

payment of the same rent should be presumptive proof that the land had been held at that rental from the time of the permanent settlement, unless the contrary be shown, or unless it be proved that such rent was fixed at some later period. In this Act it is further ruled that no ryot, having a right of occupancy at a rent which might be enhanced, shall be liable to an enhancement of rent previously paid by him, except on one of the following grounds, viz., that the rent paid by him is below the prevailing rent payable by the same class of ryots for land of a similar description, and with similar advantages, in the places adjacent; that the value of the produce, or the productive power of the land, has been increased otherwise than by the agency or at the expense of the ryot; or that the quantity of the land held by the ryot has been proved by measurement to be greater than the quantity for which rent has been previously paid by him.

In cases with right of occupancy at enhanceable rents, the rent had been generally a matter of arrangement between the zemindar and ryot, settled, in the event of a dispute, by the collector or by the village neighbours. / But the British planter, who had taken the place and position of the native zemindar, with his more advanced notion of law and right, was not likely to be satisfied by such a mere rule of thumb; and the whole question, therefore, with all its complications and difficulties, was raised prominently by Mr. Hills, a planter, in a suit for the purpose of increasing the rent of one Isshur Ghose.

On the trial of this case, it was contended on the one side, by the ryot, that the rent could only be raised in proportion to the increase in the value of the produce; on the other, by the landlord, that the lessor had a right to exact as much rent as any other person would pay. The decision of the district judge was, "That it was incumbent on the plaintiff to show that the value of the produce had increased in proportion to the increase of rent asked for; and that, if he could show that the value of the produce had doubled, he would be entitled to recover double the former rate of rent, and that, if it had trebled he could treble the rent, and so on." This decision, on appeal to the higher court, was reversed by Sir Barnes Peacock and two judges sitting with him; but, on a similar action being again brought before the High Court, the case, on account of the important principle involved, was tried by the full court of fifteen judges. The whole bench, except the chief justice, pronounced against the power of the planter indefinitely to raise the rent of the ryot, and decided that the rent could only be raised in proportion to the increased value of the land, such increase not being due to the exertions of the ryot. So the matter rests for the present in Bengal.

The peculiarity of the tenure under which land is held in India, and the absence of any legal right which can be enforced in a court, were prominently brought to light during the inquiries instituted by Sir John Lawrence into the rights of the ryots under the talookdars in Oude. These inquiries gave rise

to assertions that he was about to undermine and destroy the beneficial policy of Lord Canning in that province, the main feature of which was to maintain the influence and position of the talookdars.

In Oude the talookdars had acquired the possession of large districts, having holders of villages and ryots under them. On the annexation of the province by Lord Dalhousie, instructions were issued by him to set aside the talookdars altogether, so far as the settlement was concerned, merely assuring to them the payments to which they might be found entitled, and to follow the course which had been adopted in the North-West Provinces, the "leading principle" being, as was announced, "to deal with the actual  
" *occupants of the soil, that is, with village zemindars,*  
" *or with the proprietary coparcenaries, which are*  
" *believed to exist in Oude, and not to suffer the*  
" *interposition of middlemen, as talookdars, farmers*  
" *of the revenue, and such like.*"

It was, as Mr. Kaye says in his history of the Sepoy war, "the policy of the time to recognize  
" *nothing between the prince and the peasant.*" The settlement of Lord Dalhousie was closely followed by the mutiny of 1857, and the abrogation of the settlement followed the mutiny.

Great complaints had arisen from the village settlement; it had been found that the people did not value the rights then conferred upon them, and that in the struggle they joined their old chiefs, in spite of the oppression under which they had previously groaned. Lord Canning, therefore, determined to

take advantage of the position of affairs and to reverse the former policy. Viewing the territory in the light of a conquered province, he considered himself free to do as he liked in it. He announced the confiscation of all proprietary rights; and he then issued his famous Oude proclamation, and placed the whole district under the old talookdarce system, making it a condition specified in each sunnud or grant to the talookdar, that "all holding under them should be secured in the possession of all the subordinate rights they formerly enjoyed."

Thus he provided, as it was thought at the time by the Government in India and at home, for the protection of the under-proprietors. The question, however, speedily arose, whether the occupying tenant generally had, or had not, a right of occupying on favourable terms. And, if Sir John Lawrence, with the firm conviction he held that the rights of these proprietors existed, and were not respected, had shrunk from the inquiry, he would not only have frustrated Lord Canning's declared intentions with regard to the humbler classes in Oude, but he would have laid himself open to the charge of sacrificing principle to expediency,—a moral cowardice totally at variance with his nature and character.

To maintain the talookdars in an influential position, possessed of administrative and judicial powers, was Lord Canning's policy, approved at home; but this policy provided also for the just rights of any small holders.

The authorities in India were not, however, of



one accord as to the extent to which those rights could be legitimately pushed, and a warm controversy arose on the subject. In the early stages of the discussion, the officers in Oude, and even the Chief Commissioner, Mr. Wingfield, thought that certain classes of the occupiers had such a right; but, in the course of the investigation, he was led to an opposite conclusion, and it was ultimately determined that an inquiry must be made as to the existence of any occupying right. This inquiry was undertaken by Mr. Davies, who was appointed Financial Commissioner in Oude.

The views of the Home Government were conveyed to the Governor-General in Sir Charles Wood's despatch of the 10th of February, 1865 :—“ It would be  
 “ a matter of deep regret to her Majesty's Government,  
 “ if, in carrying these recent measures into execution,  
 “ any reasonable cause of complaint was given to the  
 “ talookdar. The just claims of subordinate holders,  
 “ to the maintenance of which the faith of the Govern-  
 “ ment is as much pledged as to the talookdars, must  
 “ not be sacrificed; but I am very anxious that the  
 “ measures ordered by your Government should not  
 “ be pushed beyond what is indispensably requisite for  
 “ this purpose, and that every consideration should  
 “ be shown to the talookdars, so as not in any way to  
 “ lower their position in the eyes of the country. I  
 “ believe that their interests will not be injured by  
 “ the maintenance of the rights of others, and that the  
 “ good feeling, and, indeed, the well-being, of the  
 “ whole community will be best promoted by the full  
 “ recognition of the rights of all classes; but, after

“ what has taken place in Oude, and the expectations  
 “ which the talookdars have been led to entertain as  
 “ to the effect of Lord Canning’s measures, I am con-  
 “ fident that you will see the propriety of taking especial  
 “ care, without sacrificing the just rights of others,  
 “ to maintain the talookdars of Oude in that posi-  
 “ tion of consideration and dignity which Lord  
 “ Canning’s Government contemplated conferring  
 “ upon them.”

The most strenuous advocate of the rights of the  
 talookdars has not denied that, if such proprietary  
 rights in the soil did belong to the ryots, Lord  
 Canning’s sunnud had guaranteed their continuance;  
 and Sir John Lawrence’s inquiry, if conducted with  
 the calm discretion and care impressed upon him by  
 Sir Charles Wood, could only tend “ to the expansion  
 of Lord Canning’s policy to its legitimate dimensions.”

The result of the inquiry had not been reported  
 when Sir Charles Wood quitted office.

## CHAPTER VI.

### FINANCE.

THE most pressing, and perhaps the most important matter which occupied the attention of the Government at home and in India was the state of the finances. Exhausting and distracting wars, which constantly recurred up to and during the earlier part of Lord Dalhousie's administration, had entailed on India a large military expenditure, for which the annual income had been insufficient to provide, and the deficiency had been supplied from money raised on loan.

On the termination of the last Sikh war a brighter prospect had opened on the finances of India. The last native power with which there could be any apprehension of a formidable war had been completely subdued, and everybody in India looked forward to a long period of peace and prosperity.

In each of the four years from 1849-50 to 1852-3, there was a surplus of revenue over expenditure ; the price of Indian securities rose ; and the interest of money fell so much that Lord Dalhousie was enabled to reduce the interest of the debt in India from five to four per cent.

But this state of financial prosperity did not last. From the years 1853-4 to 1856-7 there was a deficit every year. In 1854-5 Lord Dalhousie raised a loan of 2,750,000*l.*, nominally for public works ; and besides this special loan, the treasury in India was, as it had been for a long series of years, kept open for the receipt on loan of any money which persons might be disposed to pay in, on certain terms and conditions notified by public advertisement.

It is needless to point out that such a system, which relieved the Government from the necessity of providing for the annual charges out of the income of each year, was ill calculated to secure economy in the management of the public expenditure.

An enormous increase of expenditure had been the inevitable consequence of the mutiny. It had produced in the year 1857-58 an excess of charge, beyond the income, of 8,390,642*l.* ; in 1858-59 a similar excess of 14,187,617*l.* ; and, in the first exposition of the financial condition of India made by Sir Charles Wood in the House of Commons, on the 1st of August 1859, he stated that in the year 1859-60 the expenditure would in all probability exceed the income by no less a sum than 10,250,000*l.*

It was to be anticipated that such a prospect would be viewed with alarm by many men in and out of Parliament who were acquainted with Indian affairs ; and by one distinguished orator the financial condition of India was described in the House of Commons as “ a state of absolute chaos, utterly “ disreputable to the past Government of India, and

“ presenting great difficulties to every one engaged in  
 “ the attempt to restore it to a sound condition.”

Without accepting that description as literally accurate, there was abundant evidence of the existence of a state of things for which it would have been idle to anticipate an adequate remedy, if the authority to whom the supreme control of Indian affairs was entrusted were deficient either in financial capacity or in firmness to carry the necessary remedial measures into effect.

To use the words of Mr. Disraeli:—“ Able as  
 “ has ever been the administration of India, consi-  
 “ derable and distinguished as have been the men  
 “ whom that administration has produced, and nume-  
 “ rous as have been the great captains, the clever  
 “ diplomatists, and the able administrators of large  
 “ districts with whom the Government has abounded,  
 “ the state of the finances has always been involved in  
 “ perplexity, and India, that has produced so many  
 “ great men, seems never to have produced a chancellor  
 “ of the exchequer.”

At that time the only prospect of improvement in the revenue was from some additions to the customs duties, and an increase of the duty on opium at Bombay, for which measures had been taken by the Government of India ; but it was obvious that these would be insufficient to produce any material change in the aspect of affairs.

The expenditure on account of the army undoubtedly admitted of considerable reduction ; but the increase to the debt, which was attributable to the

mutiny, already entailed an additional permanent charge for interest of nearly 2,000,000*l.* per annum, which could not be reduced. With regard to the civil expenditure, it was certain that, before the administration of the country could be placed in a satisfactory condition, it would be necessary that a large increase of annual charge should be incurred on various matters connected with the administration of justice, the increase of the police, and the extension of the courts of law.

There was yet another difficulty to be encountered. The system of account in India, imperfect in itself, had become disorganized by the consequences of the mutiny, so that it was hardly practicable to obtain accurate financial returns.

The work to be taken in hand was indeed sufficiently embarrassing to excite the energies of the most ambitious financier, and was scarcely less calculated to produce some feeling of apprehension in the mind of any one who fully appreciated the magnitude of the interests at stake.

It remains to be seen how those difficulties were encountered, and how they were overcome.

It appeared to Sir Charles Wood that the first condition necessary for success was to find a fitting instrument for grappling with these questions. Fortunately a man eminently fitted for the task was at hand, and circumstances rendered it possible to send him to India.

The opportunity was not lost. A vacancy having occurred in the post of fourth ordinary member of



the Governor-General's Council, which had hitherto been held by a member of the English bar, Sir Charles Wood, seeing that financial questions must, at any rate for a time, outweigh legal questions in the Council, appointed to that office Mr. James Wilson, in whom a large and comprehensive knowledge of finance and taxation was combined with habits of laborious and untiring application.

Mr. Wilson's career had indeed been remarkable, though happily not unequalled in this country. A poor apprentice to a poor shopkeeper in a small Scotch town, he had by the force of his unaided intellect and by the strength of his unwearied exertions, raised himself step by step on the ladder of fame. In a life comparatively short, he rose from an apprentice to a merchant,—in which capacity a temporary failure in the panic of 1837 only showed to more advantage the unselfish probity of his conduct; from a counting-house he passed into Parliament; and after holding office in the Board of Control, the Treasury, and the Board of Trade, and being created a Privy Councillor, he finally took his seat at the council-table of the Governor-General of India.

The leading questions of the day,—the repeal of the Corn Laws and the repeal of the Navigation Laws,—had given him ample opportunity of employing himself with his whole heart on those subjects, and he had advocated those great reforms not only by his speeches in the House of Commons and out of doors, but in the columns of the *Economist*, which he edited for many years, and in which he demonstrated, in trenchant

and convincing articles, the fallacies of his opponents.

Upon these general questions of finance, taxation, currency, &c. &c., Sir Charles Wood's opinions had been formed after long and careful consideration, and confirmed by his experience whilst Chancellor of the Exchequer; and in reference to them, he had frequently communicated with Mr. Wilson. It was therefore only so far as regarded their application to India that Mr. Wilson had to learn Sir Charles Wood's views; and, before he left England, he received clear and explicit instructions as to what was to be done. It was obvious, however, that it was in India that the precise time and mode of proceeding must be determined; and upon these points Sir Charles Wood was willing to leave the Government of India unfettered by any positive directions.

On the 18th February, 1860, Mr. Wilson made his first financial statement in the council-room at Calcutta. Referring to the speech of the Secretary of State in the House of Commons in the preceding autumn, Mr. Wilson estimated the deficit for 1859-60 at 9,290,129*l.*, which was nearly a million less than the estimate of Sir Charles Wood: a favourable anticipation which was, however, not destined to be realized, as the accounts at the close of the year showed an actual deficit of 10,769,861*l.* Mr. Wilson frankly admitted that, though by the power of our arms and the courage of our civil administration, a feeling of security pervaded the country, it was "unfortunately" no State secret that an evil of the greatest magni-

“ tude was corroding the very heart of our political “ existence,” and that it would be vain that we should boast of the restoration of order and tranquillity, if we could see no end to the financial disorder that notoriously prevailed. Looking forward to the prospect of the year 1860-61, with which he had principally to deal, he showed that, after taking credit for the reduction of a million and three-quarters in the military charges, a reduction of one million on account of compensation for losses in the mutiny, which had been included in the estimate for 1859-60, and an increase of income from the salt duty of 410,000*l.*, the expenditure of 1860-61 would still exceed the income by six and a half millions.

He stated that Lord Canning had ordered a searching investigation to be made as to the extent to which that deficit could be met by reducing expenditure, wherever practicable, but that it was apparent to the Government of India that, in addition to the work of reduction, it would be necessary to have recourse to new sources of taxation,—a great difficulty in regard to a people so simple in their habits, and consuming so few articles from which revenue can be raised, as the natives of India.

The measures selected for this purpose by the Government of India were, a revision of the customs duties, an income tax, and a licence duty ; which last tax, however, was afterwards abandoned.

In dealing with the import duties which had been raised during the mutiny, the Government of India lowered them from 20 to 10 per cent. on nearly every

article in the tariff: wool, hemp, hides, and jute, formerly liable to a considerable export duty, were entirely exempted, as well as tea, the experiments in its growth having shown the expediency of giving every encouragement to the attractions it held out to European capital and European settlers, and how unwise it would be to crush in its infancy an undertaking which promised so well. Saltpetre and tobacco, as exceptional articles, were subjected to an increased duty. By these changes the Government of India gave up 82,000*l.* per annum, obtained from certain customs duties, which pressed heavily on the commerce of the country, while they estimated that they would obtain, in a manner far less objectionable, 233,700*l.*

Complaints had been made by Manchester merchants at home of the unfair valuation of articles subject to customs duties, and Sir Charles Wood had promised that the matter should be set right. The leading commercial men in Calcutta were therefore called together, and, with their advice and concurrence, a revaluation was made of the articles already subject to duty, whereby an improvement of revenue was anticipated of 200,000*l.*

But all these changes, improvements though they were, were insufficient to meet the increased liabilities which pressed upon the Indian Government. Some larger measure was necessary, and the Government of India proposed an income tax of four per cent. on all incomes of 50*l.* per annum and upwards, two per cent. on incomes between 20*l.* and 50*l.*, while incomes

below 20l. were to be entirely exempted from its operation.

It was not to be expected that these taxes would be passed without some opposition. One of the objections urged against the income tax was its imputed novelty in India ; but those who used this argument overlooked the fact that under the ancient Hindoo law such taxes were authorized ; and it was pointed out by Sir Bartle Frere that, in the years 1834, 1835 and 1836, taxes on incomes, trades, and professions, were almost universally levied throughout British India, and that these taxes were abolished in Bengal, the North-West Provinces, and Bombay, not because they were bad in principle, but because they were so unfairly assessed, and unequally levied, that it was difficult to enforce them in their then existing shape.

The income tax, as proposed, was more, therefore, in the nature of a revival of an old, than the imposition of a new tax, and, with the exemptions and alterations that were adopted subsequently to its introduction, it was not calculated to press with great severity on any class of the natives.

The smaller proprietors would escape payment altogether, while the tax was intended to bring under assessment the richer landholders and merchants who hitherto had contributed absolutely nothing to the public burthens. It was alleged that such a tax, as regarded the landholders, was a breach of the perpetual settlement ; but even influential natives of India admitted the fallacy of that objection ; and one

of them, the Maharajah of Burdwan, repudiated the allegation in the following words:—"I cannot," he said, "find anything in the terms of the settlement "to convince me that the zemindaries of India have "for ever been exempted from contributing to assist "the Government, when they incur unavoidable "expenses in preserving property, life, the honour "and all that is dear to them, of those very "zemindars."

No opposition to the tax, however, occasioned so much anxiety as that of the Governor of Madras, Sir Charles Trevelyan, who protested against its imposition on the people of that presidency. Had such a protest come to the Governor-General as a confidential communication, it would have been a fitting and proper proceeding, and the opinion of the Governor of Madras was entitled to the greatest consideration; but Sir Charles Trevelyan not only wrote a minute on the subject, but published it, warning the Government that the south of India had twice come to the aid of the Government in the north in their hour of need; and he added, "One "hundred years elapsed between those two occasions; "but it is impossible to say how soon a third may "arise, and it would be impolitic to unite the south "with the north of India in a common cause "against us."

It was a serious matter that the Governor of Madras should be opposed to the imposition of a tax deemed absolutely necessary by the Government of India. The publication of his minute condemning the tax was not only a breach of public duty,



but was calculated to produce a most prejudicial effect on the native mind, and to cause much embarrassment to the Government of India in a moment of great difficulty, when they were entitled to expect the assistance of all the public servants. The Secretary of State was so deeply impressed with the necessity of giving all the support in his power to the Government of India at such a crisis, that he immediately recalled Sir Charles Trevelyan.

That duty was one of the most painful that could well be imposed on Sir Charles Wood ; for Sir Charles Trevelyan was his personal friend, and had served for many years under him in the Treasury at home, and, while continuing the useful measures instituted by Lord Harris, and supplementing these with others of his own devising, he had conducted the government of Madras in a manner which had done much to heal the wounds that had previously existed among its population, and to bring that population to regard the English rule with favourable feelings. Indeed, in another despatch, written on the same day as the one recalling him, Sir Charles Wood, in thanking him for his valuable services, took occasion to remark, that “no servant of the Crown had more earnestly  
 “endeavoured to carry out the great principles of  
 “Government which were promulgated to the provinces and people of India in her Majesty’s proclamation.”

Some demonstrations took place in other parts of India against the imposition of the tax, but the Act was passed. Happily, the judgment, ability, and

conciliatory spirit in which the tax was levied by the English officials overcame many of the objections which had been felt to it, and secured the co-operation and good will of the more respectable classes of the native community.

The reduction of the annual expenditure was, if possible, a subject of greater importance and difficulty than the increase of taxation.

In 1856-57 the total expenditure of India, including guaranteed interest on railway capital, amounted to 33,852,234*l.*; in 1859-60 the expenditure had risen to no less than 50,475,683*l.* To reduce this enormous annual charge within moderate dimensions needed all the anxious attention of Sir Charles Wood; but, in effecting that great object, he could hardly have desired heartier aid than he received from Lord Canning, nor could he have found an abler or more indefatigable assistant than Mr. Wilson; and it was in India that the practical reductions that were required must be made.

It was obvious that little in the way of reduction was to be expected in the civil administration; as it was conducted already on principles of economy, “at a smaller cost than that of any country in the world.”

With regard to the military expenditure, the imperative necessity of effecting every practicable reduction had been pressed on the Government of India by Lord Stanley, as Secretary of State; and in April, 1859, the Governor-General called on Colonel (now Major-General) Jameson, the auditor-general at

Bombay, for his opinion as to the best mode of effecting those reductions.

Having been put in possession of that officer's opinions on the subject, the Government of India appointed a military finance commission, consisting of Colonel Jameson as president, and Colonels Burn and Balfour as members.

The commission first assembled on the 18th of July, 1859, and reported from time to time as to the reductions that could be effected. In January, 1860, they submitted a report on the existing system of account and audit, and made propositions for effecting important reforms therein, and they pointed out the necessity that existed for the preparation of an annual budget of military expenditure. The propositions contained in that report were important, not only in regard to the more immediate object for which the commission had been appointed, but as also indicating other changes in the Indian system of estimate, account, and audit, which were subsequently, as will be hereafter seen, entered upon and carried out, greatly to the benefit of the Indian Government.

In April, 1860, Colonel Burn was compelled by ill-health to leave India, and in June following the commission was deprived of the valuable services of its president, Colonel Jameson. Lieutenant-Colonel Simson and Mr. Richard Temple were afterwards added to the commission, and the Government of India bore ample testimony to the important services which that commission rendered, as well as to the benefits which resulted from the labours of Colonel Balfour, who was

appointed chief of the Military Finance Department, and who ably and energetically carried out the work of reduction and reform which had been suggested.

In dealing with the military charges, Mr. Wilson saw clearly how large reductions could be made, not indeed in the pay and emoluments of either officers or men, but in the numerical strength of the army, by a better distribution of the forces, by control over the commissariat and other expenditure, and, to use his own words, "by reducing our army finance to order."

In applying himself to that work, Mr. Wilson introduced the system of preparing annually a budget of income and expenditure, in order to bring before the Supreme Government, for sanction at the commencement of each year, carefully devised estimates of expenditure in every department, thereby guarding against irregular and unauthorized outlays for which no adequate provision had been made in the ways and means of the year. At the same time, within the limits sanctioned by the Government of India, a greater latitude than had before been given, was allowed to the subordinate Governments of Madras and Bombay.

In maturing the scheme which the Government of India had determined on introducing, Mr. Wilson laboured unremittingly, setting at nought the advice of his physicians, despising the warnings of a fatal and insidious disease, and perhaps not admitting to himself how valuable the continuance of his health and working powers had become to India.

It was in August that he was first attacked by

sickness, but he nevertheless continued to discharge without intermission his public duties.

Work at night, the habitual custom of an English politician, is notoriously unhealthy, if not fatal, in India. Although fully aware of this danger, night after night, when others found repose from the weariness which follows hard work in a Calcutta climate, Mr. Wilson would rise and set to work, till absolute exhaustion compelled him once more to seek the rest which he was unable to obtain.

A trip to sea was talked of—that wonderful panacea for all the enervating diseases of India ; but it was too late. A few days sufficed to render his illness fatal. Lord Canning visited the sick man on his death-bed, and was deeply touched by the tone in which he spoke of public matters. Not a word of self, or of his name or share in public affairs, escaped his lips. He expressed his hopefulness of the success of the great work in which he had been engaged, and calmly died, adding another name to that long list of heroes, who, at the desk as well as in the more exciting scenes of battle, have, without a complaint or murmur, laid down their lives in India in their country's service.

“ Nothing can replace,” wrote one of his fellow-councillors, “ the ripe experience and practical sagacity which tempered the unfailing energy of the colleague we have lost,” and Sir Charles Wood deeply felt the loss of so able a coadjutor.

It was obviously advisable that there should be no delay in appointing a successor, and the choice fell on Mr. Laing, Secretary to the Treasury in Lord

Palmerston's Government, who was appointed member of Council in Mr. Wilson's place.

On Mr. Laing's acceptance of this appointment, Sir Charles Wood took occasion to urge with, if possible, increased force, the absolute necessity of early and vigorous exertions on the part of the Government of India in the reduction of expenditure, wherever it could be effected without neglecting the indispensable requirements of the public service.

"I cannot," he said, "allow myself to contemplate any further increase in the taxation of India, and I can hardly think that any attempt at imposing additional burthens would not be attended by increased difficulty and cost of collection, beyond any possible advantage of increased receipts, independently of the obvious evil of the unpopularity of any such measure."

The Government of India applied itself with unflinching energy to the work of reduction, and, as early as February, 1861, Sir Charles Wood was enabled to anticipate the favourable results of his instructions and of their exertions, and, both in his despatches to the Governor-General in Council and by his speeches in Parliament, he indicated the measures by which he considered that in the year 1861-62 the expenditure could be brought within the income. He showed that the reductions ordered by the Government of India were expected to amount in the year 1860-61 to 2,500,000*l.*, which, with those of the previous year would make an estimated saving in military expenditure alone, of 6,000,000*l.*; and that,



if the reductions for 1861-62 were equal to those of 1860-61, and the produce of the new taxes came up to the estimate, the deficit would be extinguished, and the expenditure and income of 1861-62 would be balanced. The Government of India at that time looked upon Sir Charles Wood's financial statement as too sanguine, and there were many at home who shared the gloomy anticipations of that Government, but it was subsequently demonstrated, when the accounts were made up, that his views were almost literally correct, the deficit of 1861-62 being only 50,628*l*.

Although, however, the Government of India were, in February, 1861, unable to foresee the probable accomplishment at so early a period of the equalization of income and expenditure, too much praise cannot be given to them for their ready co-operation in the measures by which that great object was attained; and on no individual should greater praise be bestowed than on Sir George Clerk, for his unceasing and successful efforts in reducing the military expenditure in Bombay.

In June, 1862, Mr. Laing's health, unsuited for official life in an Indian climate, compelled him to return to England.

In looking for a successor, Sir Charles Wood's attention was not unnaturally turned to Sir Charles Trevelyan, whose fitness for employment in India could hardly be overlooked. He had commenced his career as a Bengal civilian. For twenty years he had been Secretary to the Treasury at home; but here, with a constant strain on his energies, he had not forgotten

his old associations and interests in India, and the letters of "Indophilus" which appeared from time to time had not only attracted the attention but had taken a great hold of the minds of those at home to whom India was not, as it is to many, a *terra incognita*. He had shown himself an excellent Indian administrator during his short rule at Madras. It is true that he had committed one great indiscretion, but he had paid a severe penalty in being recalled from so honourable a position. His recall had been to Sir Charles Wood a very painful, though necessary duty, and he gladly welcomed the opportunity of again rendering the services of so able an administrator available for the public good.

It was doubted, however, whether, after having been governor of a presidency, Sir Charles Trevelyan would again undertake a subordinate appointment with less responsible duties. Many men of smaller minds would have shrunk from the acceptance of such an appointment, but the offer generously made was met by him in a similar spirit; and in the commencement of 1863 Sir Charles Trevelyan set out on his third journey to India, as member of the Governor-General's Council.

The small excess of expenditure over income, amounting to 50,628*l.* in the year 1861-62, was followed in 1862-63 by a surplus of income over expenditure of no less an amount than 1,827,346*l.*; but this was an exceptional occurrence, and was mainly due to an unprecedented receipt from opium, the produce of which in that year was 8,055,476*l.*, or 1,696,207*l.* more than had been realized on the

same account in 1861-62. In the year 1863-64, the income exceeded the expenditure by only 78,347*l.*, and here again the change from the previous year nearly corresponds with the falling off in the net proceeds of the opium revenue: the receipt from that source of income in 1863-64 having been less by 1,223,477*l.* than the amount obtained in 1862-63, while the cost and charges of the drug were 450,215*l.* more than in the former year.

In 1864-65, the expenditure again exceeded the income by 193,521*l.*, and this is the last year for which the accounts have been received. For the year 1865-66, reference can be made to estimates only; these once more show an excess of income over expenditure of 20,585*l.*

In order to see how far the change from an excess of expenditure over income in 1859-60 of 10,769,861*l.* to an excess of only 50,628*l.* in 1861-62, and the subsequent continuance of a state of comparative equilibrium of income and expenditure, was attributable to increases of revenue or reduction of charge, it is necessary to refer shortly to the total amount realized and expended in each year, and to the principal heads under which changes occurred. The total revenues and receipts in India amounted in

	£
1858-59 to ....	36,060,788
1859-60 ,, ....	39,705,822
1860-61 ,, . . ....	42,903,231
1861-62 ,, ....	43,829,472
1862-63 ,, ....	45,143,752
1863-64 ,, ....	44,613,032
1864-65 ,, ....	45,652,897
1865-66 ,, (estimated) ....	47,041,540

being an increase of income for 1865-66, as compared with 1858-59, of 10,980,752*l*.

Of that increase nearly two millions were derived from the land revenue, which, under an improved system of assessment, shows a continuous advance.

About four and a half millions were obtained from new or increased taxes, nearly two and a half millions from opium, the remaining two millions consisting of improved receipts from existing taxes consequent on the general prosperity of the country.

The charges in India and England during the same period were as follows:—

				£
1858-59	.....	.....	.....	50,248,405
1859-60	.....	.....	.....	50,475,683
1860-61	.....	.....	.....	46,924,619
1861-62	.....	.....	.....	43,880,100
1862-63	.....	.....	.....	43,316,407
1863-64	.....	.....	.....	44,534,685
1864-65	.....	.....	.....	45,846,418
1865-66 (estimated)	.....	.....	.....	47,020,955

The total charges were therefore lowest in the year 1862-63, when the effect of the stringent measures of reduction which were adopted to bring the expenditure within the income was fully realized, and the reductions were almost wholly in the military charges. Those reductions, indeed, greatly exceeded the sum of seven millions, the net reduction on the total charge, there having been considerable increases in some of the civil departments.

The period for which the income tax had been imposed, terminated in August, 1865, and, when the budget of 1865-6 was under the consideration of the

Government of India, it was decided that there was not sufficient ground for its reimposition. Whatever opinion may be entertained as to the expediency of that decision, it must be admitted that keeping faith to the very letter in matters of finance, even where a doubt exists as to the engagements, may be worth more in India than an overflowing treasury.

The budget of 1865-6 was, nevertheless, open in other respects to serious objections. In order to make good a part of the loss caused by the cessation of the income tax, Sir Charles Trevelyan proposed to collect export duties on several articles of Indian produce, to raise in England a loan of 1,200,000*l.*, and to include the sum so raised as a part of the revenue of the year, thus producing an appearance of a surplus when a deficit was really to be anticipated.

It was not by such measures as these that the finances of India had been placed on the footing that they then occupied. After revising the budget and acquiescing in the repeal of the income tax, Sir Charles Wood condemned the loan, and disallowed the proposed export duties. He was thus compelled, with no small regret, to admit a prospective deficit for the year 1865-6 of 375,000*l.*

After the publication of his budget, failing health compelled Sir Charles Trevelyan to return to England, and Sir Charles Wood was able to secure the services of Mr. Massey as the financial member of the Governor-General's Council. Mr. Massey had already filled with considerable credit the post of Under-Secretary to the Home Office, and was, at the time of his appointment

to India, the Chairman of Ways and Means in the House of Commons.

The budget of the Government of India for 1866-67, the first after Mr. Massey's appointment, had not been received in England at the time of Sir Charles Wood's retirement from office, and therefore did not come under his review. It may be observed, however, that there was nothing in that budget to raise any doubt as to the wisdom of the selection of Mr. Massey for carrying on the work which had been for years in progress under Sir Charles Wood's directions.

Sir Charles Wood's financial administration of India may be briefly summarized as follows :—

On taking office he had to face an expenditure of 50,475,000*l.*, with an income of 39,705,000*l.*; to provide by loan for the deficiency of income, with the credit of Indian securities seriously impaired; and, insufficient as the means of India were to meet the current expenditure on public works, to raise funds for an increased outlay on that account.

He resigned office with the annual income adequate to the expenditure, with Indian credit thoroughly re-established, and this notwithstanding a considerable increase in the amount expended on public works.

It is in consequence of that success that we are now able to look upon India, not in the light of a burden on the British taxpayer, or a borrower on the British Stock Exchange, but as a solvent state, willing and able to assist us with valuable commodities, and to pay for all her own internal improvements.

In 1856-57, the year before the mutiny, her im-



ports amounted to 28,608,284*l.*, and her exports to 26,591,877*l.*, while in 1864-5, the last year for which reliable returns have been received, the imports amounted to 48,702,260*l.*, and the exports to 66,537,886*l.*, showing on the whole an increase of trade of upwards of 98 per cent. in eight years.

“ The future resources of India,” says the Quarterly reviewer, “ are quite incalculable. We have already “ seen her replacing with her produce the hemp and “ linseed of Russia, and the cotton of America ; she is “ rapidly preparing to substitute her tea for that of “ China. Should England ever be cut off from her “ usual sources of supply of sugar, coffee, silk, wool, “ or iron, in a few years India could make good the “ deficit. Even now India supplies a fair proportion “ of these articles, and Indian labour produces a large “ proportion of the supply from our colonies. So “ long as India and England are allied, England is “ independent of the rest of the world.”

It may be safely asserted, therefore, that the financial measures of Sir Charles Wood’s administration have been numerous and successful, beyond all reasonable expectation, and that his comprehensive knowledge and great capacity in dealing with all matters relating to finance have been of the greatest value in retrieving the Indian exchequer from the disastrous state into which it had fallen.

It was not however solely to the possession of those qualities, but also to his knowledge of men, and judgment in his choice of them, that much of his success is to be attributed. Those whom he selected as his

instruments in India have been already pointed out ; and in the India Office he found that he could place implicit reliance, not only on the members of his finance committee, but also on his financial secretary, Mr. Seccombe, whose great knowledge of his business, perfect accuracy, and unflinching application to his work, obtained for him the entire confidence of Sir Charles Wood.

A question far less interesting to the public, but one which required much thought and labour, was the improvement of the Indian system of account ; and, although the time has not yet arrived when the full extent of the benefits of the measures adopted by him can be appreciated, sufficient experience has been obtained to give reason for hoping that a foundation has been laid for a thoroughly good system of estimate, account, and audit, which only needs time to be fully developed.

The Indian accounts had been unnecessarily complicated and diffuse, and in the year following the mutiny had fallen hopelessly into arrear. There were not, it was thought, men in India qualified for the work of revising the mode of keeping the accounts, so as to make them harmonize with the new forms of estimate ; and, therefore, at the instance of Sir Charles Trevelyan, two commissioners were sent from England, for the purpose of completing a system very similar in detail to that which is now adopted by all the principal offices of Government in this country.

These commissioners, Mr. Foster, Assistant Paymaster-General, and Mr. Whiffin, an Assistant Ac-

countant-General at the War Office, have concluded their labours and returned to England; and there is reason to hope that it will be found that the changes that have been made, will go far towards remedying the serious evils which had been so long acknowledged and deplored.

## CHAPTER VII.

### CURRENCY.

THE improvement of the currency of India, by the introduction of a system of paper money better calculated than the notes of the Banks of Bengal, Madras, and Bombay to obtain general circulation, was a question intimately connected with Indian finance.

On this subject Sir Charles Wood was entitled to speak with great authority, from the knowledge which he had obtained as chairman of the parliamentary committee on the Bank Acts in 1841, from the part which he had taken in the discussions on the Bank of England Charter Act in 1844, and from the experience he acquired while Chancellor of the Exchequer in the monetary crisis of 1847.

Before describing the paper currency introduced under Sir Charles Wood's instructions, it will be well to glance briefly at the monetary system previously existing in India.

The rupee of 180 troy grains weight, containing 165 grains of pure silver, and of the value of about two shillings, constitutes, with the exception of copper, nearly the whole circulating medium of India, and it was, and still continues to be, the measure of value in

British India. The mohur, a gold coin identical in weight and fineness with the rupee, was coined to a small extent at the Government mints, but was not received at Government treasuries in payment of revenue since 1852, and circulated as coin to a very small extent.

There was also a limited circulation of bank-notes, confined almost exclusively to the presidency cities. They were issued by the Banks of Bengal, Madras, and Bombay, in each of which the Government was a shareholder, and was directly represented on the board of management by public officers, appointed under the designation of Government directors.

The authorized circulation of those banks was as follows :—

	£
Bank of Bengal, 2 crores of rupces, or	2,000,000
Bank of Madras, 1       ,,       ,,	1,000,000
Bank of Bombay, 2       ,,       ,,	2,000,000

The actual circulation of the Bank of Bengal was somewhat within that limit; that of the Bank of Bombay was usually under 1,000,000*l.*; while that of the Bank of Madras rarely amounted to 200,000*l.*

Throughout the vast territories of the Indian empire, therefore, silver coin formed practically the only means of discharging debts or defraying expenditure; and, although silver coin was inconveniently bulky for transmission to great distances, it was not supplemented by any popular gold coin, or any acceptable form of paper money.

The Government was compelled, in consequence of the imperfect means of communication, to maintain

treasuries, with large amounts of cash, in charge of Government officers, for carrying on the receipts and payments of the State. It is easy to understand that, in the absence of a paper or gold currency, the constant transmission of large sums in silver coin between the Government treasuries was a work of great labour, risk, and expense ; but it would be difficult to convey to the mind of a person unacquainted with India, the extent to which the army of the East India Company had for years been employed in detachments as treasure escorts. -

The question of introducing a more extended paper currency into India had frequently been discussed, and Sir Charles Wood thought that the time had arrived when such a measure might be adopted with great advantage. It was his wish to establish a paper circulation, issued directly by Government, and conducted on the principle which had been laid down and enforced in the Bank Act of 1844, *i.e.*, that a certain fixed amount of notes, corresponding as nearly as could be ascertained to the minimum ordinary circulation of the country, should be issued against an equal sum to be held in Government securities, and that notes in excess of that amount should be issued only against bullion or coin to be held in the currency department.

Before Mr. Wilson went to India, the whole subject of currency was fully discussed with him by Sir Charles Wood, and a general plan was devised, which was afterwards developed in an able minute by Mr. Wilson, written soon after his arrival in India.

In that paper Mr. Wilson discussed with his characteristic clearness the advantages to be obtained from the general use of bank-notes, and he showed that, in order to secure the confidence of the people, it was necessary that the notes should be issued under the direct authority and management of the Government.

The main features of the plan were :—

1st. The withdrawal of the privileges of issue hitherto enjoyed by the three presidency banks.

2nd. The issue of notes by the Government at the three cities of Calcutta, Madras, and Bombay, and in circles at various places in the interior of the country, the notes issued in any circle being payable only in that circle and at the presidency cities.

3rd. That coin or bullion, to the extent of one-third of the notes issued, should always be kept in the currency departments, and Government securities held for the remainder.

With the exception of the last provision, Mr. Wilson's plan was in accordance with the arrangements of the issue department of the Bank of England; but the exception was important, and was a departure from Sir Charles Wood's instructions.

While this scheme was under discussion, Mr. Wilson died, and Mr. Laing, who succeeded him, was desired by Sir Charles Wood to endeavour to amend the proposed plan in this respect, and to adhere strictly to the principles enforced in the Act of 1844.

The amendment was carried into effect by the Government of India, but they deviated from the



intentions of Sir Charles Wood in another respect, by making the banks in the presidency cities the agents for the issue and exchange of notes.

Under the system which was adopted, the notes were to be of the denominations of 10, 20, 50, 100, 500, and 1,000 rupees. The expediency of issuing a five-rupee note was duly considered and provided for in the Bill introduced into the Legislative Council of India, Sir Charles Wood and Mr. Wilson being in its favour; but the special committee of the Legislative Council altered the Bill, so as to exclude notes of five rupees, a change in regard to which Sir Charles Wood at once expressed his disapproval.

Ten circles have been established up to the present time :—Calcutta, with Allahabad, Lahore, and Nagpore as branches; Madras, with Calicut, Trichinopoly, and Vizagapatam as branches; Bombay, with a branch at Kurrachee.

The amount of notes to be issued on Government securities was not to exceed four crores of rupees, or 4,000,000*l.*, an amount somewhat in excess of the former circulation of the three presidency banks, which, as has been seen, seldom reached 3,200,000*l.*

The circulation of the new notes has increased, and on the 31st of October last had reached the sum of 10,160,959*l.*

Although, when compared with the notes issued by the three presidency banks, the circulation of Government notes shows a great augmentation, the issue in the circles has not, as yet, reached the amount which had been expected. Comparatively few notes have been

taken out for local use, but further experience of their convenience will, it is to be anticipated, increase their popularity in the country; and there can be no doubt but that the issue of a note of a smaller denomination than ten rupees, according to Sir Charles Wood's intentions, would lead to that result:

In carrying the currency scheme into effect, the claims of the three presidency banks to some compensation for the withdrawal of the privilege of issuing notes were not overlooked. An arrangement was made, whereby not only were those claims satisfied, but the banks were made the bankers of the Government at the presidency cities and at certain places in the interior, and they have been subsequently entrusted with the detailed management of the Government debt. In pursuance of that arrangement, the balances in the Government treasuries at the places referred to were made over to the banks, and a minimum balance was fixed, which the Government was to keep in their hands.

These arrangements necessitated the grant of new charters to the three banks. In the terms of these charters the Government of India allowed a provision to be inserted which involved a departure from Sir Charles Wood's intentions, as it authorized the banks, in regard to their agency department, to draw bills payable out of India, and to purchase bills for the purpose of providing funds to meet those drafts, a form of dealing in exchanges whereby they might incur risks inconsistent with the prudent management imperatively required on the part of any bank con-

nected with the Government, and in whose hands the Government money was kept.

It was difficult, however, for Sir Charles Wood to disallow that provision, as it could only be done by refusing his assent to the Act constituting the charter. As the agreement with the banks was to be in force for only five years, he entrusted the rectification of that error to the Government of India. It was, however, a work of considerable difficulty, and was not accomplished until Sir Charles Trevelyan had succeeded Mr. Laing as financial member of the Governor-General's Council, when, after much correspondence with the bank, an arrangement was made by which that objectionable part of the agreement was terminated.

The Act authorizing the issue of a Government paper currency contained one other provision which gave rise to some anxiety during a time of pressure for coin at Bombay. Under section ix. of that Act, notes were to be issued in exchange for bullion or coin, the currency commissioner being entitled to require such bullion or coin to be melted and assayed. The notes were issued as soon as the bullion was assayed, and there was no provision that any time must be allowed for coining the bullion into rupees. In regard to bullion taken direct to the mint for coinage, provision was made for an interval between the deposit of the bullion and the delivery of the coin; but, under this section of the Currency Act, a person taking bullion to the currency department received notes at once, and, as the currency department was bound to give coin for notes immediately, if demanded, it followed

that, by this double action, the Government might be called upon to deliver at once an amount of coin which they had not had the time or opportunity of providing.

But, although some risk of inconvenience was incurred, actual embarrassment was avoided, and, under Sir Charles Wood's directions, the rules for granting notes in exchange for bullion have been so modified as to preclude the occurrence of any similar risk in future.

The time that has elapsed since the introduction of the Government paper currency is not sufficient to show what will be its real value in the monetary system of India, when the use of the notes shall be more fully understood and appreciated, and a lower denomination of note brought into use. Enough, however, has been stated to show that, whereas, on Sir Charles Wood's acceptance of the office of Secretary of State for India, that country was practically without any useful paper money, he introduced a paper currency based on sound principles ; and, when he quitted office, the system was so far in operation as to leave it a comparatively easy task to carry it into effect, to whatever extent the wants of India may require.

The question of introducing gold coins more largely into the currency of India had also been considered by Sir Charles Wood, and discussed by him with Mr. Wilson ; and, as the latter had placed on record the result of their deliberations when dealing with the paper currency in his minute dated the 25th of December, 1859, so, in another minute bearing the same date, he discussed the subject of the

introduction of a gold currency into India. He admitted that, if the system of currency were to be commenced *de novo*, there would be a manifest convenience in having a gold coin as the standard, and silver tokens as subordinate coins. But, as all contracts in India were made in silver, he was of opinion that the contract between debtor and creditor must be strictly maintained. Nor did he consider that any important advantage would attend the use of gold, if it were otherwise practicable. He remarked that the expense of removing coin was in a small degree only determined by its weight and bulk, to a much greater extent by the necessity of protecting it, and that it was doubtful whether there would not be somewhat more danger of robbery from local treasuries containing gold, than if they contained silver. He concluded his minute by expressing his opinion that a well-regulated paper currency was more suited to the wants of India than a currency consisting mainly of gold.

The question of a gold currency was not again raised until the year 1864, when the Bengal, Madras, and Bombay Chambers of Commerce represented to the Government of India that it would be expedient to introduce gold as an auxiliary currency, the Bombay Chamber of Commerce adding that India was not yet prepared for a paper currency.

The subject was freely discussed by the members of the Government of India, and in July, 1864, in forwarding a minute by Sir Charles Trevelyan, that Government expressed its concurrence in his pro-

position that sovereigns and half-sovereigns, of the British and Australian standard, coined at any properly authorized royal mint in England, Australia, or India, should be made legal tender throughout the British dominions in India, at the rate of one sovereign for ten rupees.

In replying to the Government of India, Sir Charles Wood observed that there could not be any doubt of the advantage to India, England, and Australia, if the gold sovereign could be made the basis of their common currency. He objected, however, to the proposal of that Government, which would have the effect of establishing a double standard of gold and silver. He showed that, at the existing price of silver, a sovereign was worth intrinsically more than ten rupees, and that an enactment making the sovereign a legal tender for less than it was worth, would be practically inoperative. He further stated that, at the present relative value of gold and silver, the question whether the sovereign would circulate at ten rupees could only be determined by experience; and, in order to give every facility for trying the experiment, he requested the Government of India to notify by proclamation that, until further notice, sovereigns and half-sovereigns of the British and Australian standard, coined at any properly authorized mint in England or Australia, and of current weight, would be received in all the treasuries of India for the same sum as ten and five silver rupees respectively, and would, unless objected to, be paid out again at the same rate.

Since 1864 no change has been made in regard

to the receipt of sovereigns in India, and, as in most other questions relating to currency, various opinions have been expressed as to the necessity for, and the best mode of, introducing gold, and especially the sovereign, more generally into use.

In the year just closed the Government of India, having received a memorial from the Bengal Chamber of Commerce, praying for an inquiry as to the expediency of introducing gold into the monetary system of India, appointed a commission “to inquire into  
“the operation of the Paper Currency Act, upon any  
“improved arrangements, including the introduction  
“of notes for five rupees, by which it could be rendered  
“more effective; and upon any extension of the monetary system, which the increasing commerce and  
“prosperity of the country may seem to require;” that inquiry being considered by the Government of India a necessary preliminary to any consideration of the question of taking further measures for the introduction of gold.

The report of that committee has not yet been received in England.



## CHAPTER VIII.

### LAND REVENUE.

A VERY large portion of the income of India is derived immediately from the land. Next in order come salt and opium, customs and stamps; but, even when taken together, they do not usually give so large a return as is obtained under the heading of Land; indeed, before the mutiny, more than half the revenues of India were derived from that source; and in the year 1865-66 it was estimated at 20,066,200*l.*, in a total income of 47,041,540*l.*

A prominent event in the revenue administration of India, during the period now under review, is the publication by Lord Canning, in October, 1861, of a resolution “regarding the sale of waste lands in fee simple, and the redemption of existing land revenue.”

The proposals of the Government of India were to the effect that all unoccupied waste lands throughout British India should be sold to any buyers, at a fixed price of five shillings per acre for uncleared, and ten shillings per acre for cleared, lands. For thirty days after an intending purchaser had put in his application, any one claiming the property applied for might

assert his right to it ; if, however, that period of thirty days elapsed without any claim being advanced, the property was to be allotted to the applicant, whose absolute possession was not hereafter to be disturbed, even if a right of property in the land so allotted should be established.

Compensation might be awarded to any one proving a title to the land within a year of the sale ; but the original possessor was not allowed to have any claim for the restoration of his land.

Most delusive ideas were entertained by many as to the advantages likely to ensue from this resolution of the Government of India. Energetic capitalists were supposed to be only waiting for the opportunities thus presented to them, to flock to the jungles of India, and convert the howling wilderness into a smiling cotton-field. The Government of India itself was not entirely free from these utopian anticipations ; it was confidently hoped "that harmony of interests between permanent European settlers and the half-civilized tribes by whom most of the waste districts and the country adjoining them are thinly peopled, will conduce to the material and moral improvement of large classes of the Queen's Indian subjects, which for any such purposes have long been felt by the Government to be almost out of the reach of its ordinary agencies." Sir Charles Wood, on the contrary, perceived that European settlers and wild tribes, in tracts of country far removed from the protection of the law, were little likely to form themselves into a peaceful and harmonious community, bound together

by the mutual interests of trade and commerce. The intrusion of European settlers amongst warlike and predatory clans, passionately attached to their ancestral lands, would lead to differences and quarrels ending in bloodshed, and the ultimate extermination of the weaker body. The Government of India was therefore cautioned to exercise the greatest care "in allowing grants of land in outlying districts, where the arrangements for the protection of life and property were still imperfectly organized."

The quantity of really unoccupied land in India, except in wild and remote districts, has been generally very much exaggerated. A traveller passing up the country saw extensive jungles and apparent wastes, and not unnaturally inferred that these tracts were unoccupied and unclaimed by any one. This was, however, far from being the case. "The assumption "that these lands," wrote Lord Canning, "were uncumbered with private rights and tenures, was erroneous, and the publication of such statements was "extremely mischievous." Nearly the whole of them belonged to some proprietor or another,—the neighbouring zemindar in Bengal, or the inhabitants of an adjacent village, to whom they afforded pasture for their cattle; and the sale of such land would be as much an act of confiscation, as it would be if an unenclosed sheepwalk in Sussex was seized on, and sold by the order of the magistrates at quarter-sessions. It was pointed out to the Indian Government that the mode proposed by them for securing to the grantees the possession of their land, without regard to the

rights of original claimants, was not only entirely inconsistent with equity, but also with the provisions of the law, which could only be altered, if it were considered necessary to do so, by legal enactment.

The land which was really available for sale by Government consisted nearly altogether of wild districts in remote parts of India, in Assam, Oude, or the Central Provinces ; and as to such lands Sir Charles Wood approved of the proposed resolutions, with only two exceptions. In the first place, he insisted that a rough survey of the land, sufficient to ascertain the identity and quantity of the lots, should be made previously to, instead of after, the sale of the land. Such a survey would appear to be a necessary preliminary to a sale being effected or a purchase made, as without it a purchaser would really be in ignorance of what property he had bought ; and it entailed no expensive European agency. “ Hundreds “ of native surveyors,” said the Chief Commissioner of Oude, “ trained in Government schools, and therefore “ capable of performing the work, are available.” Sir Charles Wood further desired that on all occasions the land to be sold should be put up to auction, as is the invariable practice in Ceylon, instead of being sold at a price fixed irrespective of the value of the soil, its situation, capacities for irrigation, and contiguity to roads.

Abundant evidence has already been forthcoming that the provision requiring all waste lands to be put up to auction has in many cases secured large sums for the land purchased, and has effectually prevented

land-jobbing on the part of speculators. In some cases as much as 8*l.* per acre has been realized by the Government, instead of the small fixed sum at which it was proposed that they should be sold.

Rules have been since drawn up by the several local governments in accordance with Sir Charles Wood's directions, and a tribunal has been established for the adjudication of all claims to lands proposed to be sold.

By the same resolution of October, 1861, Lord Canning authorized the redemption of the land-tax, whether permanently or temporarily settled, to the extent of one-tenth of the aggregate amount of the assessment in each district.

Sir Charles Wood objected to this resolution. There was no source of income so little unpopular as the land revenue, and he disliked the sacrifice of so large a portion of that safe and secure income which was always to be depended on. It had been disapproved of by the great majority of the ablest officers in India. It was improbable that many persons would avail themselves of the power of redemption; indeed, when the experiment had been tried in the North-West Provinces and Oude, during six months after the publication of the Government resolutions not a single landowner had applied for a redemption of his land-tax. Apart from this resolution, it was already in the power of any landholder in Bengal practically to redeem his land-tax, by placing in the hands of the Collector an amount of public securities the interest of which was equal to the rent of his

estate ; but for thirty years hardly anybody had availed himself of this power.

Sir John Lawrence also deprecated a policy, the effect of which he knew, if fully taken advantage of, would be to deprive the State of a large amount of income which the people of India had from time immemorial been accustomed to pay, and which, he said, “ has all the authority of prescription and tradition in its favour ; ” an income which is drawn from the land, as has been observed by Mr. James Mill, “ without any drain either upon the produce of any man’s labour, or the produce of any man’s capital.”

The objections that were raised to the redemption did not apply to a direct permanent settlement of the land revenue.

Great advantages were anticipated from such a measure ; a general feeling of contentment would be diffused among all the landholders in the country, and they would, it was believed, become attached by the strongest ties of personal interest to the Government by which such a permanence was guaranteed to them, while great inducements would be given to them to lay out capital freely on the land, and to introduce improvements by which the wealth and prosperity of the country would be materially increased.

A permanent settlement would, in one respect, operate disadvantageously to the Government, inasmuch as it would cease to profit directly by any future augmentation of its income from this source ; but it was the opinion of many men, well qualified to judge of such matters, that the Government could not fail

indirectly to participate in any advantages accruing to its people, and that the people themselves would acquire more ability to bear increased taxation in other shapes. "Her Majesty's Government," wrote Sir Charles Wood to the Government of India, "entertain no doubt of the political advantages that "would attend a permanent settlement. The security, "and, it may almost be said, the absolute creation "of property in the soil which will flow from limita- "tion in perpetuity of the demands of the State on "the owners of land, cannot fail to stimulate or con- "firm their sentiments of attachment and loyalty to "the Government by whom so great a boon has been "conceded, and on whose existence its permanency "will depend."

A revision of the existing assessment was a necessary preliminary to a permanent settlement, and Sir Charles Wood directed that "a full, fair, and equable rent should be imposed on all lands under temporary settlement." He was prepared, after this was carried out, to sanction a permanent settlement of the land revenue throughout British India; at the same time desiring that the process of its introduction should be gradual, as it was impossible that establishments large enough for a general revision of the assessment could at once be provided.

Certain reservations in favour of the Government were directed to be made, whereby it might take advantage in participation hereafter of any mineral productions discovered in the soil, and of any improved culture resulting from the completion of



schemes of irrigation in contemplation at the time of the settlement.

The summary settlement of enams, \* chiefly in the presidencies of Madras and Bombay, including all tenures of land held under favourable conditions, has been vigorously prosecuted of late years ; the old rules by which inquiry was instituted into a title on the decease of any holder having produced a vast amount of vexation and annoyance. Under the new regulations laid down in 1859, all these inquiries are set at rest, and inconvertible titles, and the option of converting their terminable tenure into freeholds, by the payment of a sum to Government, have been given to the holders of the enams.

A special department for the management of the extensive forests, and forest-lands of India, has been carefully organized, and experienced foresters have been sent from this country to assist in their conservation and superintendence ; and the results in the supply of timber for railway purposes, as well as in an improvement in the climate of many districts by the replacement of trees, which had almost disappeared, will, doubtless, prove very great and beneficial.

The cultivation of the chinchona tree in India has been an object of great interest at home, and that interest has now been happily rewarded by the extraordinary success which has attended its introduction into that country. On the Neilgherry Hills acres and acres of land are now covered with plantations of these

\* A gift or rent-free tenure.

beautiful trees, and Mr. Markham, who, with considerable danger to his health and life, originally superintended the removal of the plants from Peru to Madras in 1860, and to whom the credit of the experiment is principally due, had, on his second visit to India, in the autumn of 1865, the satisfaction of finding all the plantations flourishing, and upwards of a million of trees growing successfully.

Some idea of the value of the quinine can be formed from a remark made in Mr. Henry Waterfield's valuable statement, showing the moral and material progress of India in 1864-65, when he mentions the fact that, "independently of the great saving that will  
 " accrue from the possession of chinchona to the  
 " Indian Government, which has been estimated at  
 " not less than 50,000*l.* a year, for the supply of  
 " quinine to the troops alone, the result of the  
 " experiment is very satisfactory in having opened  
 " a vast field for the cultivation of this valuable  
 " plant, the best species of which appeared likely,  
 " ere long, to become almost extinct in South  
 " America, and in having demonstrated that the medi-  
 " cinal qualities of the bark are capable of con-  
 " siderable improvement under proper culture; whilst  
 " it is impossible to calculate the value of the benefit  
 " bestowed upon the general population, by placing  
 " within their reach the fever-expelling preparations  
 " of the plant, which, from their high price, have  
 " hitherto been inaccessible to any but the wealthy  
 " classes."

## CHAPTER IX.

### PUBLIC WORKS.

How deeply Sir Charles Wood was impressed with the desire to improve the civil administration of India, and to accelerate the extension of reproductive public works, will be apparent, when it is remembered that, between the years 1862-3 and 1865-6, the annual expenditure on those heads was increased by nearly four millions per annum. There were, indeed, few subjects to which Sir Charles Wood devoted more constant consideration, than that of public works. Even when it was necessary to obtain repeated loans in order to meet the extraordinary expenditure caused by the mutiny, he was anxious to avoid any interruption of the progress of works for which an adequate supply of labour could be obtained.

A large expenditure was sanctioned and directed for the construction of roads in all parts of India, especially in the cotton districts, which will be adverted to hereafter.

Large sums of money were annually expended on the completion of the canals in the North-West Provinces and in the Punjab, and in the formation

of the subsidiary channels necessary for the wider diffusion of their benefits.

The Ganges Canal, in 1860, had been of incalculable advantage to the famine-stricken people in the districts through which it passed, not only in irrigating land which, without its fertilizing waters, would have been barren wastes, but by bringing down grain from more favoured districts for the relief of the sufferers. In 1864, a report, drawn up by Captain Crofton, showed that a large outlay was required for remedying certain defects in the construction of the canal; and authority was given for effecting the needful repairs. It is believed that by this expenditure, estimated to amount to no less a sum than half a million, the canal will be rendered well adapted for irrigation, as well as navigation.

Money was also advanced for the improvement of the Eastern and Western Jumna Canals, which, as Colonel Baird Smith said in his able report on the famine and its causes in 1860-61, did noble work in watering during the famine very nearly half a million of acres, and thus supplying an amount of good grain very moderately estimated at about six and a half millions of bushels.

In the Madras Presidency the works necessary for the extension and completion of the great systems of irrigation in the deltas of the Godavery and Kistna, have been fully sanctioned.

That many, if not all these works, will prove essentially reproductive, as anticipated by Sir Charles Wood, when he authorized such an enormous and yearly increasing expenditure upon them, is shown by

the beneficial results which have generally followed the construction of such works in India, and especially by the striking improvement in the value of property and in the condition of the people, in the extensive districts of the deltas of the Godavery and Kistna, in consequence of the restoration and extension of the old irrigation works connected with those rivers, and by the well-established success of the Jumna Canals in the North-Western Provinces.

In the year 1862, in addition to the current expenditure of the year, sanction was given by Sir Charles Wood for the employment of a sum amounting to 3,000,000*l.* from the cash balances for the further prosecution of reproductive works; and this money was not used, simply on the ground that sufficient labour was not obtainable to employ so vast a sum. In 1863-64 the amount to be applied to public works in India amounted to 5,237,200*l.*, or, including the guaranteed interest on railways, to 9,237,200*l.*; but this was not all. "The Government," said Sir Charles Trevelyan, "desires that it may be clearly understood that any funds that can be expended with advantage on cotton roads, or works of irrigation or navigation, or on any other useful works, will be granted during the ensuing year. There will be no difficulty as far as money is concerned."

During this large outlay on reproductive works for the development of the communications of the country, a new demand, to the extent of some millions, was made for providing additional and improved barrack accommodation for the increased number of European

troops ; for not only was their number in India more than double that for which accommodation had been provided before the mutiny, but the altered proportion of the European and native troops had called for a re-arrangement of the military posts throughout the country, while very few of the existing barracks were found equal to the requirements of modern sanitary science.

The heavy expenditure requisite for this purpose was freely sanctioned, caution being enjoined only that the stations should be carefully selected, and that more work should not be undertaken at one time than could be efficiently superintended and executed.

It was not only by the expenditure of money from the revenues of India that Sir Charles Wood encouraged the execution of works of public improvement ; he was always ready to give all reasonable assistance to those who were prepared to invest their capital in such undertakings in that country.

A guarantee of 5 per cent. had been given by Lord Stanley to the Madras Irrigation Company, on a capital of 1,000,000*l.* for 25 years for the execution of an extensive scheme of irrigation works in certain parts of the Madras Presidency, but when soon after the commencement of the works, it became evident that this sum would be utterly insufficient for the completion of the project as originally designed, Sir Charles Wood entered into a contract with the Company under the conditions of which they confidently expected that they would be enabled to raise the requisite capital without the aid of a guarantee. Circumstances,

connected to some extent with the unfavourable condition of the money market, have hitherto prevented the realization of these expectations, and the operations of the Company have, therefore, been restricted to that portion of their canal which is between Sunkasala and Cuddapah, and the Home Government have recently consented, on the application of the Company, to advance them the further sum of 600,000*l.*; a condition being, however, attached to the concession, viz., that, should the canal not be open by 1871, the works shall be made over to the Government for an amount of Indian stock equivalent to that which may have been laid out in their construction.

Large irrigation works on the Mahanuddy were entrusted to the East India Irrigation Company, who have already nearly completed a navigable canal from Balighat to Calcutta; and the execution of irrigation works in the Behar district, from the river Soane, on a plan proposed by Colonel Dickens of the Bengal Artillery, was also offered to the company.

No allusion has yet been made to railways and telegraphs—the two works which have tended more than any other to the consolidation of our power, and to the civilization and future peace and welfare of India. In June, 1859, the total length of rail open for traffic throughout the British dominions in India was 1,438 miles; at the commencement of 1866 the number of miles open for traffic was 3,332.

The recent opening of the bridge at Allahabad has brought within thirty-seven hours of each other



Calcutta, the capital of Eastern India, and Delhi, the ancient capital of the Moguls, which two cities are 1,000 miles apart ; and, when the advantages likely to accrue from the improved facilities of communication for military purposes, as well as the impulse that is thus given to the commerce and trade of India, are considered, the taunt hurled in the teeth of the East India Company in 1783 cannot now be repeated, that “ England has built no bridges, made no high roads, “ cut no navigations, dug out no reservoirs. Every “ other conqueror of every other description has left “ some monument, either of state or beneficence, “ behind him. Were we to be driven out of India “ this day, nothing would remain to tell that it had “ been possessed during the inglorious period of our “ dominion by anything better than the ourang-outang “ or the tiger.” If in future years India shall cease to be a British possession, her railways alone will be sufficient proof that our rule was a beneficent one to the people.

Whether, therefore, we look to the development of railways as affecting the rapid concentration of troops, the carriage of merchandise, the ease and security of travellers, the facilities of personal intercourse, or the spread of intelligence afforded thereby, we cannot fail to see with gratitude the vast improvements they have wrought in the administration of Government and the amelioration of the social condition of the people.

The map of India was already covered by a complete network of lines of telegraph, before Sir Charles

Wood became Secretary of State; but during his tenure of office, the telegraph from England to India by the Persian Gulf was commenced, and under the able superintendence, and by the personal exertions, of Colonel Patrick Stewart, was brought to a successful issue; but, alas, at a heavy cost. He, who in his short life had undergone more dangers, braved more perils, and encountered more adventures than are often crowded into that of an old man, died of fever in the moment of his greatest triumph. Full of enterprise and zeal, beloved by all who knew him, Colonel Patrick Stewart had the satisfaction of knowing that he had nobly done his duty, and that his success had been appreciated and rewarded at home.

It was a remarkable achievement of science that led to the completion of telegraphic communication from India to England by a line surrounded with dangers of all kinds by land and by sea. From Kurrachee to Constantinople it extends for three thousand miles, half of its distance being submarine and half through unhealthy countries and desolate wastes. The working of this line, though at times messages have been passed through it with almost miraculous rapidity, has not been on the whole quite satisfactory; the fault, however, has not been due to the defective construction of the line, but to the many interruptions that have occurred, for the most part in countries not under the control of the English or Indian Governments.

## CHAPTER X.

### COTTON.

GREAT as had been the outlay on public works of late years, a demand for still greater outlay was raised, not only in India, but at home, during 1863, and Lancashire manufacturers called loudly for extravagant expenditure on cotton cultivation, without, perhaps, inquiring or knowing what had been already done, and what was then doing. Without considering the capabilities of India, or the tenure on which the land was held, or the position of the native ryots, they inveighed against Sir Charles Wood, because he did not consider that "India meant cotton, and cotton meant India," but held that his duty, as Secretary of State, was to "govern India for the good of the greatest number of the hundred and eighty millions consigned to the care of England." \*

\* "The Manchester Chamber of Commerce have raised a cry against a minister who has refused to concede its preposterous demands, but Sir Charles Wood knows that his business is not with Manchester, but with India. His sphere is not a narrow one, bounded by the walls of Cottonopolis, but a wide one, extending from the Himalayas to Cape Comorin, and peopled with one hundred and eighty millions of human beings. Mr. Hugh Mason, a member of the Chamber, has been pleased to declare that India means cotton, and cotton means India; but Sir Charles Wood

It was painful to any liberal politician to watch how the influence of personal interests eclipsed in the minds of many of the cotton manufacturers the leading principles of free trade, which were entirely lost sight of, in nearly all the suggestions that were made in respect to the supply of cotton from India.

It will not be out of place to see what had been done for the furtherance of the growth of cotton in India, and its transport to this country. It was constantly alleged that the want of roads and difficulty of transit were so great that it was impossible to convey cotton to the ports for shipment; that nothing had been done or attempted to be done by the Government of India to obviate these difficulties; that a contract law, with penal clauses, was necessary; that there should be special interference with the ryots to compel them to grow cotton; that all land on which cotton was grown should be exempted from payment of rent for two years; that, finally, Government should make itself the medium between the producer and manufacturer, and buy the cotton at a fixed price, thus in fact entering the lists as a cotton broker.

The question no doubt was deserving of all attention. Nor did it fail to receive it. The wants of

“believes that cotton, though a good thing—and one which might be  
 “grown here, not by Government, but by private enterprise—is not  
 “the highest good of India. Sir Charles Wood believes, and this  
 “meeting is a living proof that the people of this country share in  
 “this belief, that India means good government, enlightened legis-  
 “lation, and the moral and mental elevation of its myriad millions.”  
 —Speech of *Baboo Kissory Chand Mittra*, at a public meeting at  
 Calcutta, 7th March, 1863.