurses in connection with the Jamsetjee Jejeebhoy Hospital ; Mr. Pestonji Hormusji Cama Rs. 15,000 for nurses' quarters at the Cama Hospital ; and Mr. Dwarkadas Lallubhai Rs. 10,000 for a Cholera Ward at the Jamsetjee Jejeebhoy Hospital, which was utilised instead for the establishment of an out-door Dispensary for Women and Children. Lastly, mention must be made of the gift of the Parsi Panchayat Fund of Rs. 2000 for the erection of a separate mortuary for Parsis in connection with the hospital, which bears the name of the best-known member of their body.

Turning from these munificent gifts made by citizens of Bombay for Bombay institutions, I regret that I have few details regarding the rest of the Presidency. But it may be that many smaller sums were given, which, though they do not equal the magnificent benefactions of the merchant princes of Bombay, yet represent as much charity, self-denial, and public spirit as the larger gifts. I have mentioned Sir Dinshaw Petit's establishment of two charitable dispensaries in the Thána District, and I have to add that the Ripon Memorial Committee founded the 'Ripon Hospital' at Ahmadnagar at a cost of Rs. 16,700 during the five years under review, and that Mr. Nusserwanji Manekji Petit gave Rs. 10,000 for a Charitable Dispensary at Wáda in the Thána District; Messrs. Dayabhai Tapidas and Domodardas Tapidas Rs. 5867 for a Laboratory, and a Lecture-Room for Science Classes at the Surat High School; and Mr. Dinshaw Pestonji Dalal Rs. 1750 for a Gymnasium in connection with the High School at Broach.

CHAPTER X.

FINANCE.

THE annual debate on the Indian Budget in the House of Commons affords an opportunity for Englishmen to get some idea of the difficulties and perplexities which beset Indian financiers. The problems caused by the depreciation of silver and the varying value of the rupee have long received the attention of Parliamentary economists who study the principles of currency and exchange. The questions of morality involved in the Government monopoly of opium, of expediency in regard to the salt tax, and of the adoption of Western ideas in imposing an income tax, are frequently brought before the English public. But it is the financial difficulties, expedients, and policy of the Government of India as a whole, that is of the Supreme Government, which are thus presented. Few Englishmen have any idea of the system pursued with regard to provincial finance, or in what manner the financial relations of the Supreme Government with the provincial administrations are regulated. These relations form the subject of the present chapter.

The policy of financial decentralisation, as inaugurated by Lord Mayo, established the system of Pro-

vincial Contracts. Those contracts are formulated after due enquiry every five years. The Government of India enters into an agreement with the eight Provincial Governments, and hands over to them the control of the administration and expenditure of nearly all departments, subject to limitations as to the creation of new appointments and other slight restrictions. To meet this expenditure the Provincial Government is granted the whole, or a specified proportion, of nearly all sources of revenue. A careful estimate is made of the probable revenue and expenditure under these heads, and specific sums are accepted as fixed amounts. Any expenditure in excess of those sums must be met out of the growth of the provincial allotted sources of revenue or by local taxation, and the Government of India can only be appealed to for financial assistance when the additional expenditure has clearly arisen out of circumstances which were not taken into consideration when the Contract was drawn up. On the other hand, certain departments of the administration, such as the Army, Military Works, the Post-office, Railways, Irrigation, Indian Marine, Telegraphs, the Mint, the raising of loans and the negotiation of the Exchange for home charges, are kept in the hands of the Supreme Government, which draws the whole of certain departments of revenue, and a specified proportion from others in each province, to defray its Imperial charges.

The history of these Provincial Contracts is extremely interesting, as they form a chief factor in the problems of Indian finance, and shows the steady growth of the system of fiscal decentralisation. The

first Contract was made in 1872, and under it important spending departments, notably Education, Civil Buildings, Jails, and Police, were provincialised, but the chief revenue departments were not affected. Sir Richard Temple, in introducing the system, described it in his Financial Statement for 1871-72 in the following words:—‘The Local Governments are to have a fixed annual allotment from the general exchequer for these particular services, and are to appropriate, as local income, all receipts connected therewith. They are to regulate (subject to certain general rules) all the expenditure on those services. If the existing income, namely, Imperial allotment *plus* departmental receipts, shall suffice for the requirements of that expenditure, then that is well. If it shall not suffice, then the Local Governments are not to apply to the Government of India for increased grants. They must raise what they need by local taxation, or by such like means (subject to our central control) if they fairly can. But if they find that they cannot fairly manage this, then they must necessarily do without the increased expenditure. However much the necessity for doing without the increase may be regretted, there is no help for it. This is the only way of following the good old rule of cutting coat according to cloth. However important progress and improvement may be, financial safety is more important still¹.’

The wisdom of the policy of decentralisation was justified by the results of the contracts of 1872. In making the second series of Provincial Contracts in

¹ *Report of the Finance Committee.* 1886: Calcutta. 1887: vol. i. p. 11.

1877, the principle was further developed, and the Government of India handed over to the provincial administrations some of the larger departments of revenue, such as Excise and Stamps, in the belief that financial decentralisation would render these departments more lucrative by more careful administration. Sir John Strachey, in his Financial Statement for 1877-78, thus stated his reasons for this belief. 'What we have to do,' he said, 'is not to give to the Local Governments fresh powers of taxation, but, on the contrary, to do all that we can to render fresh taxation unnecessary, and to give to those Governments direct inducements to improve those sources of existing revenue which depend for their productiveness on good administration. I have a strong conviction of the financial importance of this matter; and the importance is not merely financial, if I am right in believing that better administration would give us a large additional revenue of a thoroughly unobjectionable character, without the country feeling that any new burdens had been imposed upon it.

'How is this better administration to be obtained? The answer seems to me simple: it can be obtained in one way only,—not by any action which gentlemen of the Finance Department, or of any other Department of the Supreme Government, can take while sitting hundreds or thousands of miles away, in their offices in Calcutta or Simla,—not by examining figures and writing circulars,—but by giving to the Local Governments, which have in their hands the actual working of these great branches of the revenue, a direct, and, so to

speak, a personal interest in efficient management. It may be very wrong, but it is true, and will continue to be true while human nature remains what it is, that the local authorities take little interest in looking after the financial affairs of that abstraction, the Supreme Government, compared with the interest which they take in matters which immediately affect the people whom they have to govern. When Local Governments feel that good administration of the Excise and Stamps, and other branches of Revenue, will give to them, and not only to the Government of India, increased income and increased means of carrying out the improvements which they have at heart, then, and not till then, we shall get the good administration which we desire ; and with it, I am satisfied, we shall obtain a stronger and more real power of control on the part of the Central Government than we can now exercise¹.

Sir John Strachey's forecast was justified. The sources of revenue wholly or partly provincialised produced larger sums, without unduly pressing upon the people. When therefore the Third Contract was made in 1882, the system was still further developed. The income from Forests and Assessed Taxes was equally divided between the Imperial and Provincial Governments, and even the Land Revenue, the most important source of income, was partly provincialised. Only such sources of revenue as were imperial in their incidence, were reserved in their entirety for the

¹ *Report of the Finance Committee, 1886*. Calcutta, 1887; vol. i. pp. 11, 12.

Imperial Treasury. These were Opium, Salt, Customs, the Mint and Tributes from Native States, with other local exceptions. A careful estimate of the assumed amounts to be collected and disbursed in each province was made, and the difference between provincial income and provincial expenditure was met by the assignment of a fixed percentage of the Land Revenue to each provincial administration.

This was the Contract which Lord Reay found in force when he assumed the government of the Bombay Presidency in 1885. The provincial expenditure sanctioned by it amounted to Rs. 342,45,900, from which must be deducted Rs. 69,04,000, entered under the head of Assignments and Compensations, which does not represent money spent, but Land Revenue excused in return for certain services and similar allowances, leaving an estimated real expenditure of Rs. 273,41,900. To meet this expenditure there was assigned to the Bombay Government an income of Rs. 349,29,900, or deducting the same sum of Rs. 69,04,000, which was purely a book entry, of Rs. 280,25,900. Provision was thus made for an estimated annual surplus of Rs. 6,84,000.

This income was derived from three sources. First, the Provincial Government had the benefit of all receipts from the Administrative and Civil Departments such as Law and Justice, Police, and Education, which had been originally assigned to it by the First Contract in 1872. These sources were estimated in 1882 to produce Rs. 13,70,000. With these receipts must also be classed Rs. 6,31,000 from the Public

Works Department, and Rs. 3,76,500 from various Miscellaneous Receipts, making a total of Rs. 23,77,500. Second, the Bombay Government was allotted one-half of the revenue from Stamps, Excise, Forests, Registration, and Assessed Taxes, with two smaller sums of Rs. 60,000 and Rs. 79,000 from the Salt Tax and the Customs, making a second estimated total of Rs. 70,14,000. From these sources Rs. 93,91,500 were contributed towards the requisite income of Rs. 280,25,900. In the third place the balance, amounting to Rs. 186,34,400, was made up by the assignment of 59 8216, or practically three-fifths, of the estimated Land Revenue of the Presidency.

In 1885, at the beginning of the five years with which I deal, the estimates both for provincial revenue and provincial expenditure had been greatly exceeded. The actual receipts from the allotted sources of revenue for the year 1884-85 amounted to Rs. 304,64,957, or Rs. 24,39,057 in excess of the figure mentioned in the Contract of 1882. This increase was apparent in nearly every branch of the revenue. The most striking developments were in Excise—an advance of Rs. 8,92,780 on the Contract estimate; of Rs. 5,78,421 in Forests, of Rs. 2,68,576 in Land Revenue, of Rs. 2,38,427 in Police, of Rs. 1,86,044 in Public Works (Civil), and of Rs. 1,82,142 in Stamps; while the only remarkable decrease was Rs. 1,93,467 in Law and Justice. This improvement thoroughly justified Sir John Strachey's forecast in introducing the Provincial Contract of 1877. If it was in part due to the general prosperity of the province, it was also in

part the result of vigorous administration. The Local Government felt that it had a real interest in getting as much as possible out of the sources of revenue, since it received a share for its own disposal.

But although the revenue had increased, the provincial expenditure had grown with still greater rapidity. From Rs. 273,41,900, which was the sum allotted by the Contract of 1882, it had advanced in 1884-85 to Rs. 304,04,895, an increase of Rs. 30,62,995. This was spread over nearly all the departments. The principal items of increase of expenditure over the original estimates were Rs. 12,59,241 in Public Works (Civil), Rs. 6,25,882 in Police, Rs. 2,92,729 in Forests, Rs. 2,51,558 in the collection of the Land Revenue, Rs. 2,29,713 in the Salt Department; while the only notable decrease was Rs. 2,31,719 in the collection of the Customs. Owing to this general increase in expenditure, the actual surplus of revenue over expenditure in the year 1884-85 was only Rs. 60,062 as against the estimated surplus of Rs. 6,84,000.

Yet in spite of the narrow margin the Bombay Government was not imperilling the financial safety of the presidency. For by the terms of the Provincial Contracts the administration was bound to keep a minimum balance of 20 lakhs of rupees to meet any sudden demand, or supply any great need, such as might be caused by famine or pestilence. For this reason an ample balance was allowed to the Bombay Government when the Provincial Contract was settled in 1882. The balance carried over from the Contract of 1877 amounted to Rs. 21,04,872, to which was

added a special grant of Rs. 8,00,000 to be spent on productive public works, making a total of Rs. 29,04,872. Certain other special grants amounting to Rs. 27,63,000, and included in the opening balance, need not at present be taken into consideration. Not satisfied with maintaining the prescribed minimum, the Financial Department of Bombay largely increased it. Indeed, in the original estimates for the year 1886-87, the last year of the Third Contract, the balance was estimated at 55½ lakhs. But at this time the Government of India was itself in too great need to allow the provinces to hold such large sums to their credit, and appropriated 20 lakhs of the Bombay balance. After this deduction the closing balance of the Third Contract stood at 35½ lakhs, or a surplus of more than 6 lakhs over the opening balance.

The financial straits of the Government of India caused by the Penjdeh incident and consequent military preparations on the North-West frontier, by the occupation of Upper Burma, and still more by the loss on Exchange caused by the depreciation of the rupee, rendered the utmost economy imperative in every province and in every department. It was evident that not only the provincial balances must be borrowed or taken by the Supreme Government, but that terms more favourable to the Supreme Government must be made when the next Provincial Contract was fixed. The settlement of the fourth Provincial Contract in 1887 was the most important financial event during Lord Reay's tenure of office in Bombay. The necessity for retrenchment was clearly perceived by the Bombay Govern-

ment, and it loyally co-operated with the Supreme Government in the disagreeable duty. Bombay's prosperity, as shown by her accumulated balances, the rapid increase of her revenue and ten years' freedom from famine, made it certain that she would have to contribute more largely than in 1882 to the needs of the Government of India. The Supreme Government did what it could to meet its deficit by imposing an Income-tax in 1886, but its expectation was that by taking a larger share of the provincial revenues it would avoid the necessity of further taxation.

In February, 1886, during the last year of the Provincial Contract of 1882, the Government of India took its first step in this direction by appointing a Finance Committee 'for the purpose of examining expenditure, whether Imperial or Provincial, and reporting to the Government what economies are therein practicable'; and of 'turning their immediate attention to the revision of the arrangements now in force between the Imperial and the Provincial Governments.' The Committee was so constituted as to represent the various departments of the Government and the European and Native communities both in Northern and Southern India. It consisted of Mr., now Sir, C. A. Elliott, as President, Mr. Justice, now Sir, H. S. Cunningham, of the Calcutta High Court, Ráo Bahádúr Mahadeo Govind Ranade, of the Bombay Presidency, Mr. J. Westland, Comptroller of Finance, Lt.-Col. A. J. Filgate, Accountant-General Public Works Department, Mr. H. W. Bliss, of the Madras Civil Service, Mr. Robert Hardie, Secretary

and Treasurer of the Bank of Bengal, and myself. Circulars were sent out to all the Provincial Governments and many public bodies and associations, and sub-committees were appointed; of which the most important was the Travelling Sub-Committee, consisting of Mr. Elliott, Sir H. S. Cunningham, Mr. Westland, Colonel Filgate, and Mr. Bliss.

This Sub-Committee went from province to province, and was assisted in its enquiries by local members added to it by each Provincial Government¹. Its examination into provincial expenditure was thorough and minute, and it collected a valuable body of statistical information. The Finance Committee was not able to complete the whole of its programme before its dissolution in December, 1886; but it drew up and presented a full and valuable report on the Provincial Contracts, on which the Fourth Provincial Contract of 1887 was based. According to this report Bombay could well afford to increase its contribution to the Imperial Treasury. The Finance Committee proposed, therefore, that Bombay should surrender an additional Rs. 27,06,000 a year to the Government of India, while Madras was to give up Rs. 14,07,000, the North-Western Provinces Rs. 12,65,000, Bengal Rs. 11,52,000, Assam Rs. 1,86,000, and the Central Provinces Rs. 1,85,000. In the Punjab revenue and expenditure only just balanced, and no alteration could be made in the terms of the Contract. The condition of Burma

¹ In Bombay Mr. W. Lee-Warner (now Political Secretary to the Government, 1891), and Sir Forbes Adam, then Chairman of the Bombay Chamber of Commerce, were added as members.

was so disturbed that the recommendation was that the former Contract should be provisionally renewed for a short period.

So enormous an addition as 27 lakhs of rupees to Bombay's contribution to the Government of India could not be obtained without general and sweeping retrenchments in all branches of the provincial expenditure. This was what the Finance Committee recommended, and they pointed out how the reductions might best be made. To take the most conspicuous examples, they recommended that the expenditure on Education, which stood according to the Budget Estimate for 1886-87 at Rs. 16,57,000, should be fixed under the new Contract at Rs. 13,90,000, while the expenditure on Public Works (Civil), then estimated at Rs. 46,99,000, should be reduced to Rs. 27,00,000. These proposals roused strenuous opposition. The Bombay Government had embarked on important educational schemes, including the promotion of Technical Education, under the sanction of the Supreme Government. It now found them threatened with shipwreck. It had also pledged itself to important buildings for aided schools and colleges, and to feeder roads for the railways. It now found the allotment for Public Works cut down to a figure only sufficient to carry out annual repairs and to leave barely a lakh of rupees for Original Works. The Bombay Government, therefore, protested vigorously, and with a measure of success. For when the new Contract was settled finally, it obtained Rs. 15,22,000 for Education, and Rs. 29,30,000 for Public Works (Civil); as against the

Finance Committee's proposals of Rs. 13,90,000 and Rs. 27,00,000.

The new Contract was finally concluded by a Resolution of the Government of India, dated March 11, 1887. Besides fixing different sums for the various heads of revenue and expenditure, based on the results of the past five years and the enquiries of the Finance Committee, it contained important changes in the method of allotment. All the receipts of the Provincial, Civil, and Administrative Departments, together with Public Works (Civil) and certain Miscellaneous Heads, were left to the Provincial Government. On the other hand, Opium, Mint, Tributes from Native States, Military and Public Works (Military) were treated as Imperial Revenue, together with Salt, Customs, Post Office, Telegraphs, and Irrigation, subject to trifling exceptions. This partition was on the same lines as the previous Contract. Similarly the receipts from Forests and Registration were again equally divided between the contracting parties. Under the other main revenue heads, important alterations were made in the manner of distribution. Excise, the most lucrative source of income next to Land Revenue, had shown an extraordinary power of expansion. It was now no longer equally divided, but three-fourths of its yield were assumed by the Imperial Government, while one-fourth was left to the Bombay administration. In some degree to compensate for this deprivation, three-fourths of the revenue from Stamps were assigned to the Provincial Government instead of one-half; together with one-half of the

Assessed Taxes, less a small deduction for the surplus profits of Railways¹.

But the most sweeping alteration was in regard to the Land Revenue. Instead of the Provincial Government's receiving a proportion practically equivalent to three-fifths of this the largest source of revenue, after the deduction of the book-heading of assigned land revenue, it was only to take one-fourth. But as, on these terms, it would be unable to meet its expenses, it was to receive under the head of Land Revenue a fixed lump sum of Rs. 81,87,000.

Nothing proves more clearly alike the continued prosperity of the Bombay Presidency during the period from 1882 to 1887, and the success of its administrators, than a comparison between the figures adopted for the Contracts at these two dates. Land Revenue, excluding Assignments, was estimated at 328 lakhs in 1887 as against 311 in 1882; Excise at 91 lakhs instead of 64; Assessed Taxes at 29 lakhs instead of 13; Forests at 31 lakhs instead of 16; Stamps at nearly 46 lakhs instead of 41; Registration at Rs. 3,93,000 instead of Rs. 2,80,000. Under one of these heads, Assessed Taxes, the increase was due to improved legislation, but in the other cases it was the result of good administration and continued prosperity.

Under the chief Civil Heads the estimate was only Rs. 15,17,000 as against Rs. 13,70,000. It would have been greater had there not been a falling off in the income from Law and Justice, which was estimated only to produce Rs. 5,20,000 annually be-

¹ Government of India Resolution, 11 March, 1887, p. 2.

tween 1887 and 1892 instead of Rs. 7,59,000, which had formerly been expected. Lastly, Miscellaneous Heads were estimated at Rs. 2,66,000 from 1887 instead of Rs. 2,92,500, and the receipts from Public Works (Civil) at Rs. 7,53,000 instead of Rs. 6,31,000. In short, the revenue assigned to the Bombay Treasury was estimated at Rs. 360,73,000 in 1887 as against Rs. 349,29,900 in 1882; or deducting the calculations for assignments, at Rs. 279,64,000 *nett* in 1887 instead of Rs. 280,25,900 in 1882.

While the natural tendency of the Finance Committee and of the Government of India was to take the figures of the estimated revenue as high as possible, the opposite tendency appeared with regard to the allowances to be made for provincial expenditure, which were estimated as low as possible. Nevertheless the steady growth of expenditure, fostered by the large surpluses and balances of the past five years, had grown to a height which it was very difficult to check, and the new Contract had to admit a general increase. The cost of the collection of revenue, which formed the largest item in the provincial expenditure, was almost certain to rise with the revenue, and it was felt to be bad policy to interfere with the efficiency of the machinery which filled the treasury. The estimate on these accounts was fixed for 1887 at Rs. 162,17,000 as against Rs. 161,92,700 in 1882. But the increase was really far greater than that. Although the cost of collecting the Land Revenue, for instance, had slightly fallen, Assignments had risen from Rs. 69,04,000 to Rs. 80,09,000. To

balance this the charges for the collection of the Imperial Salt Revenue, estimated in 1882 at Rs. 7,72,000, and of the Customs, estimated at the same date at Rs. 5,50,000, were wholly removed to the Imperial Account.

Even larger and yet equally necessary was the increase of expenditure granted in the Civil and Administrative Departments. These charges, which by the Contract of 1882 stood at Rs. 128,17,000, had, notwithstanding the efforts of the Finance Committee, to be fixed at Rs. 141,80,000 in 1887. The most serious additions were of Rs. 7,62,000 to Police and of Rs. 4,67,000 to Education, but all showed some advance except Law and Justice, and Marine, in which were effected trifling reductions of Rs. 41,000 and Rs. 17,000 respectively. In Miscellaneous also there was an increase from Rs. 17,55,000 fixed in 1882 to Rs. 20,61,000 estimated in 1887, and in Provincial Postal and Telegraph Charges from Rs. 89,000 to Rs. 1,18,000. Lastly come Public Works (Civil), estimated in 1882 at Rs. 29,40,200 and in 1887 at Rs. 29,30,000. This trifling reduction does not however truly represent the check caused to Public Works in Bombay by the financial necessities of the Government of India. For in the interval between the two contracts the expenditure had risen to over 45 lakhs, now reduced in 1887 to 29 lakhs.

Finally, the Provincial Expenditure was fixed in 1887 at the same sum as the Provincial Revenue, and the example set in 1882 of allowing an annual estimated surplus of Rs. 6,84,000 was not followed.

The history of the fourth Provincial Contract between the Government of India and the Government of Bombay, made in 1887, and its terms, have been described at length not only because its arrangement formed the most important event in the financial history of the five years under review, but also because of the light it throws on Provincial as opposed to Imperial Finance and on the principle of financial decentralisation. When it had been finally concluded, the Bombay Government loyally made the best of the situation. It was entirely successful. The revenue continued to expand in a remarkable manner to the benefit of both the Imperial and the Provincial Exchequer. It may be admitted that the Bombay system of fixing and collecting the revenue is an expensive one. But it is justified by results, and is held by its advocates to be more economical in the long run than a less exact and cheaper system. Besides encouraging the growth of the revenue, the Bombay Government kept a close eye on expenditure. Lord Reay's reforms in the Public Works Department, by means of which he reduced the expenses of establishment without destroying efficiency, and was enabled to use the savings for actual works, have been described. They are typical of the retrenchment policy pursued by the Bombay Government during the period under review. Under such prudent management, Bombay successfully responded to the pressure brought to bear on it by the Finance Committee of 1886.

Under these circumstances, with a large balance and

a flourishing revenue, in spite of the heavy demands made upon Local resources under the new Contract, Bombay was again called on, in the second year after the settlement of the Contract, to give aid to the Government of India. The loss on Exchange and the military expenses kept the Supreme Government in a state of deficit. It could only meet the heavy demands for the defence of the North-Western frontier and Burma, together with the low rate of the rupee, by further contributions from the provinces. Lord Reay personally sympathised with the difficulties of the Government of India. He loyally recognised that it was the duty of the provinces to assist it. But at the same time he felt keenly disappointed that Bombay should be mulcted of its hard-gained savings, as he had intended to use them for the promotion of the moral and material wellbeing of the people.

The question of this further aid to the Government of India was discussed in a Conference, consisting of one representative from each province, held at Calcutta, under the presidency of Mr. J. Westland, in December, 1888. The Bombay representative was Mr., now Sir, J. B. Richey, who argued the case for his Presidency with much tenacity. He maintained that Bombay was more closely taxed than any other province, and that its large balance was due to its strict efficiency of administration. He held that the true remedy was to establish an equally efficient revenue system all over India. Bengal, where the Permanent Settlement prevents any enhancement of the Land Revenue,

he pointed out as an instance of a lightly-taxed province.

I am not concerned to oppose or defend Mr. Richey's views about Bengal, and shall briefly remark that I do not agree with them. But his attitude illustrates a useful result of financial decentralisation, in that it not only spurs the financiers of each province to make the best of their own resources, but makes them critical of other systems throughout India. Mr. H. E. Stokes, the Madras representative at the Conference, took the same view as Mr. Richey, and also urged that the mere possession of a large balance, without reference to the circumstances under which it had accrued, should not be a ground for a new demand by the Supreme Government. However, after stating his case, Mr. Richey consented to a surrender of $17\frac{1}{4}$ lakhs from the Bombay balance to the Government of India.

This important Conference was not summoned solely to assess a further requisition upon the provinces. 'The problem of which the Government of India seeks the solution,' said Mr. Westland, 'is this. At present, when the Government of India desires to revise the contracts, each province is taken separately, and the revision of each is made entirely without regard to the circumstances affecting the rest. This system necessitates laborious investigation, and is, moreover, in the opinion of the Government of India, attended with other disadvantages. Is it possible, then, to lay down a rule or standard by which, when the necessity for revision arises (say, by reason of the

increase of the demands falling on the Imperial share of the Revenues), an assessment can be made which shall be, at least in a general way, fair as between the several provinces concerned ?'

The fact of this idea having been mooted shows that the Government of India was not entirely satisfied with the working of the Provincial Contracts. Indeed, various other systems were mentioned if not officially proposed. One of these might be called the 'minimum' theory. By it, budgets would be framed for each province, in which the minimum estimate of expenditure would be fixed, and all surplus revenue over that amount would go to the Government of India. Provincial balances, reply the advocates of the Provincial Governments, would thus become a thing of the past, and the Provincial Governments would become merely collecting and executive bodies. The existing financial federation of the provinces and consequent decentralisation would be *de facto* superseded by financial centralisation.

Another suggested system was the 'tribute' theory. According to this plan the whole scheme of Provincial Contracts would be abolished. Each province would be informed how much would be wanted from it, for a term of years, and left to raise its 'tribute' and the revenue for its ordinary expenditure as it liked : subject of course to Imperial supervision and control. This plan seems simple, but grave dangers lurk in it. It would be a matter of considerable and recurring difficulty to fix the tributes equitably, and the most heavily burdened would be sure to murmur. More-

over, so thorough a measure of decentralisation would tend to disintegrate India and might lead to fiscal hostilities between different provinces.

Another view was to classify the chief taxes, allocating some entirely to the Government of India, and the others to the Provincial Governments. This obviously could not be approved by the Government of India. One of the main reasons for decentralising certain sources of revenue, as clearly put by Sir John Strachey in introducing the Second Provincial Contract in 1877, was that the Supreme Government should profit by the greater keenness of the Provincial Governments in looking after the income, of which a part was allotted to themselves.

Meanwhile the Government of India made efforts by retrenchments, and by fresh taxation, such as the Income-tax and the increase of the Salt-tax, to meet the extraordinary and heavy expenses forced upon it by the North-Western defences, the occupation of Burma, and the fall in the value of the rupee. But its greatest source of supply is of course from the Provincial Governments.

A striking feature in the history of provincial finance in India is the testimony afforded to the value of decentralisation. In other departments decentralisation may have political advantages and disadvantages, more or less immediate or remote. But in financial matters it brings a sure reward in the shape of improved revenue and economical expenditure. In no province has this truth been more fully proved than in Bombay. The extraordinary elasticity of the

revenue during the period from 1885 to 1890 may have been partly due to natural causes, such as the absence of famine, internal free trade, and better communications. But it was also directly due to the combined efforts of all concerned in the Bombay administration, who strove earnestly to improve the revenue, in order that the appliances for the moral, intellectual, and material progress of the people might be augmented by the additional income thus secured.

CHAPTER XI.

EXCISE AND GENERAL TAXATION.

THE Land Revenue is not only the largest, but also the most important source of revenue in India. It is in the direct collection of rent, and in the fulfilment of the recognised duties of a great landlord, that the administration of an Indian Province differs from that of a European State. But although the collection of the land-tax and the performance of the work of estate-agents form the chief functions of the revenue officers of the British Government in India, they are not the only ones. Revenue is raised in many other ways; both by direct and indirect taxation. The collection of these taxes does not involve the same minute examination into the details of rural economy, or exert the same influence on the prosperity of the people as a whole. It is nevertheless of great importance.

Taxation may be direct or indirect, but in both cases the same canons for its regulation are laid down: that it should be levied equitably, that it should be collected economically, that it should not encourage vice, that it should trench as lightly as possible on the

necessities of existence, and interfere as little as possible with industry. The British Government in India carries out these principles by its endeavours to enhance the revenue from intoxicating drugs and to mitigate the incidence of the taxation on salt, by the abolition of internal transit duties, and by a reduction, almost amounting to an abolition, of the import duties on sea-borne trade.

In considering taxation in the Bombay Presidency, I purpose to treat at some length the questions arising out of the excise policy. During the five years under review (1885-90) that policy was keenly debated and criticised. I shall then more briefly deal with the revenue from salt, opium, customs, assessed taxes, stamps, and registration.

Of all revenue, that which is raised by the taxation of intoxicating liquors and drugs is perhaps the most defensible, both on grounds of political economy and morality. The discouragement of intemperance is a duty of every Government, and the accepted method consists in enhancing the cost of intoxicants by imposing taxes on their manufacture and sale. The system by which the Government of Bombay tries to attain this end, in other words, its excise administration, needs careful explanation, as it has been asserted by advocates of temperance in England that the Government of India has inverted the natural order of the excise question. It has been stated that instead of looking upon the taxation of intoxicants as a means of promoting temperance, the Government of India considers the revenue derived from this taxation

of such paramount importance that it has fostered the taste for stimulants and given undue facilities for their sale. Without entering on the general controversy, I shall endeavour to faithfully present the facts in the single presidency with which this volume deals.

In Bombay, as in other provinces of India, it is the poorest and most wretched class of the inhabitants which indulges most freely in intoxicating liquors. On the one hand, the Bráhmans and high castes as a rule abstain altogether from strong drinks, or, are strictly temperate in the use of them. On the other hand, the aboriginal tribes, such as the Bhils and Kolis, are hard drinkers. Some of them, like the Vágris and Kátkaris, are reported to almost starve themselves in food, or to eat rats, rather than give up their liquor¹. Like many uncivilised tribes, these aborigines are incapable of self-restraint, and, when they drink, they drink to excess. Next to them come the depressed and backward classes, including many of the low-caste Hindus, who spend a large proportion of their earnings on drink. The trading classes hardly indulge at all, and scarcely ever to excess. In Sind the mass of the population is Muhammadan, and the followers of the Prophet are forbidden the use of liquor.

Geographical as well as racial differences are also to be observed. The cultivator in the Konkan, who has to work in a damp and rainy atmosphere, finds liquor an absolute necessity. The nearer he lives to the sea,

¹ *Report on the Economic Condition of the Masses of the Bombay Presidency* (1888), p. 8.

the more he drinks, and it was pointed out in 1888 that of 220 shops in the District of Ratnágiri at that time for the sale of liquor, no fewer than 170 were situated within fifteen miles of the coast¹. I should remark, however, that the population is thickest and has most spare cash for luxuries in the coast tracts. In the Karnátik, also, the large numbers of Jains and Lingáyats, who never touch stimulants², lower the average of consumption per head, just as the large proportion of Bhils and aboriginal tribes in Khándesh and parts of Gujarát tend to raise it in those districts.

Taking into consideration these two factors, racial tendency to over-indulgence and geographical or climatic inducements to drink, and with a warning as to the inaccuracy of excise figures for certain districts, it is interesting to notice the incidence per head of excise taxation in the different parts of the Bombay Presidency proper, excluding Sind. The average was officially returned during the period under review at 7 anas 6 pies³, say sevenpence halfpenny. A rupee may be taken as equal to about one shilling and fourpence; an *ana* is one-sixteenth of a rupee, or say equal to one penny; a *pie* is one-twelfth of an *ana*, or six pies equal one halfpenny. This average of 7 anas 6 pies ($7\frac{1}{4}d.$) per head for the whole Presidency proper was exceeded in Bombay City

¹ *Report on the Economic Condition of the Masses of the Bombay Presidency* (1888), p. 90.

² *Ibid.*, p. 81.

³ *Ibid.*, Appendix IX, Abkári Details.

and Island, where the incidence per head amounted to 2 rupees, 11 anas, and 3 pies; in Surat District, where it reached 1 rupee, 5 anas, and 1 pie; in Thána and Kolába, where it was 15 anas and 2 pies, and 11 anas and 7 pies respectively; and in Broach, where it was returned at 7 anas and 10 pies. The average was closely approached in Poona and North Kánara, where the incidence of excise taxation per head came to 7 anas and 5 pies, and 7 anas and 4 pies respectively.

These figures are instructive. They justify the special inquiry and subsequent special excise legislation which took place during the five years under review in Bombay City, Surat, Thána, and Kolába. They also illustrate what I have said about racial and geographical influences. It is noticeable, however, that neither Khándesh nor the Panch Maháls are ranked among the worst drinking districts, in spite of their large aboriginal population. But this is due rather to the difficulty of checking illicit distillation in their sparsely populated or jungly parts than to the non-consumption of liquor. Poona, however, holds an exceptional position, and it is stated: 'In Poona toddy drinking is getting more frequent near the city'¹, and 'town labourers of the lower castes spend part of their earnings in drink'².

After noticing the hardest drinking districts, it is only fair to particularise the most temperate: namely

¹ *Report on the Economic Condition of the Masses of the Bombay Presidency*, p. 27.

² *Ibid.*, p. 75.

Kaira in Gujarát, where the incidence of excise taxation is returned at only 5 pies per head, or less than a halfpenny, and Sátára and Ahmadnagar in the Deccan, where it is returned as 1 ana and 1 pie, and 1 ana and 6 pies, or say one penny and one penny halfpenny, respectively. While the average incidence of excise taxation per head for the Konkan division of the Presidency is 8 anas and 9 pies, and for the Gujarát division 6 anas and 8 pies; for the Karnátik division it is only 4 anas and 5 pies; and for the Deccan only 4 anas. All these figures compare favourably with the high rate of 2 rupees, 11 anas, and 3 pies for Bombay City and Island. But it must be remembered that Bombay is a capital, with a large European element and a floating population of sailors and factory hands; and that illicit distillation can be more easily checked in a city than in a country district.

There is an idea in England that the drinking of intoxicating liquors was forbidden by all religions in India, and that it has been reserved for the British administration to introduce the prevalent vice of England into her dominions in the East. It is only too well known that the contact of the civilised races of Europe with African, American, and Polynesian savages has often resulted in the deterioration, if not destruction, of the latter from the use of cheap intoxicants. It is argued that something similar has occurred in India. The aboriginal tribes have always been, and always will be, heavy drinkers, but it is supposed that the British excise policy has

introduced the use of liquor among the higher castes, in spite of their religion. Sir Richard Temple, a former Governor of Bombay, in his speech in the House of Commons on April 30, 1889, exposed this fallacy at some length. It is, however, a fallacy so currently accepted in this country that his remarks deserve quotation in full.

‘I have fortified myself,’ said Sir Richard Temple, ‘with what I conceive to be the very best native opinion to be obtained on that matter. I refer to Rājendra Lāla Mitra, who is, I believe, one of the most learned and accomplished Hindus of this generation. He is profoundly versed in all the ancient religious beliefs of his country, and is a master not only of the Indian classics, but also of our Western tongue. In his elaborate work on the Indo-Aryans he has a chapter on “The Spirituous Drinks of Ancient India”; and he writes without bias either way—without any theory to sustain or to overthrow—and merely with the intent to portray Hindu manners by citations from authoritative writings. After some discussion, he goes on to say: “Elders, anchorites, sages, and learned men, forming the bulk of the priestly class, doubtless abstained from them (spirituous drinks), as they do now; so did a good number of thousand respectable householders; but they constituted only a fraction of the sum total of the community. And Sanskrit literature, both ancient and mediæval, leaves no room for doubt as to wine having been very extensively used in this country at all times and by all classes.”’

‘A quotation from classical poetry runs thus: “How will you, dear one, of wine-reddened eye, who have quaffed delightful liquor, drink the mist-befouled water which I offer with my tears?” In one of the Sacred Books a goddess, girding herself to prepare for combat with a demon, says: “Roar, roar, ye fool, for a moment only till I finish my drinking.” After adverting to the authority of the Tantra Books in modern Hinduism, our author cites several passages, from which I select one: thus Siva, the god, says: “Oh sweet-speaking goddess, the salvation of Bráhmans depends on drinking wine. I impart to you a truth, oh mountain-born, when I say that the Bráhman, who attends to drinking, forthwith becomes a god. True knowledge can never be acquired, goddess dear, without drinking wine. Therefore should Bráhmans always drink.” And again: “Whoever, after being initiated in the salvation-giving spell, fails to drink wine, is a fallen man in this iron age.” Lastly our author, after describing the supposed effects of Soma beer upon the Celestials, adds: “The effect of this liquor upon the gods could only have been assumed from the knowledge of what it was upon the worshippers.”’

I am not concerned to advocate the excise system of the Government of Bombay, but to explain it. And I should frankly state that I think Sir Richard Temple presses the practical significance of the above quotations too far. For while the use of liquors can thus be proved in ancient India, there can be no question that the caste-restraints of Hinduism at the present day put a stringent check on drinking among the

higher and more respectable classes of the community.

Moreover, although the Temperance party in England are wrong in asserting that the excise policy of the British has introduced into India the practice of taking stimulants in spite of the religion of the people, it must be admitted that drinking has increased throughout India, and especially in the Presidency of Bombay, of late years. This, however, is not to be attributed to the effect of the policy of the Government, but to general causes over which the Government can exercise little or no control. The spread of railways and mills, of European practices and European ideas, tends to destroy the old prejudice against liquor. The creation of large industrial capitals, such as Bombay, better wages, and a monthly surplus stimulate the drinking habit among the factory operatives, as in similar industrial communities in other countries. The general increase in prosperity of the agricultural and industrial classes has given them more money to spend on articles not of prime necessity, among which intoxicants must be included. These and similar economic causes have led to increased consumption of intoxicants. But it must be remembered that increased consumption, proceeding from such causes, does not necessarily mean increased intemperance.

It may be interesting here to mention the principal stimulants used in the Bombay Presidency and the localities where they are consumed. Imported alcoholic drinks, such as European beer, wine, brandy, whisky, and gin, or Aska and Sháhjahánpur rum, are

too expensive for the mass of the population, and are consumed chiefly by the European residents and soldiery, or by natives who imitate European customs and have the means to gratify their inclination. The bulk of the inhabitants of the Presidency are quite contented with what is called 'country liquor.' This may be divided into toddy and distilled spirits.

Toddy, which is consumed to a greater or less extent in every district of Bombay, is the sap of the cocoa-nut or date-palm, and forms, when it is fresh drawn, a wholesome and innocuous beverage. It is otherwise with the country-made spirit. Almost all the spirit made in the districts of Gujarát and the Deccan is distilled from the dried flowers of the Mahuá or Mowra tree. This tree grows abundantly in several of the northern districts of the Presidency, where its flowers are collected in the forests by the Bhils and other wild tribes. Mahuá flowers are also imported in large quantities from the Central Provinces. In the city and island of Bombay, and in the districts of Thána and Kolába, both mahuá spirit and the spirit distilled from palm toddy are sold. In Ratnágiri and on the coast of the North Kánara District toddy spirit alone is used. In the inland or *ábove ghát* division of Kánara, and in the Karnátik districts of Belgáum, Dhárwár, and Bijápur, the spirit consumed is for the most part jágri, which is distilled from molasses¹. In Sind distilled liquor is only drunk by a few Hindus, and the mass of the population, being good Muhammadans, prefer bháng, a narcotic which

¹ *Bombay Administration Report for 1882-83*, p. 245

is usually prepared by bruising hemp heads into pulp, straining the pulp with water through a piece of cloth, and sweetening the decoction with sugar¹.

One of the aims alike of the Supreme and the Bombay Government has been to level up the taxation on country-made liquor to that on imported liquor. It is a truism that excessive customs duties promote smuggling, and that too highly-pitched excise duties lead to illicit distillation. In the Bombay Presidency it is found, to borrow a term from the language of the political economists, that the 'margin of smuggling' is much higher than the 'margin of illicit distillation.' That is to say, it is possible to collect a higher rate of customs duties without encouraging smuggling, than of excise without encouraging illicit distillation. This is inevitable. It might be possible to maintain as efficient supervision for excise purposes in the city of Bombay, as on the coasts for customs protection, but it would be impossible in sparsely populated country districts without an enormously expensive preventive establishment. It is improbable, therefore, that the excise on country-made liquor can ever be made exactly equivalent to the customs duty on imported liquor, although it may be possible to make them approximate more closely than they do at present.

The above considerations apply to customs duties levied on liquors imported by sea. With regard to importation by land from neighbouring Native States, the difficulty has been met in another manner. It is

¹ *Report on the Economic Condition of the Masses of the Bombay Presidency* (1888), pp. 47, 98.

impossible to maintain adequate preventive establishments along such an extended and interlaced land frontier as the Bombay Presidency possesses, especially where the territory of the British and of Native rulers overlaps and intersects. The British Government has, therefore, found it more economical to lease the excise administration of the smaller Native States. That is to say, it pays the rulers of these States fixed sums of money per annum, and in return receives a monopoly of the rights of manufacturing and selling liquor in their dominions. This monopoly the Government lets out to liquor farmers, generally to the lessee of the farm in the neighbouring British sub-divisions. Identity of taxation and administration is thus secured with regard to the smaller Native States within the limits of the Presidency. Such a sweeping measure for protection of the excise is not feasible with the larger bordering States of the Gáekwár of Baroda and the Nizam. With the Nizam a special convention has been made, by which no liquor shops are to be allowed within three miles of the British frontier. With the Gáekwár, whose territories not only adjoin but are interlaced with the British districts, a more elaborate treaty was negotiated during the period under review.

The customs on sea-borne imported alcoholic drinks, or 'potable liquors,' as they are termed in the returns, may first be considered. So large a proportion of the total customs revenue is derived from this source, that it was stated in 1882-83 that 'the Customs Department must now be regarded as main-

tained for the protection of the excise revenue and the registration of trade¹. In 1884-85 no less than Rs. 15,11,330, out of the nett total of Rs. 15,75,325 collected as import duties in all the ports of Bombay and Sind, was levied on potable liquors²; and in 1889-90 (after the addition of Rs. 4,27,761 from the petroleum duty) the proportion stood at Rs. 21,37,017 out of Rs. 26,80,458³. It should be noted that the liquor imported at the Bombay ports is not all consumed in the Presidency, but also goes in part to other provinces.

In examining the detailed figures which make up these totals, it appears that the revenue from the customs duties on ale, beer, and porter rose from Rs. 18,684 to Rs. 46,059 during the five years under review (1885-90); the revenue from wines and liqueurs fell from Rs. 2,11,726 to Rs. 2,04,830; while the revenue produced by the duties on imported spirits increased from Rs. 12,80,808 to Rs. 18,86,038. The duty derived from the importation of spirits is therefore far in excess of that from all other alcoholic liquors.

A noteworthy point with regard to imported spirits is the increase in the proportion of whisky to brandy. The whisky comes from the United Kingdom, the brandy mainly from France. The only other imported spirit requiring notice is rum. A considerable quantity of rum is imported from the Mauritius. But it does not represent all the rum consumed in the Bombay Presidency, for a good deal comes overland

¹ *Bombay Administration Report for 1882-83*, p. xxx.

² *Ibid.*, 1885-86, Appendix IV. D (3).

³ *Ibid.*, 1889-90, Appendix IV. D (3).

from the distilleries at Aska in the Madras Presidency and Sháhjahánpur in the North-Western Provinces. Of the brandy of the cheaper and coarser sorts, a large quantity is imported in the wood, to be used for mixing with and fortifying the alcoholic strength of country liquor, or to be watered down, bottled, and sent up country for consumption.

During the period under review the general Indian Tariff Act of 1887 came into force in the Bombay Presidency, January 1887. It introduced two useful modifications. First, the duty on spirit of the strength of 'London proof' was raised from four to five rupees, to be increased or reduced in proportion as the strength of the spirit exceeded or was less than 'London proof.' This regulation seems to have had the desired effect, for it is stated that, in consequence of the new tariff, there was in 1889-90 'a decrease in the importations of over-proof potable spirits, together with an increase in those of under-proof spirits¹.' The second change was not so important. By the former tariff, all perfumed spirits, such as Eau de Cologne, were admitted duty-free, if in bottles not exceeding four ounces in capacity. This remission was largely taken advantage of for the importation of perfumed spirit, which was drunk as a stimulant instead of being used for toilet purposes. By the new Tariff Act the remission was abolished, and 'the effect of the change was to enhance the revenue, and at the same time to check almost entirely the importation of bastard Eau de Cologne.'

¹ *Bombay Administration Report for 1889-90*, p. 142.

Turning from the import duties on liquors to, the excise, or as it is called from an old Persian word the *abkâri* administration, it may first be observed that imported liquors contribute to the excise as well as to the customs revenue. Special licenses have to be purchased from the Excise Department for the retail sale of foreign liquor. The income from these licenses only amounts, however, to 3 per cent of the excise revenue, but their existence has to be noticed, as one of the complaints which led to the appointment of the Bombay City Abkâri Commission by Lord Reay arose out of them. Foreign and country liquor licenses, that is to say licenses to retail foreign and country liquor, had been separated in 1884 on the following grounds urged by the Commissioner of Abkâri. 'It seems to me,' he wrote, 'undesirable that foreign liquor should be allowed sale in the same shops as liquor of Indian manufacture. The rates of duty levied on foreign liquor are largely in excess of those levied on the liquor ordinarily manufactured in Bombay and other parts of India, and the practice followed in Bombay gives the proprietors and retail liquor shops special opportunities of foisting off on unsuspecting or half-intoxicated customers, as highly taxed liquors imported from Europe, spurious liquor concocted from cheap Indian materials. The revenue suffers in consequence and consumers do not get fair value for their money.'

Against the separation of foreign liquor and country liquor licenses, which was adopted on this recommendation, the Bombay retailers strongly protested, and their grounds for complaint were examined by the

Bombay City Abkari Commission in 1885. But the complainants tried to prove too much, and the Commissioners supported the policy of the Government in these words. 'The chief objection of the country-liquor sellers to the separation of the licenses is that it reduces the consumption of country liquor and increases that of foreign spirits; but as the foreign spirit sellers contend that it increases the consumption of country liquor at the expense of foreign spirits, it is probable that neither class has been prejudiced to any material extent; and since the separation of licenses certainly helps to prevent adulteration, it is not desirable, in our opinion, to revert to the former system of allowing the sale of both foreign and country spirits in the same shop¹.'

Proceeding to the excise on country-made spirits, the Bombay Government seeks to raise the highest rate from them, compatible with the prevention of illicit distillation. This rate must vary in different countries according to the strength of the preventive establishment and the possibility of efficient supervision. Just as illicit stills were common in the Highlands and Islands of Scotland, and in the West of Ireland, and are even now occasionally found there, so in the wild sparsely-inhabited parts of Khándesh and the Panch Maháls, and in the mountains and forests of the Konkan, illicit distillation proves very difficult of control. The aim of the Bombay Excise Department is, there-

¹ *Report of the Commission appointed to consider the working of the Abkari Act in the town and island of Bombay: Bombay, 1885, p. 3.*

fore, to levy the highest rate of taxation on liquor manufactured in the province, which shall not encourage illicit distillation, on the same principle that the Bombay Customs Department imposes the highest rate of customs duty which shall not encourage smuggling. The Bombay Government has framed its excise policy in order to attain this end, and has enormously increased its excise revenue.

The increase in the amount of the excise revenue between 1884-85 and 1889-90, however, is not proportionately so great as the increase in the Customs revenue from potable liquors. The gross revenue from excise in the Bombay Presidency in 1834-85 was Rs. 81 137,83, and the nett revenue, deducting refunds, drawbacks, and the cost of collection, Rs. 77,38,384. In the year 1889-90, the gross revenue had risen to Rs. 99,10,524 and the nett revenue to Rs. 93 43,677, showing an increase of Rs. 16,96,741 gross and Rs. 16,05 293 nett. The present system and the increased efficiency of the excise administration which accompanied its introduction date from 1878; and the praise or dispraise for its results has by common consent been assigned to Mr. Pritchard, now Sir Charles Bradley Pritchard, K.C.I.E., for many years Commissioner of Abkari, to whose ability as an administrator all parties render justice. In order to understand Mr. Pritchard's reforms, it is necessary to show the nature of the previous excise system.

The old system was one of monopolies with local modifications. The monopoly of manufacturing and re-

tailoring intoxicants in certain groups of villages, sometimes in whole *tálukás*, was sold by auction to farmers of the excise. This system possessed the obvious advantage of bringing in a revenue in lump sums without entailing expensive establishments. But its disadvantages were those inherent in all financial schemes for farming monopolies. From the revenue point of view it was unprofitable, for only capitalists could afford to purchase these farms, and their tendency was to combine to keep down the prices offered. From the moral point of view it was impolitic, because the farmers naturally tried to push their sales, and neither endeavoured nor desired to put a check on consumption. From the consumers' point of view it was objectionable, as the farmers, having the monopoly of manufacture as well as of sale, made their liquor as cheaply as possible, since they had no inducement to turn out a good and therefore an expensive article. The only persons to whom the system was satisfactory were the farmers themselves, who made large fortunes.

The new system was introduced in order to check these evils. It was intended to enhance the revenue, regulate consumption, and secure a good quality of liquor. It was hoped to effect these objects by extending the use of public and central distilleries, erected by Government, in which the farmers had to make their liquor and pay a fixed duty per gallon upon it. The right of retailing, and in the majority of districts of manufacture, was still sold to farmers, but they were obliged to sell sound liquor which had been tested

and passed by Government officials. The Government was enabled to check drunkenness by raising the rate of duty per gallon.

Practically there are two systems, known as the central and the public distillery system. According to the central system, the farmer for the district has to produce his liquor in a central distillery which is a Government building, under strict Government control. No one else can manufacture liquor in the district. Inspectors note the quantity and quality of liquor which leaves the distillery, and trace it to the retail shops, which are limited by the Collector to the wants of the district. According to the public distillery system, there is not one farmer for the whole district, but a number of subdivisional farmers of excise for each part thereof. These men must all obtain their liquor from a public distillery, but in that distillery there are several manufacturers, each with a license to manufacture liquor, and each manufacturing to supply his own retail trade or to sell to other dealers. Lord Reay was personally in favour of separating, so far as practicable, the manufacture and the retail trade.

The chief difficulty to be met was the difficulty of restraining illicit distillation and smuggling. Under the central distillery system constituting a monopoly of manufacture, the liquor farmers have an interest in restraining illicit distillation, and they are said to have even employed *fakirs* as a detective agency. But under the public distillery system, the farmer who retails and does not distil may be willing to run the

risk of retailing liquor which has paid no duty, for the extra profit¹.

A further disadvantage of the new system lay in the retention of the farmer monopolists. It is true that the farmers were shorn of their power of selling bad liquor by being obliged to manufacture in the Government distillery or to purchase their liquor from it. Nor did they merely pay, as formerly, a lump sum for the privilege of retailing liquor, which had enabled them to make large fortunes by getting their farms at too low a price, and had induced them to vigorously push their sales. They were obliged instead to pay a still-head duty per gallon on a guaranteed minimum consumption. This came to the knowledge of the English temperance advocates in the House of Commons, and they not unnaturally argued that it constituted a direct incentive to drunkenness. They urged that a liquor farmer might guarantee, for instance, a sale of 100,000 gallons and pay duty on that amount; but that finding he could only sell 80,000 gallons at a profit, he would part with the remainder at so cheap a rate as to encourage drunkenness.

It might be supposed that self-interest would prevent the farmers from doing a ruinous business of this sort; but the economic hypothesis is gainsayed by the facts. Hence Lord Reay thought it right to try the experiment in Thána and Kolába of raising the duty by competitive tenders for payment per gallon of actual consumption instead of on a guaranteed mini-

¹ *Bombay Administration Report for 1885-86*, p. 153.

minimum consumption: assimilating it gradually to the English system which probably will in the end be adopted. Under both systems the Government had recourse to competition, and in both systems competition led to bad results. Under the former system it sometimes tempted a guarantee of a larger consumption than was warrantable, under the second system a guarantee of a higher duty than could be recouped from the consumer. The latter system led to illicit distillation and to illicit retail traffic, the former was said to promote the sale of drink.

It therefore seemed necessary to restrict unlimited competition, and to estimate what Government had a right to assume as a minimum consumption: not allowing a wide departure in the tenders above or below the amount thus assumed.

One thing was clear, that the central and public distillery systems, by which the manufacture of liquor is supervised, are preferable to the former out-still system, by which the monopolist manufactured practically without control. But for some time it proved difficult to introduce the better system into districts where sparseness of population or other special causes made illicit distillation easy. During the five years of Lord Reay's administration, it was introduced into Sind, into three talukás of the Panch Maháls, and from January 1, 1888 even into Khándesh, where the quantity of mahuá trees presents an element of peculiar difficulty. Practically speaking the out-still system had almost completely disappeared by 1890. Sir Richard Temple felt himself justified in

saying, during the debate in the House of Commons on April 30, 1889, 'that the out-still system existed only in very remote parts of the province, and it is being done away with.'

The reforms introduced by Mr. Pritchard before Lord Reay's arrival, and the increased efficiency of the preventive establishment, which resulted, roused a strong opposition from every branch of the liquor trade in Bombay city. Fortunes were no longer to be made by the larger capitalists who used to take liquor farms, and the small retailers suffered also. Equally disgusted were the liquor consumers, who found the prices enhanced and a greater stringency in the prevention of illicit distillation. The opposition was skilfully managed. The liquor trade presented petitions to the Bombay Government, while at the same time it made common cause with the real temperance advocates, especially with the temperance party in the House of Commons, and pretended that its opposition to the new Government system arose from its zeal for the sobriety of the people. The chief centres of this movement were the city of Bombay and the districts of Thána and Kolába on the coast, to the north and south of the capital. Thána especially is a great drinking district, and the people resented a rise in the price of intoxicants. They therefore, under the guidance of the liquor-sellers, refused to buy liquor made at the public distillery, and their agitation was for a time confounded with another and quite genuine movement which was concurrently taking place among disinterested advocates of temperance in India. In the city

of Bombay, the liquor-sellers were a powerful and wealthy body, and they made their complaints loudly known through the Press.

There were therefore two elements of opposition. Earnest advocates of temperance were then, as, to the honour of the leaders of Indian public opinion be it said, they are always, urging the repression and discouragement of drinking habits among the people. The liquor-makers and liquor-dealers were resisting the new regulations, which compelled them to give better liquor at a reasonable price.

The cry was raised, and by some of the real temperance party in perfect good faith, that the Government, in its zeal to increase the revenue unduly, was increasing the tax on fresh toddy as severely as on distilled spirit. It was asserted that toddy was a mild and innocuous drink, slightly stimulating, but not intoxicating. It was called 'the poor man's beer.' The opposition urged that the poor man, unable to obtain his favourite drink, was taking to spirits. There was enough truth in these statements to lay the foundation for a bitter attack on the Abkari Administration, and to induce the Bombay Government to revise the excise demand on freshly-drawn or raw toddy.

It is true that raw toddy, when just drawn from the tree, is a wholesome and non-intoxicating beverage. But it appears from the report of Surgeon-Major Lyon, Chemical Analyst to the Bombay Government¹, that 'in toddy collected in pots, which have

¹ Dated March 3, 1883; reprinted as an appendix to Lord Reay's *Minute on Abkari*, published in Nov. 1889.

been previously used for the same purpose, fermentation appears to commence before the pots are removed from the trees,' and that 'the process of fermentation appears as a rule to be complete, and the toddy appears to attain its maximum of alcoholic strength within about 24 hours after the removal of the pot from the tree.' Without going into the elaborate figures of this report, it may be said that cocoa-nut, date, and brab toddy respectively attain an average alcoholic strength of 7.15, 5.8, and 3.9 per cent of proof spirit three hours after being drawn, and of 10.0, 8.0, and 4.7 per cent eight hours after being drawn. In order to explain what this means, the Government Analyst proceeds to state that the alcoholic strength of London small beer is equivalent to 2.2, of London porter to 7.3, and of ale to 12.0 per cent of proof spirit. It appears then that the raw toddy, which its advocates liken to lemonade or ginger-beer, very speedily becomes a strong drink which deserves to be subjected to proportionate taxation.

Further, it must be noted that it is extremely easy to distil strong spirit from the toddy when fermented. I cannot do better than quote, almost verbatim, Mr. Pritchard's description of the process. He says: 'A pot of fermented toddy can be converted into a ready-charged still, and distillation can be set going anywhere in less than five minutes. All the apparatus necessary, besides the pot of toddy, is an earthen saucer (and a little wet earth) with which to close tightly the mouth of the pot; also a small bowl to be placed floating on the surface of the toddy in the pot. If a pot of fer-

mented toddy thus made up is set to boil, and the saucer which closes its mouth is kept cool by pouring water on it, the spirit given off from the toddy in the shape of steam is condensed on the under side of the saucer, and drips from the saucer into the bowl floating on the toddy ready to receive it. Two or three bottles of strong spirit can be made by this simple process in a couple of hours from an ordinary-sized pot of toddy. The distillation can be carried on anywhere, in the houses, or in the fields, or in the jungles; wood and water are plentiful in all the coast talukás. It was the common custom of the country to make toddy spirit in this primitive fashion before the reforms of 1877-78. A similar practice prevailed in Bombay. Toddy distillation in the same fashion was carried on in the houses and cocoa-nut gardens all over the island. Toddy spirit,' concludes Mr. Pritchard, 'is made to this day in the same fashion in the public distilleries in Dádar and Chaupati in Bombay, the only difference being that the stills used are large copper pots, with metal lids to close their mouths,—the pot-stills in which whisky used to be made in Scotland and Ireland.'

Under these circumstances, the rapid fermentation of toddy and the ease with which strong spirit can be distilled from it, the Bombay Abkári Department had believed itself justified in treating raw toddy as inchoate toddy spirit, and imposed taxes on it accordingly. This roused the opposition in Thána and Kolába, as has been already said, and in the island of Bombay. The cry against the Excise Department, was warmly taken up; the Fazandárs or owners of cocoa-nut, date

and brab trees loudly protested ; and in 1885, the year in which Lord Reay took up his office, the Bhandáris, who form a class of hereditary tree-tappers and toddy-drawers, struck work.

The Bhandáris formed an interesting class, and had, as they believed, an hereditary claim on the indulgence of the Government. A curious petition from them presented in 1735, is extant. It is too long to quote in full, but the Resolution passed by the Government of that date upon the petition may be inserted here. 'Bombay Castle, Saturday, November 1, 1735. At a consultation present: The Hon'ble John Horne Esq., President and Governor, George Taylor, Esq., John Braddyl, Esq., George Percival, John Lambton; W. Draper, indisposed. Read and approved our last consultation. The President lays before the Board a petition, which had been presented to him by the heads of the Bhandáris, as entered after this consultation, setting forth the difficulties they labor under thro' the excessive high rent paid for the arrack farm, as the drawing and distilling arrack are the only means they have to depend upon for their support and sustenance, and offering to take the said farm among themselves and to pay the sum certain of ten thousand rupees per annum, which it is never to exceed or go under.

'The President also acquaints the Board that on discoursing with the heads of the said Bhandáris he had with some difficulty prevailed on them to give twelve thousand rupees per annum for the sole liberty of selling toddy and arrack, and had thereupon sent for the present farmer to know if he was inclined to relinquish

his contract, who, though he confessed that he had hitherto suffered by it, was in hopes to retrieve his loss during the time remaining of his contract, and therefore was unwilling to give it up.

‘The Bhandáris being a very useful set of people, and of all our inhabitants the most to be depended on in any exigency, they being of a military caste, and having on several occasions behaved with courage, we should be very glad to preserve those already upon the island, as well as to encourage others to come and settle among us, the increase of their number would tend to the better security of the place, which, during the time that our vessels are out, we are sorry to say is but ill-provided for, and the method now proposed will, we hope, not only prove effectual for that end, but in our opinions it is advantageous to our Hon’ble Masters.

‘It is therefore unanimously agreed humbly to recommend the same to them for their concurrence, and by the time we receive their answer the present contract will be expired.’

Lord Reay, like his predecessor of a century and a half before, received a petition from the Bhandáris. In it they represented that in 1690 a tax at the rate of one rupee, eight anas a year was levied on each toddy-yielding tree; that this rate was increased to three rupees a year by 1833; to six rupees in 1859; to seven rupees in 1874; and to nine rupees in 1876. By the Abkári Act of 1878 many restrictions were placed on their trade, and the rate per tree was steadily increased to 18 rupees per tree. In 1884 a change was made, and the tree-tax was replaced by a tax of one rupee,

ten anas, per imperial gallon of Rási, and of two rupees, six anas, on Fenni. This final arrangement had, the Bhandáris declared, ruined their trade, and reduced the 10,000 persons hereditarily engaged in it in Bombay to starvation.

Lord Reay resolved to deal with the whole Abkári administration in Bombay city by means of a Commission, and on July 22, 1885, he appointed Sir Frank Souter, Mr. J. H. Grant, C.S., and Mr. Sorabjee Bengali, for that purpose. They were ordered to enquire into not only the grievances of the Bhandáris and Faz-andárs, but also into those of the wholesale and retail liquor-sellers in the city and island of Bombay. They presented their report on October 29, 1885. I have already noticed their recommendation on one of the two principal complaints of the liquor-sellers with regard to the separation of the sale of imported and country liquor. On the other, of which the gist was a complaint of spiteful opposition and of knock-out tactics in the auction sales of licenses, they recommended that instead of unlimited competition for such licenses a preference should be given to former holders.

On the raw-toddy question, the Commissioners reported in favour of reducing taxation upon it, and in March 1886 a Government Resolution was passed, fixing a tax of five rupees on each date, and of ten rupees on each cocoa-nut and brab tree tapped for raw toddy. In the following year it was further ordered, with the idea of maintaining a cheap supply of the raw toddy, that each tree-foot booth-keeper