

which I myself agree, and which serve my present purpose :—

‘The point which I wish to bring before the Committee and the Government is this, because it is on this that I rely mainly—I think I may say, almost entirely—for any improvement in the future of India. I believe a great improvement may be made, and by a gradual process that will dislocate nothing. What you want is to decentralise your Government. . . . You will not make a single step towards the improvement of India unless you change your whole system of government—unless you give to each presidency a Government with more independent powers than are now possessed. What would be thought if the whole of Europe were under one Governor who knew only the language of the Feejee Islands, and that his subordinates were like himself, only more intelligent than the inhabitants of the Feejee Islands are supposed to be? . . . How long does England propose to govern India? Nobody answers that question, and nobody can answer it. Be it 50, or 100, or 500 years, does any man with the smallest glimmering of common-sense believe that so great a country, with its twenty different nations and its twenty languages, can ever be bound up and consolidated into one compact and enduring empire? I believe such a thing to be utterly impossible. We must fail in the attempt if ever we make it, and we are bound to look into the future with reference to that point.’

Mr. Bright, seeing that the union of the various countries of India into a single state was impossible, went on to propose that each of the five great provinces should have a separate and almost independent Government of its own, directly subject to the British Crown, but that the central Government of India under the Governor-General in Council should be abolished. It is with no want of respect for Mr. Bright that I say that the latter suggestion was not feasible. There is nothing more essential to the maintenance of our empire than a strong central authority ; but Mr. Bright’s belief

was undoubtedly true that there can be no successful government in India unless each great province be administered by its own separate Government with a minimum of interference from outside.

There was a time when the tendency in India was towards greater centralisation ; but since the Viceroyalty of Lord Mayo the current has happily turned in the other direction, and the provincial Governments are now more independent than they were twenty years ago. This change has been mainly the result of the measures of financial decentralisation initiated in 1870, which have been pronounced by Sir Henry Maine to be ‘ much the most successful administrative reform which has taken place in India in his time.’¹ I shall speak of this in another lecture.

The Government of India now interferes very little with the details of provincial administration, and it invariably happens that the wisest and strongest Viceroys are those who interfere the least. They recognise the fact that the provincial Governments necessarily possess far more knowledge of local requirements and conditions than any to which the distant authorities of the central Government can pretend.

Although the Governor-General in Council exercises only a general supervision over the internal administration of the empire, there are some branches of the public business which concern the whole of India, and which obviously can be efficiently managed by the central authority alone. The military defence of India, and the conduct of our relations with Foreign powers and with the Native States of India, rest with the supreme Government. Although the duty of administering the laws rests with the provincial Governments,

¹ *The Reign of Queen Victoria*—‘ *India*,’ vol. i. p. 516

and with the local courts and authorities, the Government of India is in a great measure responsible for the excellence or imperfection of the laws themselves. Subject to the control of the Secretary of State, it makes provision for the construction of the railways and canals, without which there can be no proper development of the public wealth, or protection against drought and famine. It administers the post office and telegraph. It is mainly responsible for the management of the finances, and it lays down the principles by which the fiscal policy of the empire is to be guided. It depends on its decisions whether commerce shall be free, or fettered by unwise restrictions, whether salt and clothing shall be cheap, or made dear by taxation.

I must now refer to the Act of 1858, by which the Government of India was transferred to the Crown. It provided that all the powers of the East India Company and Board of Control should be exercised by a Secretary of State, in concert, in certain cases, with a Council, and, although various changes have been made in it by subsequent legislation, it remains in essential respects still in force.¹

The Council, styled the Council of India, consists of fifteen members appointed by the Secretary of State. Twelve of them hold office for ten years, and this term may, for special reasons of public advantage, which must be laid before Parliament, be extended for five years more. Three of the members 'having professional or other peculiar qualifications' may be appointed for life. The majority of the Council must be persons who have served or resided in India for at least ten years,

¹ The principal Acts referring to this subject are the following :—Act 21 and 22 Vic. c. 106 ; Act 22 and 23 Vic. c. 41 ; Act 23 and 24 Vic. c. 100 ; Act 32 and 33 Vic. c. 97 ; Act 39 Vic. c. 7.

and who have not left India more than ten years before their appointment. Most of the members are always men who have held high office in India. If you look at the present list of the Council, you will see that five of them belonged to the Indian Civil service, and have been either lieutenant-governors of provinces or members of the Viceroy's Council, four of them are soldiers, two are engineers, one is a banker, and three are men of diplomatic, official, or mercantile experience. The object aimed at by the law is to give to the Secretary of State, who must ordinarily have little personal knowledge of the details of Indian administration, the help of a body of experts. The position of the Council differs essentially from that formerly held by the Court of Directors of the East India Company, for, unlike that body, which possessed and exercised large independent powers, it has no initiative authority. Questions of the greatest importance, notorious to all the world, may be pending, but the Council can give no opinion on them until they are laid before it by the Secretary of State.

Every order proposed to be made by the Secretary of State must, before it is issued, either be submitted to a meeting of the Council or be placed in the Council-room for seven days for the perusal of the members, unless the Secretary of State considers the matter urgent, in which case, recording his reasons, he may make the order. There is one limitation on the powers thus given to him. He cannot order expenditure without the consent of a majority of the Council. The Act of 1858 provides that 'the expenditure of the revenues of India, both in India and elsewhere, shall be subject to the control of the Secretary of State in Council, and no grant or appropriation of any part of such revenues,

or of any other property coming into the possession of the Secretary of State in Council by virtue of this Act, shall be made without the concurrence of a majority of votes at a meeting of the Council.'

The powers thus given to the Council in controlling expenditure are, however, far from being as great as at first sight they seem to be, for they can only be exercised in regard to the ordinary business of the administration. Orders involving large expenditure may be given by the Secretary of State without either the consent or the knowledge of the Council. In dealing with questions affecting the relations of the Government with Foreign powers, making war or peace, prescribing the policy to be followed towards Native States, and generally in matters in which secrecy is necessary, the Secretary of State acts on his own authority alone. Before the transfer of the Government to the Crown, the Board of Control was empowered to send to India any orders on these subjects through the Secret Committee, which consisted of not more than three members of the Court of Directors, and those powers were transferred to the Secretary of State. Despatches from India on similar matters may be marked 'Secret' in India, and they are not communicated to the members of the Council unless the Secretary of State shall so direct. Such questions as an Afghan war, the negotiations with Russia and the Ameer of Kábul regarding the boundaries of Afghánistán, or the annexation of Burma, do not come before the Council. Its members have not only no power of interference, but they have no recognised means of obtaining information in regard to such subjects other than those of the general public.

Apart from questions of this character, most of the ordinary business passes through the Council, and, con-

sisting as it does of men possessing special experience of Indian affairs, its advice is naturally, in the great majority of cases, followed by the Secretary of State.

The business is distributed among the various departments, each of which is in charge of a permanent secretary, and the Secretary of State appoints, for consideration of the questions coming before each department, a committee consisting of three or four members of the Council. They are chosen according to their presumed knowledge of the subjects likely to be referred to them. The recommendations of the committees are laid before the Secretary of State, and, if he so directs, before the Council.

It has often been said that one result of the transfer of the Government of India to the Crown has been to increase very greatly the interference of the Home Government, and to weaken the authority of the Government in India itself. There is no foundation for such statements. Having myself been a member of the Government of India for nearly nine years, under five Viceroys, from Lord Lawrence to Lord Ripon, and afterwards a member of the Council of the Secretary of State, the point is one on which I feel that I have authority to speak. The increased facilities of communication, the establishment of telegraphs, the greater interest in India taken by the English public and by Parliament, the growth of the business of the Home Government in consequence of the large investments of British capital in India, and other causes, have made the relations between the two countries far more intimate than was formerly the case, but it is an error to suppose that the Secretary of State is constantly interfering in the ordinary work of Indian administration.

The description of the Home Government given by Mr. J. S. Mill in the time of the East India Company is as applicable now as when he wrote:—

‘It is not,’ he said, ‘so much an executive as a deliberative body. The Executive Government of India is, and must be, seated in India itself. The principal function of the Home Government is not to direct the details of administration, but to scrutinise and revise the past acts of the Indian Governments; to lay down principles and issue general instructions for their future guidance, and to give or refuse sanction to great political measures which are referred home for approval.’

The action of the Secretary of State is mainly confined to answering references made to him by the Governments in India, and, apart from great financial questions, the number and nature of those references mainly depend on the character and wishes of the Governor-General for the time being. Some men in that position like to minimise personal responsibilities, and to ask for the orders of the Home Government before taking action. Others prefer to act on their own judgment and on that of their councillors. The Secretary of State initiates almost nothing.

So long as the Government of India is content to carry on the administration without largely increasing the cost of existing establishments, and without incurring new and heavy charges, it is practically almost independent, so far as its action in India is concerned. Even in matters connected with the public expenditure, in regard to which, as I have said, special responsibilities which cannot be avoided have been placed by Parliament on the Secretary of State in Council, the financial powers of the Governor-General in Council and of the local Governments in India have been largely extended since the transfer of the government to the Crown.

Although by far the greater part of the administrative improvement of the last thirty years has been due to the Governments in India, credit for some of it must be given to the Government at home. A body constituted like the Home Government of India is slow to move and sometimes obstructive, and its general policy has been conservative and cautious. The more ardent among Indian reformers have sometimes chafed under the restrictions placed upon them, but in their anxiety for improvement they are sometimes more aggressive than is politically prudent. The most important part of our administration in India has the inestimable advantage of being carried on by comparatively young men, but youth and prudence do not always go together. One of the weakest points in our government is the incessant process of change in the *personnel* of the administration, and the constant waste of mature experience. Neither the Viceroy nor any member of his Council, nor any Governor or Lieutenant-Governor, holds his office for more than five years, nor is there much greater permanency in the tenure of other offices held by Englishmen. The climate, and the peculiar conditions under which the government has to be carried on in a foreign country by a small body of men, make these constant changes unavoidable. This renders it difficult to maintain at all times a wise continuity of policy, and in this respect the India Office often exercises an important influence. The advisers of the Secretary of State, although their knowledge is apt to get rusty, often know more about India than most of the officers of the Government in India itself; they preserve the traditions of administration and the lessons of experience.

LECTURE III.

THE ARMY IN INDIA—THE FINANCES AND THE PUBLIC REVENUES.

THE ADVANCE OF RUSSIA TOWARDS THE FRONTIERS OF INDIA—CONSEQUENT CHANGES IN OUR POSITION—THE ARMIES OF INDIA BEFORE THE MUTINIES—THE MUTINIES OF 1857—THE REORGANISATION OF THE ARMY—ITS PRESENT CONSTITUTION—THE STAFF CORPS—INCREASE TO THE ARMY CAUSED BY THE ADVANCE OF RUSSIA—ITS PRESENT STRENGTH—THE DEPARTMENT OF FINANCE AND COMMERCE—REFORMS INSTITUTED BY MR. JAMES WILSON—FINANCIAL DECENTRALISATION—THE EXISTING SYSTEM OF FINANCIAL ADMINISTRATION—GROWTH OF THE PUBLIC REVENUES SINCE 1840—THEIR PRESENT AMOUNT—SMALL PROPORTION OF THE REVENUES DERIVED FROM TAXATION—THE SOURCES OF THE PUBLIC INCOME—THE LAND REVENUE—ITS NATURE DESCRIBED BY MR. FAWCETT AND MR. J. S. MILL—ITS INCIDENCE UNDER NATIVE AND BRITISH GOVERNMENTS—MODERATION OF ASSESSMENT—AURANGZEB'S REVENUES—RATES ON LAND—THE OPIUM REVENUE—THE MANNER OF RAISING IT—THE CONSUMPTION OF OPIUM IN CHINA—MISTAKEN IDEAS ON THE SUBJECT—CHINA NOT DEPENDENT ON INDIA FOR THE SUPPLY OF OPIUM—THE CHEFOO CONVENTION—CONSUMPTION OF OPIUM IN INDIA—FORESTS—TRIBUTES FROM NATIVE STATES—POST OFFICE—TELEGRAPHS.

IN speaking, as I now propose to do, of the work that falls on the Government of India, I can only select some matters of special interest. There are others of the utmost gravity which I do not wish to discuss. Among these stand out prominently the great questions connected with the advance of Russia towards the frontiers of India, and our relations with Afghánistán. If I say nothing on these subjects, it must not be supposed that I fail to recognise their importance. The proximity of a great European power has profoundly altered our position in India, nor is it only our military position

that has been affected. The change is felt throughout India both in our own dominions and in the Native states. It has thrown into the minds of men uncertainties and hopes and fears regarding the future; it has seriously disturbed the finances, it has retarded the progress of works essential to the prosperity of the country, and has checked improvement in the administration. No Englishman need doubt that it is in our power to render India invulnerable to attack, but statesmen and soldiers will do well never to forget that nothing can save us, sooner or later, from a struggle for the maintenance of our empire except the certainty on the part of those who might desire to assail us that every hostile attempt upon India must end in disastrous failure.

I shall begin this lecture with an account of the manner in which the army in India is constituted. When you remember the great military revolt of 1857, the most serious event in the history of British India, and recognise the fact that the ultimate basis of our dominion is our military power, you will understand that this is a part of my subject which cannot be passed over in silence.

In the earlier times of the East India Company, when the formation of the British Empire was beginning in Bengal, Madras, and Bombay, a military force grew up in each of the three presidencies. Three distinct armies came into existence, and they remain at the present day.

The principal extensions of territory having occurred, since the beginning of this century, in the presidency of Bengal, the army of Bengal became the most important of the three: in 1856, the year before the mutinies, it was more numerous than the other two

armies together. In that year the British forces in India consisted of 39,000 Europeans and 215,000 Natives, besides several contingents, as they were called, maintained for the protection of Native States, and at their expense.

The Native army of Bengal, consisting in 1856 of 74 regiments of infantry, with 10 regiments of regular and 18 of irregular cavalry, was mainly recruited, especially for the infantry, from the Brahmans and Rájputs of Oudh, and in a lesser degree from the North-Western Provinces. A part of the Bombay army and of the contingents was supplied from the same classes. The army of Madras was recruited from its own presidency. Besides the Regular army, and various local corps, there was a strong force of so-called Irregular cavalry and infantry, the most important part of which was raised in the Punjab from Sikhs, Patháns, and other warlike races. This guarded the northern frontier, and was under the orders of the Provincial Government. The greater part of the artillery was manned by Native soldiers.

About one third of the European infantry, and all the European artillery were local troops, raised by the East India Company for permanent service in India. They numbered about 14,000 men.

In 1857 almost the whole of the Bengal Native army, a part of that of Bombay, and the contingents in Northern India, mutinied. The Madras army remained faithful. The Punjab Irregular force was not only faithful, but rendered admirable service in the suppression of the revolt.

Before peace was restored the old Bengal army had ceased to exist. The Government was transferred to the Crown, and the whole military organisation was

altered. The local European army was abolished. The artillery, which had been chiefly Native, became wholly British. The place of the local European infantry was supplied by British regiments of the line. The total strength of European troops was largely increased, while that of the Native army was largely diminished. Three distinct armies—those of Bengal, Madras, and Bombay—were still maintained. After the new arrangements had been completed, the army in India consisted of about 62,000 British, and 135,000 Native troops.

I quote from the Report of the Indian Army Commission of 1879 the following summary of the changes made after the mutinies; but, as I shall show, it became necessary in 1885, in consequence of the advance of Russia towards the north-western frontier, to increase the numbers both of British and Native troops:—

‘On the reorganisation of the army, after the mutiny was quelled, it was decided that the proportion of Native and European troops in India should never greatly exceed two to one, and that the field and other artillery should be exclusively, or almost exclusively manned by Europeans. . . . All the fortresses in the country are now served by British artillery. All the heavy batteries and all the batteries of field artillery are manned by Europeans. The lessons taught by the mutiny have thus led to the maintenance of the two great principles of retaining in the country an irresistible force of British troops, and of keeping the artillery in the hands of Europeans.

‘Our position in the country has very materially changed, and a force of 62,000 European soldiers represents a power far in excess of that which it represented in 1857. In those days the British troops were scattered in small forces throughout the country, and it was a matter of great difficulty, delay, and expense to concentrate even a small British force on any one spot in India. When the mutiny broke out we had hardly 400

miles of railway complete in the country, while at the present moment we have 8,312 miles of railway open.¹

‘All our great cantonments, all our fortresses and arsenals, save one, are now connected with each other, and with the seaboard, by railway. The strength of our European troops for action at any point, within or without the borders of British India, has thus been enormously increased. For example, whereas in 1857 a regiment took three or four months to march from the seaboard to Lahore, it can now move from Calcutta to Lahore in a week. Reinforcements from England, which then occupied three months on a voyage round the Cape, now land in Bombay within thirty days of leaving England. Again, the power of British troops has been indefinitely increased by their armament with breech-loading rifles, and by the substitution of rifled field-pieces of higher power for the smooth-bore six-pounder, nine-pounder, and mountain guns of the mutiny era. In any contest within the borders, or on the frontiers of India, these improved armaments would tell heavily; for the troops of Afghánistán, Burma, Nepál, Gwalior, Hyderabad, and the Cis-Sutlej States, are for the most part still armed with smooth-bore muzzle-loading weapons.’

The efficiency of the British troops has been greatly increased by another cause. Among all the changes that have occurred in India since the transfer of the Government to the Crown, there is not one over which we have better reason to rejoice than the improvement in the health of our soldiers. The Royal Commission which inquired in 1859 into the sanitary condition of the army, reported that the average death-rate among the British troops in India, for the forty years ending with 1856, had been 69 per 1,000. This was six times as high as the rate among Englishmen of the same ages at home. The Commission expressed the hope that the death-rate might be reduced by measures of sani-

¹ In the beginning of 1888, 14,383 miles of railway were open and 2,487 miles were under construction or sanctioned.

tary improvement to 20 per 1,000, or even lower. This hope has been more than fulfilled. In the ten years ending with 1879 the death-rate was 19 per 1,000. In 1883 it was less than 11 per 1,000, and in the worst of the four following years it hardly exceeded 15 per 1,000. No efforts have been spared to improve in every way the position of the British soldiers in India. They now live in barracks which, in comfort and in all sanitary conditions, excepting those conditions of climate over which we have no control, surpass any that can be found in any other country. Cantonments for more than 20 per cent. of the whole force have been provided at stations in the Himálaya or in other mountains. Since 1858 more than 30,000,000*l.* has been spent on military works in India.

Supreme authority over the army throughout India is vested by law¹ in the Governor-General in Council. The military member of Council has charge of the Military department, which corresponds to the War Office in this country. Subject to the administrative control of the Governor-General in Council, the chief executive officer of the army is the Commander-in-Chief in India. He has special command of the troops in the Bengal presidency, and he exercises a general control over the armies of Madras and Bombay, each of which has its local Commander in-Chief. The Governments of the minor presidencies possess certain administrative powers, but the ultimate military authority rests with the Governor-General in Council.

The British officers of the Native army are taken from the Indian Staff Corps. A Staff Corps for each of the three armies of Bengal, Madras, and Bombay, was established in 1861, when the Native army was re-

¹ 3 and 4 Will. IV. c. 85.

organised. The officers of the Staff Corps were, in the first instance, transferred from the East India Company's army, but they are now drawn from British regiments of the line or artillery. Officers are admitted to the Staff Corps under certain conditions, and after passing examinations in the native languages and in professional subjects. The three Staff Corps include more than 2,000 officers. They are employed not only in the Native army and in military appointments on the staff, but also in a large number of civil posts. They hold the majority of appointments in the political department, and many administrative and judicial offices in non-regulation provinces.

Before the mutinies of 1857 duties were often performed by the Native army which were really duties of police, and the great reduction, amounting to more than 90,000 men, made in the numbers of the army was followed by a complete reorganisation of the police throughout India. The number of men available for military duty was, therefore, not diminished to the extent that the figures seem to show. Exclusive of the village police, of whom there are some 700,000, the regular police force in India consists of about 150,000 men, of whom about 55,000 have firearms, and are more or less drilled.¹ There is no part of British India in which the people habitually carry arms, or commonly possess them, and the occasions are rare, not, on an average, more than two or three in each year, on which, usually in consequence of religious disputes between Hindus and Mohammedans, or between other sects, it is neces-

¹ This is exclusive of the military police in Upper Burma, nearly 20,000 strong. The disturbed condition of that province after annexation rendered it necessary to maintain a larger police force than will ultimately be required.

sary to call out troops to assist the civil power in maintaining order. Considering that the population of British India exceeds that of the five great powers of Europe together, this furnishes a good illustration of the quiet character of the people

The so-called Bengal army is by far the most important of the three armies of India, not only because it is more numerous than the two others together, but because, being chiefly recruited from the more vigorous races of the northern provinces, it is, as a fighting machine, incomparably more efficient. The term 'Bengal army' has long been a misnomer, since, as I shall again have to explain, there is not a single native of Bengal Proper in its ranks, and only a small part of it is ever stationed in Bengal. The Bengal army garrisons the whole country from the Bay of Bengal to the frontiers of Afghánistán, and occupies the Punjab, the North-Western Provinces, and Oudh. In Bengal Proper a few thousand men are stationed at places on the railway to the northern provinces and the frontier towards Nepál and the other Hill States, and there are usually between 4,000 and 5,000 men in Calcutta and its neighbourhood. In the rest of the lieutenant-governorship of Bengal, with its population of 69,000,000, there are no troops. Sir William Hunter is well within the mark when he says that 'probably 40,000,000 people go through life without once seeing the gleam of a bayonet or the face of a soldier.'

The defence of the north-western frontier is mainly entrusted to the Punjab Frontier force, a body more than 12,000 strong. It formed until lately a virtually distinct army, under the Government of the Punjab; but this arrangement has ceased, and, although it preserves its separate organisation, it has been brought,

like the rest of the army, under the orders of the Commander-in-Chief. This admirable force is almost entirely recruited from the warlike races of the Punjab and of the north-western frontier.

The organisation of the Native army has been completely changed since the mutinies of 1857. Up to that time the infantry of the Bengal army was, as I have already said, mainly recruited from the Brahmans and Rájputs of Oudh and the North-Western Provinces. Although men of fine physique, they were not remarkable for fighting efficiency, and the former reputation of the Native army of Bengal was certainly exaggerated. Most of its triumphs were largely due to the British troops who were associated with it. The ruinous consequences of drawing the larger proportion of our soldiers from a single class, under the influence of the same feelings and interests, and holding more than any other people in India the strictest prejudices of caste, were shown by the events of 1857. The old system no longer exists; I quote from the Report of the Indian Army Commission a description of that which has taken its place :—

‘The systems of recruiting for the several armies are diverse. Regiments of the Madras and Bombay armies draw their recruits from many tribes and castes over the several recruiting grounds of those presidencies, and the Bombay regiments have an admixture of Sikhs and Hindustanis from Northern India in their ranks. These armies are thus composed of what are called ‘mixed recruits’—that is to say, of corps in which men of different races, several religions, and many provinces are thrown together into the same company or troop. In the Bengal and Punjab armies the majority of corps are what are called ‘class-company regiments’—that is to say, the regiments draw recruits from three or more different races and recruiting grounds, but the men of each class or race are kept apart in separate companies. Thus,

an infantry regiment may have two companies of Sikhs, two companies of Hindustani Brahmans and Rajputs, two companies of Punjabi Mohammedans, one company of Trans-Indus Patháns, and one company of Dogras from the Kángra or Jamu hills; such a regiment would be a class-company regiment; the native officers of each company would ordinarily belong to the race, tribe, or sect from which the company was recruited. In the Northern army are a limited number of 'class regiments,' which are composed of men belonging to one caste or tribe. Such for instance, are the Goorkha corps, recruited entirely from the hardy short-statured highlanders of the Nepál hills, the Pioneer regiments, which consist exclusively of men of the Muzbi tribe, who in the early days of Sikh rule were despised outcasts, whose noblest calling was thieving, but who are now among the flower of the Northern army.'

Thus, what has been called 'the policy of watertight compartments' has been applied throughout the Indian army. The object aimed at has been to prevent the growth of any dangerous identity of feeling from community of race, religion, caste, or local sympathies. In 1885, taking the total strength of the Bengal and Punjab army at about 59,000 men, nearly 37,000 were recruited from the Punjab and the districts on the north-western frontier, 15,000 from the North-Western Provinces, Oudh, and other countries, and 7,000 from Nepál and other districts of the Himálaya. The Mohammedans numbered more than 18,000, the great majority of them coming from the Punjab, the frontier districts, and the Delhi territory. Nearly one-half of the cavalry was Mohammedan. There were nearly 20,000 Sikhs or men belonging to other warlike classes of the Punjab and the frontier districts. About 3,000 Brahmans, 5,000 Rajputs, and 5,000 Hindus of other castes, came from Oudh and the North-Western Provinces, and belonged to the classes from which the

Bengal Sepoy army before the mutinies was mainly recruited. The remaining 7,000 men were chiefly Gúrkhas from Nepál, for fighting qualities one of the most valuable parts of the Native army, and hardly to be surpassed by any troops in the world. A large addition has lately been made to this important section of our army.

The figures that I have given show approximately the strength of the army in the years immediately preceding 1885. The altered position of Russia on the frontier of Afghanistan, and the apprehension of war, then rendered it necessary to reconsider the whole question of our military position. The result was a determination to increase both the European and Native army. The British force received an addition, in cavalry, artillery, and infantry, of about 11,000 officers and men, while the number of the Native troops was increased by 19,000. Five new battalions of Gúrkhas formed part of the addition to the infantry. Altogether, the army in India was increased by nearly 30,000 men. The total strength in 1887 was about 230,000 men of all arms, of whom about 73,000 were British. This is exclusive of the active reserve now in process of formation for the first time in India; it consists of men who have served with the colours in the Native army from five to twelve years, and it may ultimately attain large proportions.

Considering the great variety of the sources from which the Native army is recruited, there is much variety in its military qualities. But it would be difficult to find in any country finer fighting material than that furnished by Gúrkhas, Sikhs, and Patháns, and there is hardly any practical limit to the number of excellent troops that, in case of necessity, we could at

short notice raise from the martial races of Northern India. At the present time there are probably not less than 50,000 or 60,000 men in the Native army equal to the troops of any European State, and fit to take their places in battle by the side of our 70,000 British soldiers.

In speaking of the additions to our military strength, I must not omit to mention the formation of Volunteer corps. There are already in India 23,000 Volunteers, nearly all British, effective and well-armed. The defensive value of this force can hardly be over-stated. If it had existed in 1857, many of the catastrophes of that time would have been prevented.

I must also notice the works undertaken for the defence of the north-western frontier. All points at which attack seems possible will soon be guarded by fortified positions, and connected with the railway system of India.

Regarding the armies of the Native States, I shall speak in another lecture.

I must now come to other subjects, and the first to which I shall refer is that of the financial administration.

I have explained that the final responsibility for the control of the finances of India has been placed by Parliament on the Secretary of State in Council. Although he cannot divest himself of this duty, the administration could not be carried on unless the authorities in India itself were invested with ample financial discretion. The Secretary of State has therefore delegated to the Government of India large but strictly defined powers, under which it can sanction fresh expenditure and create new offices of minor importance. This is for ordinary times, but in cases

of emergency, when reference to England would cause delay injurious to the public interests, there is practically no limit to the financial powers which the Government of India exercises.

In the time of the East India Company a properly organised system of financial administration hardly existed. After the mutinies of 1857 an immense increase of expenditure took place; their suppression and the restoration of order involved an addition of more than 42,000,000*l.* to the public debt; there was hardly a branch of the administration which was not more or less reorganised, and demands arose for every sort of improvement. The revenues were insufficient, and the financial difficulties of the Government were serious. No reforms were more urgent than the establishment of an efficient system of public accounts and of strict financial control throughout India. This work was begun most efficiently in 1860 by Mr. James Wilson, the first financial member of the Governor-General's Council under the Crown, and it was afterwards actively continued and completed.

In carrying out these reforms it was perhaps inevitable at the outset that the central Government should retain in its own hands a larger measure of financial control than it would ultimately be expedient that it should exercise. In its anxiety to prevent extravagance it imposed rules of such stringency that no financial authority remained except its own. The whole of the revenues from all the provinces of British India were treated as belonging to a single fund, expenditure from which could be authorised by the Governor-General in Council alone. The provincial Governments were allowed no discretion in sanctioning fresh charges. They

could order, without the approval of the Supreme Government, and without its knowledge, the adoption of measures vitally affecting the interests of millions of people, they could make changes in the system of administration that might involve serious consequences to the State, they could, for instance (and this is a case which actually occurred), alter the basis on which the assessment of the land revenue had been made, and largely reduce the income derived by the Government from the land, but they could carry out no improvements, great or small, for which the actual expenditure of money was required. If it became necessary to spend 20*l.* on a road between two local markets, to rebuild a stable that had tumbled down, or to entertain a menial servant on wages of 10*s.* a month, the matter had to be formally reported for the orders of the Government of India. No central authority could possibly possess the knowledge or find the time for the efficient performance of such functions throughout so vast a tract of country. The result was complete absence of real financial control, frequent wrangling between the supreme and provincial Governments, and interference by the former not only in financial but in administrative details with which the local authorities were alone competent to deal. Under these circumstances, as General Strachey wrote at the time, 'the distribution of the public income degenerated into something like a scramble, in which the most violent had the advantage, with very little attention to reason ; as local economy brought no local advantage, the stimulus to avoid waste was reduced to a minimum, and as no local growth of the income led to local means of improvement, the interest in developing the

public revenues was also brought down to the lowest level.'

In 1867 definite proposals were made by General Strachey for the reform of this system, and in 1871 they were adopted by Lord Mayo, who was then Viceroy. They were based on the principle that there was only one means by which local economy and efficient financial administration could be secured; that each provincial Government must be made responsible for the management of its own local finances; a certain income capable of expansion by good administration was in each case to be assigned, and, subject to some general conditions, the manner in which that income might be expended on the various branches of the public service was to be left to the provincial Government to determine.

The system of financial decentralisation inaugurated by Lord Mayo was largely developed during the viceroyalty of Lord Lytton, and a similar policy has been followed by his successors. The effect has been felt throughout the whole system of Indian administration. While no useful powers of financial control have been surrendered by the central Government, the provincial Governments have been freed from vexatious interference which weakened their authority and efficiency, and their relations towards the Government of India have become more harmonious. They are entrusted with the management of those branches of the revenue which depend for their productiveness on good administration, and they have now a direct and, so to speak, a personal interest in rendering that management as efficient as possible, because they know that a large portion of any increase of income that may be obtained will be

at their disposal for useful expenditure within their own provinces.

The financial arrangements between the supreme and provincial Governments vary in detail, but are in each case similar in principle. Some branches of the public administration are obviously imperial rather than provincial in their nature. The Government of India must, for instance, be responsible for the military defence of the Empire, for payment of the interest on the Public debt, and for the charges to be met by the Home Government. Some departments, such as the Post Office, Telegraphs, and Mint, must be managed throughout India on a uniform system, and are more conveniently controlled by the central authority. Receipts and charges under the following heads are treated wholly or chiefly as imperial—Opium, Salt, Customs, Tributes from Native States, Post Office, Telegraph, Mint, the Public Debt, Railways, and Army Services. The revenues from Land, Stamps, Excise, Assessed Taxes, and other sources, are shared in varying proportions between the imperial and provincial Governments. In 1886-87, out of a total gross revenue of 77,300,000*l.*, the provincial Governments were entrusted with the expenditure of 21,000,000*l.* From this income they had to provide for the greater part of the expenditure incurred on the various departments of the civil administration intrusted to them; for the collection of the land revenue, for the courts of justice, jails, police, education, medical services, civil buildings and roads, and for a multitude of other charges.

An arrangement is made under which each provincial Government receives for a specified term, usually for five years, certain revenues from which it has to

meet certain charges. The amount in each case is regulated by the estimated requirements of the province. Subject to general rules and conditions, the detailed management of the assigned revenues and services is left to the provincial Governments; they have the benefit of any economies that they can effect; and they receive either the whole or a share of any increase of revenue which may accrue during the period of the arrangements between them and the Government of India. There is under ordinary circumstances a steady growth in the productiveness of the revenues administered by the provincial Governments. For example, between 1882 and 1887 there was an increase under the heads of Land Revenue, Stamps, and Excise, of about 1,900,000*l.*, and of this sum the provincial Governments received about 900,000*l.* They have thus, if their management be good, an increasing income to meet increasing demands for material and administrative improvements. When the time for a new arrangement arrives, the imperial Government takes such share as it thinks fit to claim in the increase of the revenue which has accrued.

I have already quoted the opinion of Sir Henry Maine on these measures of decentralisation. I believe with him that no more important and successful reforms have been made in Indian administration since the transfer of the government to the Crown. But they have not reached their final limits. I have repeatedly insisted that the primary fact lying at the root of all knowledge about India is the immense diversity of the countries and peoples which it comprises, but it is a fact which centralisation of the Government ignores. While our empire was being gradually built up, concentration and centralisation in the administration were

often inevitable. Now that it has been constituted on a firm and peaceful basis, decentralisation is an essential condition of progress. The time will come when, in regard to nearly all the ordinary matters of internal administration, each great province of India will be virtually almost a separate state. Not only will this result be obtained without the sacrifice of any part of that supreme authority of the central Government which it is essential to maintain, but we shall gain a largely increased measure of political security. No central Government, as Sir Henry Maine has observed, entrusted with the charge of such an unexampled undertaking as the rule of India, can escape serious occasional errors. 'Under a centralised Government there is danger of generalising a local mistake. Localised, a mistake can be connected with comparative ease; it becomes dangerous in proportion to the area of its diffusion.'¹

It has been said truly that India has become one of the great powers of the world. A few figures will show what she has become financially, and they will illustrate the remarkable changes of the last fifty years.²

In 1840, the gross revenues of India were 21,000,000*l.*; in 1857, the year before the assumption of the Government by the Crown, they were 32,000,000*l.*; in 1886, they were 77,000,000*l.* In 1840 the total value of the

¹ *The Reign of Queen Victoria*—'India,' vol. i. p. 515.

² Except when reference is made to expenditure incurred in sterling in England, all the figures that follow represent rupees converted into pounds at the conventional rate of two shillings to the rupee. They are really tens of rupees, not pounds sterling. The symbol now officially adopted in the Indian accounts to represent ten rupees is Rx. I have retained the old system as being more intelligible to English readers. It will be understood that the exchange value of the sovereign varies with the gold price of silver. See page 117.

foreign trade was 20,000,000*l.*; in 1857 it was 55,000,000*l.*; in 1886 it was 163,000,000*l.* Equally remarkable figures might be given for the public expenditure. I will give one example only; in 1840 the gross expenditure on account of all classes of public works in India hardly exceeded 200,000*l.*; in 1857 it had risen to nearly 3,000,000*l.*; in 1886, including the cost of working the railways, it was about 30,000,000*l.*

It is true that few of these figures are really comparable, but I give them to illustrate the magnitude of the changes that have taken place in India. One fact is sufficient to show that it is only for this purpose that such comparisons can usefully be made. Since 1840, six great provinces, covering some 450,000 square miles, with a population of nearly 50,000,000, have been added to the empire.

The immense growth of the revenues has been in no degree due to increased taxation. If, without going back to a time with which no comparisons are possible, we compare the revenues of British India in 1886 with those of twenty-five years before, we shall find that under almost every head there has been a diminution rather than an increase in the public burdens. The land revenue, measuring it by its incidence on the area assessed, is everywhere lighter than it was. The salt duties were generally higher than they are now. Heavy customs duties were levied in the former period on every article of import and export, whereas now there is almost absolute freedom of trade.

I do not propose in these lectures to speak of the present financial position of India, of surpluses, deficits, and so forth. The amount of the public income and expenditure is affected in all countries by circumstances which are constantly changing. But I shall

describe the principal sources from which the revenues are derived, and give some of the more important facts connected with Indian taxation, trade, and economical interests.

The gross annual revenues of British India at the present time amount to more than 77,000,000*l.*, but it would be a mistake to suppose that this sum represents the amount taken from the people by taxation. The State in India has resources which render heavy taxation unnecessary, and there is certainly no country in the world possessing a civilised Government in which the public burdens are so light. The taxation falling annually on the population of British India is less than 2*s.* per head. If we were to include the land revenue it would be about double that amount, but this would be no more reasonable than, in a similar calculation for our own country, to reckon as taxation a large proportion of the rent paid to private landholders.

In 1886–87, out of a gross income of 77,337,000*l.*, only 20,684,000*l.* was raised by taxes properly so called; 56,653,000*l.* was derived from other sources. If we compare these figures with the corresponding figures of the English revenues, we find that, in the latter case, in 1886–87, out of a total revenue of 90,000,000*l.*, 75,000,000*l.* was derived from taxation, and only 15,000,000*l.* from other sources. In England, taxation supplies five-sixths, and in India not much more than one-fourth of the public income. The difference is really greater, for the Indian figures include not only the receipts of the imperial Government, but those derived from provincial and local sources of revenue throughout India, excepting taxes raised in municipalities for the service of the towns.

The following table shows the actual gross re-

venues of India for 1886-87 under each of the principal heads :—

Sources of Revenue		Receipts, 1886-87	
		£	
Gross revenue derived from sources other than taxation	Land revenue	23,055,724	
	Opium	8,942,976	
	Forests	1,103,970	
	Tributes from Native States .	695,415	
	Interest	670,548	
	Post-office, Telegraph, Mint.	2,027,482	
	Receipts by civil departments and miscellaneous .	2,309,932	
	Railways	14,477,759	
	Irrigation works	1,656,705	
	Buildings and roads	727,574	
	Receipts by military departments	985,003	
			56,653,088
Gross revenue derived from taxation	Salt	6,657,644	
	Stamps	3,751,280	
	Excise	4,375,174	
	Provincial rates	2,999,861	
	Customs	1,246,293	
	Assessed taxes	1,354,735	
		Registration	299,059
			20,684,046
Total gross revenue			77,337,124

Many of these receipts do not represent sources of net revenue. In the Indian accounts the gross receipts in every branch of the administration are entered, whether net revenue is yielded or not. For example, the Government lends money to Native States and to various public bodies, and receives from them payments of interest; these, amounting to nearly 700,000*l.*, are shown among the gross receipts; but on the other side of the account there is an entry of more than 4,000,000*l.* for interest on the ordinary public debt. So again, the Government received from railways and irrigation works more than 16,000,000*l.*, and this sum is shown as gross revenue, but the expenditure from revenue in

the same year on those classes of works exceeded the receipts by nearly 2,000,000*l.* Under other heads, representing real sources of net revenue, the expenses of collection are shown on the other side of the account. Thus, for instance, more than 23,000,000*l.* is entered as the gross amount of the land revenue, but nearly 3,500,000*l.* appears under expenditure as charges of collection. There are other receipts called 'departmental,' but with one or two exceptions I need not refer to them, or to receipts under heads which do not show a net income. Setting off against expenditure receipts of this kind, and deducting from the gross revenues the charges of collection, the actual net revenue of British India in 1886-87 was 44,736,000*l.*

I shall now explain what are the great sources of revenue.

The most important of all is the Land revenue, which yields a gross amount of about 23,000,000*l.* a year.

From time immemorial the ruling power throughout India has been entitled to a share of the produce of every acre of land, and this share is the so-called land revenue.

Mr. Fawcett, in his 'Manual of Political Economy,' has described the land revenue of India in a passage which I cannot do better than quote:—

'The Government in India exercises over a great portion of the soil the same rights of property as those which an English landlord exercises over his own estate. The Government in India takes the place of individual landlords, and the cultivators of the soil rent their land from the Government instead of from private landholders. . . . As far as the cultivators of the soil are concerned, it can be a matter of no consequence whatever to them whether they pay a land tax to the Govern-

ment, or whether they pay rent to private landowners. Hence a land tax is no harder upon the cultivator ; nor does this impost cause any loss to the rest of the community. It, therefore, follows that a land tax, so long as it does not exceed a rack-rent, cannot increase the price of products raised from the land, for those who grow the products would not sell them cheaper if they paid rent to a private landlord instead of paying the same amount to the Government in the form of a land tax. A land tax consequently differs from all other taxes, for it possesses the excellent quality of providing a large revenue for the State without diminishing the wealth of any class of the community. Those, therefore, are completely in error who quote the aggregate amount of taxation which is raised in India in order to prove how heavily the people of that country are taxed. At least 20,000,000*l.* per annum is obtained in India by the land tax, but it would be as unreasonable to consider this amount as a burden laid upon the people as it would be to consider that the whole rent which is paid to English landlords in this country is an impost levied on the cultivators of the soil.¹

Instead of giving opinions of my own to the same effect, I will make another quotation from Mr. J. S. Mill :—

‘A large portion of the revenue of India consists of the rent of land. So far as this resource extends in any country, the public necessities of the country may be said to be provided for at no expense to the people at large. Where the original right of the State to the land of the country has been reserved, and its natural—but no more than its natural—rents made available to meet the public expenditure, the people may be said to be so far untaxed ; because the Government only takes from them as a tax what they would otherwise have paid as rent to a private landlord. . . . It is, of course, essential that the demand of revenue should be kept within the limits of a fair rent. Under the native Governments, and in the earlier periods of our own, this limit was often exceeded. But, under

¹ *Manual of Political Economy*, 5th edit. p. 568.

the British rule, in every instance in which the fact of excessive assessment was proved by large outstanding balances and increased difficulty of realisation, the Government has, when the fact was ascertained, taken measures for reducing the assessment. The history of our government in India has been a continued series of reductions of taxation; and in all the improved systems of administration the object has been not merely to keep the Government demand within the limits of a fair rent, but to leave a large portion of the rent to the proprietors. . . . Thus, by far the largest item in the public revenue of India is obtained virtually without taxation, because obtained by the mere interception of a payment which, if not made to the State for public uses, would generally be made to individuals for their private use.¹

In the last fifty years there has been a very large increase in the land revenue of British India. The gross amount received in 1836-37 was 12,300,000*l.*; in 1856-57 it was 18,000,000*l.*; in 1886-87 it was 23,000,000*l.*; but it must not be supposed that the burden on the land has become heavier. The truth is that the process, described by Mr. Mill as 'a continued series of reductions of taxation,' has gone on during this period without intermission. The increase of land revenue has been mainly due to the extension of the empire. Since 1840 there has been an addition of about 450,000 square miles of territory, with, taking no account of Upper Burma, 6,000,000*l.* of land revenue. In our older provinces the growth of the land revenue has been entirely the result of increase in the area of cultivation and in the value of agricultural produce, and in no instance has it been due to enhancement of the incidence of the Government demand. Thus (I am now quoting from Mr. Cunningham),

¹ *Memorandum of the Improvements in the Administration of India*, 1858.

‘in Madras the area assessed increased from 9,750,000 acres in 1850 to 20,000,000 in 1875–76, and, though the land revenue is 1,000,000*l.* sterling higher, its incidence per acre is reduced by 4½*d.* on dry land and 5*s.* on irrigated land. Similarly, in Bombay, the assessed area has increased from 12,500,000 acres in 1856 to 20,300,000 in 1875–76, and an increase of 750,000*l.* in the land revenue has resulted, notwithstanding an average reduction of 4½*d.* per acre in the assessment. In the same manner, in the North-Western Provinces, where the land revenue is calculated on the supposed value of the rental, the share of the rent claimed by the Government¹ has much decreased. . . . In the Punjab it is notorious that the land revenue is infinitely lighter than that in any previous period, and the fact is corroborated by the enormous increase in the price of land since it passed under our rule from the cruel rack-renting of the Sikh Government.’¹

There has never, so far as our knowledge goes, been a Government in India that has taken so small a share in the profits of the soil as that taken by ourselves. This is true of every province of British India. Under all preceding Governments, and under Native Governments to this day, there has been, in the words of Mr. Thomason, ‘no other limit to the demand upon the land than the power of the Government to enforce payment and the ability of the people to pay.’

Under the system laid down by Akbar, and carried into effect in the year 1582 by the famous settlement of Tódar Mal, the sovereign was held to be practising a wise moderation when he fixed his share of the gross produce of the land at 33 per cent., but this was much less than was ordinarily demanded. The Maráthas took at least one-half; and the same proportion was ordinarily assumed to be their proper share by the Governments that preceded us in Madras. The result of the minute

¹ *British India and its Rulers*, p. 141.

inquiries made towards the end of the last century showed that the Native rulers in Bengal usually took about 54 per cent. In the Punjab, when we first occupied the province, it was found that the share of the gross produce taken by the Sikh Government was from 40 to 50 per cent. Elphinstone, in his 'History of India,' thus sums up the facts in regard to the land revenue under Native Governments: 'The sovereign's full share is now reckoned at one-half. A country is reckoned moderately assessed if he only takes one-third;' and in one of his minutes, referring to the Deccan, he says that it seems to have been 'the original principle in all settlements for the Government to take half and leave half to the cultivator.'

Compare the foregoing facts with the following.

Instead of sweeping off the whole or the greater part of the surplus profit of the land, our Government never takes more than a fixed share, which falls at an average rate of from 3 per cent. to 8 per cent. of the gross outturn. In the Punjab, in tracts which are fertile and protected by irrigation, and in which the Sikh Government would have taken not less than 50 per cent., we take less than 17 per cent.; the average demand for the province is 5·6 per cent. In Bombay, the highest assessment on the most productive land is 16 per cent.; the average for the province is 7·6 per cent. Many of the Native States of Bombay have been surveyed and settled on the system adopted by our Government, and their rates are always 10 to 15 per cent. higher than in the British districts. In Madras, the average demand is now 6·3 per cent. In the North-Western Provinces, where the basis of the assessment is the rental of the land, and not the gross produce, our Government, at the beginning of this century,

took 90 per cent. of the rent. We took the same proportion under the permanent settlement in Bengal. In the North-Western Provinces and Oudh the share of the State is now 50 per cent. of the rental, an amount estimated to be equivalent to 7·8 per cent. of the gross produce.¹

In Bengal the incidence is much less, but this has been the result of special causes, to which I shall again refer.

Although the demands made upon the land by the British Government are much lighter than those of the Governments that preceded it, it must be remembered that the principles on which our demands have been regulated are altogether different from theirs, and comparisons between the two are sometimes misleading. While our policy has been to encourage the growth of private property in land, and to take for the State only a moderate share of the rental or produce, former Governments hardly recognised the existence of such property, and frequently took from the cultivator an amount as large as the full rack-rent which might have been taken by a private landlord, or the whole of the surplus profit after the expenses of cultivation had been defrayed. The cultivator was entitled to subsistence; everything else belonged to the State.² This is often the assumption in Native States at the present time. In the words of Mr. J. S.

¹ These figures, showing the proportions of the gross produce taken as revenue, are taken, for the most part, from the Report of the Indian Famine Commissioners.

² 'The following maxim is believed to express the ruling idea of the revenue system maintained under the Emperor Akbar:—"There shall be left for every man who cultivates his land as much as he requires for his own support till the next crop be reaped, and that of his family, and for seed. This much shall be left to him; what remains is land-tax, and shall go to the public treasury."'—Sir E. Buck's *Statistical Atlas of India*, p. 22.

Mill: 'Except during the occasional accident of a humane and vigorous local administration, the exactions had no practical limit but the inability of the peasant to pay more.' At the same time, when the peasant has no rights of property, and cultivates as a rent-paying tenant, it cannot always be assumed that he pays less under our system than he paid before, when there was no private landlord between him and the State.

An interesting investigation was made by the late Mr. Edward Thomas, in his 'Revenue Resources of the Moghul Empire,' into the question of the amount of the revenue derived from the land and other sources by the Moghul Emperors; but the materials which he was able to collect were very imperfect, and it is difficult to say what confidence should be placed in conclusions based upon them. The revenues doubtless reached their highest point under Aurangzeb. Mr. Thomas tells us that two manuscripts in the British Museum, copies apparently of official documents, give the land revenue of the empire for 1664-65 at 26,743,000*l.* and 24,056,000*l.* Bernier, about the same time, gave the amount as 22,593,000*l.*; his details for the various provinces differ greatly from those in the Museum manuscripts, and Bernier himself describes his list as '*ce mémoire que je ne crois pas trop exact ni véritable.*' Towards the end of the seventeenth century a Venetian physician, Manucci, was employed at the Court of Aurangzeb, and an account of much that he learned there is to be found in Catrou's '*Histoire générale de l'Empire du Mogol*' (Paris, 1702). A list is given, on Manucci's authority, of the amount of the land revenue in each province in 1697, when Aurangzeb's empire was much larger than it had been thirty years

before. The total reaches the sum of 33,719,000*l*. Whether these figures represent the demand or the collections is not stated, but no doubt the former is intended. Three manuscripts in the India Office Library give the amount of Aurangzeb's land revenue at sums varying between 34,187,000*l*. and 34,641,000*l*. ; the years to which they refer are not stated, and although the totals do not much differ, the discrepancies in the details are great.

Considering that the land revenue of the British Government amounts only to 23,000,000*l*., drawn from a more extensive empire than that of Aurangzeb, the sums said to have been received or demanded from the land by the latter seem at first sight to deserve little credit. It seems to me, however, by no means impossible that even the largest amount mentioned may be approximately correct, because, as I have just explained, no comparisons are really possible between the land revenue of former Governments and our own. The 38,000,000*l*., or whatever may have been the actual amount of Aurangzeb's revenue from land, included not only all that we now take as land revenue, but the greater part of the profit that we leave to private proprietors. For example, the rental of the landholders of Bengal is now probably not less than 20,000,000*l*., of which only about 4,000,000*l*. is taken by the State. If a ruler like Aurangzeb were to take our place, nearly the whole sum would be claimed by him which is now intercepted by the zemindars.¹

¹ The views above stated seem to me to accord with Manucci's remarks in the following passage. After detailing the revenues of Aurangzeb he says: — '*On est étonné sans doute d'une si prodigieuse opulence, mais il faut considérer que tant de richesses n'entre dans les trésors du Mogol que pour en sortir tous les ans, du moins en partie, et pour couler une autre fois sur ses terres. La moitié de l'empire subsiste par les libéralités du prince, ou du moins elle est à ses gages. Outre ce grand nombre d'officiers et de*

Although the land revenue of India is not derived from taxation, but is a portion of the rent or produce reserved by the State, in accordance with immemorial custom, the land is not entirely exempt from taxation. It is liable to certain rates which vary in the different provinces, but which are everywhere light. Deducting about 500,000*l.* shown under this head, but applied to payments for village services which have nothing to do with taxation, they yield about 2,500,000*l.* a year. They are mainly applied to local purposes, such as the construction and maintenance of roads, schools, hospitals, and dispensaries.

soldats qui ne vivent que de la paye, tous les paysans de la campagne, qui ne labourent que pour le souverain, sont nourris à ses frais, et presque tous les artisans des villes, qu'on fait travailler pour le Mogol, sont payés du trésor impérial. On conjecture assez quelle est la dépendance des sujets, et par conséquent, quelle est leur déférence pour leur maître.'

Although I see nothing incredible in the amount which Aurangzeb's land revenue is said to have reached, the evidence given by Mr. Thomas to support the opinion that the total revenue of the empire was 77,438,000*l.* seems to me quite insufficient. It is arrived at by doubling the amount of the land revenue, and is based on the following passage from Catrou's work. After enumerating the miscellaneous sources of revenue, he says, on Manucci's authority: 'Tout ce casuel de l'empire égale, à peu près, ou surpasse même, les immenses richesses que l'empereur perçoit des seuls fonds de terre de son domaine.' Another Italian traveller, Careri, writing in 1695, says: 'I was told that the Mogul receives from only his hereditary countries 80 crores of rupees (80,000,000*l.*) a year.' There is apparently no other authority, excepting these general statements, for the conclusion that the total revenues of Aurangzeb approached 80,000,000*l.*, and I cannot think that they deserve credence. This question of the amount of the revenues of the Moghul Emperors has been carefully considered by Sir W. Hunter. He abstains from giving any final judgment, but is clearly of opinion that the matter remains open to much doubt. As he has observed, it is probable that 'the purchasing power of silver, expressed in the staple food-grains of India, was two or three times greater than now.' He has also noticed that these conversions into sterling are made at the nominal rate of ten rupees to the pound, whereas the actual rate was then eight or nine rupees to the pound. Consequently, the figures given above, which profess to represent Aurangzeb's resources, would have to be considerably increased.—See Sir W. Hunter's *Imperial Gazetteer of India*, Art. 'India,' p. 298.

Next to the land revenue, the most productive source of the public income in India is Opium. It yielded in 1886-87 nearly 9,000,000*l.*, almost the whole of which was derived from opium exported to China.

More than one-half of this revenue is obtained from opium produced and manufactured in our own territories under a strict system of State monopoly; the rest is obtained from a customs duty levied on opium produced and manufactured in Native States and exported from Bombay.

In Bengal, Behár, the North-Western Provinces and Oudh, the cultivation of the poppy is not allowed except on the condition that the whole of the produce shall be sold to the Government. Notice is given every year that the Government will be prepared to purchase crude opium at a certain specified price. The price offered varies according to the quantity of opium required, and the area of the poppy crop varies with the inducement which this price holds out to the cultivator. The opium is manufactured at Government factories, and sold by auction in Calcutta to the highest bidders.

The poppy is also largely cultivated in the Native states of Central India. The British Government interferes in no way with the production or manufacture, but the opium cannot reach the sea without passing through our territories, and we levy a heavy duty on every chest of opium exported.

I do not propose to discuss the vexed question of the morality of the system under which the Indian Government derives revenue from the consumption of opium in China. I shall merely state the conclu-

sions to which my own study of the subject has led me.¹

The first thing to be learned is this, that, although the finest opium consumed in China is Indian, China does not depend on India for her supply. It is a common but complete mistake to suppose that the prohibition of the export of opium from India would have the result of putting a stop to opium-smoking in China. If the supply of opium from India were to cease, the richer classes in China would be deprived of a luxury which they prize, but, so far as the general population was concerned, the consumption of opium would remain much as it was before. Long before Indian opium went to China, opium was consumed there; no one can say how long the custom of opium-smoking has prevailed. A single province of Western China produces more opium than the whole of India; the cultivation is carried on, so far as the Chinese Government is concerned, with perfect freedom, and it is constantly and rapidly increasing. The population of China practically depends for its supply on the opium produced at home.

If, therefore, all that is said about the ruin of the Chinese by opium were true, the prohibition of imports from India would afford no remedy. But it is certainly not true. Excess in opium, so far as the individual consumer is concerned, may probably be as bad as excess in alcohol; it cannot be worse, and its effects upon his neighbours are comparatively harmless. Used in moderation, as the vast majority of Chinese smokers use it, there is no reason to believe that opium is

¹ A more complete account of the opium revenue is given in *The Finances and Public Works of India*, by Sir John and General Richard Strachey.

injurious. I do not doubt that the people of France, and Italy, and Spain are, on the whole, better for their wine, and that the people of England and Germany are better for their beer. Neither do I doubt that, on the whole, the Chinese are better for their opium.

It is often said that the Chinese Government views the opium trade with dislike and desires its abolition. Whatever may once have been the case, it undoubtedly now desires that the trade should flourish, because it derives from duties on Indian opium a large and highly prized revenue. It has officially disclaimed any wish to see the imports from India diminished. Its real and reasonable object, for which it has long been striving, has been to obtain for itself a larger share of the profit derived by a foreign State from the consumption of opium by Chinese subjects.

For many years past an import duty has been levied by China on all opium brought from India or elsewhere. Apart from this duty, the amount of which is regulated by treaty, transit duties, and more or less irregular exactions, called *lekin*, have been levied upon opium at varying rates, and at various places, on its passage from the port of entry to its destination in the interior of the country. These duties were formerly collected by the provincial authorities, but the proportion that reached the imperial treasury was very uncertain. It was said that one-half of the amount went into the pockets of the collectors. The Chinese Government had long been anxious that a different system should be introduced, and it proposed to our Government that, in addition to the ordinary import duty, a supplementary duty, at a uniform rate, should be levied, in lieu of *lekin*, when the opium was imported. They proposed to issue

to purchasers, for opium on which the whole of these duties had been paid, certificates which would protect the drug from all other demands in its progress from the port of entry to the interior. This arrangement was accepted by our Government, and, as one of the provisions of the Chefoo Convention, it came into force in February 1887. Opium, instead of being liable to a fixed duty of 50 taels¹ per chest, with a further indefinite liability for *lekin*, now pays altogether 120 taels per chest, the whole of which is collected by the Chinese Customs authorities and goes directly into the imperial treasury.

If the anticipations of the Chinese Government are fulfilled it will receive a large increase of revenue. The financial results to India can only be shown by experience; but if there should be a loss of revenue, which may not improbably happen, it will still be true that it was right and politic on the part of our Government to receive in a liberal spirit the reasonable representations of China.

In those parts of India where opium intended for export to China is produced, little or no opium is consumed. In the Punjab, however, there has always been a large consumption of opium, chiefly in the form of a decoction of poppy-heads called *post*. Its use is general among the Sikhs, who are prevented by religious prejudices from smoking tobacco. They are physically the finest race in India, and it would be difficult to find in any part of the world a more manly and more vigorous people.

1,104,000*l.* was received in 1886–87 under the head of Forests. This revenue is derived from the sale of

¹ The value of the tael in English money varies according to the relative price of silver and gold. Its value in 1887 was about 4*s.* 10*d.*

timber and other produce from the Government forests ; but the greater part of it is spent on forest conservancy and other charges, and the net income was only 383,000*l.* Before the transfer of the Government to the Crown, practically nothing had been done towards the preservation of the forests of India, which are very extensive and valuable, and their destruction was rapidly going on. In 1861 a separate Forest department was created. Up to 1885 about 50,000 square miles of forests had been demarcated, and strictly reserved for the benefit of the State, under the management of officers who have received special scientific instruction in forestry in Europe. The creation and development of this department, for the protection of a valuable source of the public wealth, must be counted among the important reforms of modern times in India.

The Tributes and contributions from Native States are fixed by treaties, and yield nearly 700,000*l.* a year. They are chiefly paid for the maintenance of troops locally required. The Government of India is responsible for the preservation of peace throughout the whole of India, and the contributions that it receives from the Native States are an insignificant return for the services that it renders.

The revenue yielded by the Post Office and Telegraphs is slightly exceeded by the expenditure. The Government has not aimed at making a profit from the Post Office. The receipts have increased from 177,000*l.* in 1856-57 to 1,154,000*l.* in 1886-87, but they have been largely devoted to the improvement of the postal service. There is no country where the rates of postage are so low, or where the Post Office is better managed. The number of letters, newspapers, and parcels passing through the post was 38,000,000 in

1856 and 239,000,000 in 1886. There could hardly be a more striking illustration of the progress of the country.

The construction of telegraph lines was commenced in 1850. In 1886 there were 82,000 miles of wire in India, and more than 2,000,000 messages were delivered. The net receipts from the telegraphs now give a fair return on the capital expended in their construction.

LECTURE IV.

TAXATION IN INDIA—FOREIGN TRADE—HOME CHARGES.

REVENUE DERIVED FROM TAXATION—THE SALT TAX—SOURCES OF SUPPLY OF SALT—FORMER SYSTEM OF LEVYING DUTIES—THE INLAND CUSTOMS LINE—ITS ABOLITION—THE PRESENT SYSTEM—RESULTS OF RECENT REFORMS—THE POLICY THAT SHOULD BE FOLLOWED—THE STAMP REVENUE—EXCISE ON SPIRITS AND DRUGS—MISREPRESENTATIONS ON THIS SUBJECT—PRINCIPLES OF EXCISE ADMINISTRATION—ASSESSED TAXES—THE INCOME TAX—REGISTRATION—CUSTOMS DUTIES—THE DUTIES ON COTTON GOODS—FREE TRADE IN INDIA—ABOLITION OF IMPORT DUTIES—THE RESULTS—EFFECT OF REMISSION OF DUTIES ON COTTON GOODS—EXPORT DUTY ON RICE—THE GROWTH OF THE FOREIGN TRADE OF INDIA—CONDITIONS UNDER WHICH THE TRADE IS CARRIED ON—IMPORTS OF GOLD AND SILVER—EXCESS OF EXPORTS OVER IMPORTS—CHARGES IN ENGLAND ON ACCOUNT OF INDIA—THE MANNER IN WHICH THESE CHARGES ARE MET—THE CURRENCY—FALL IN THE GOLD VALUE OF SILVER—THE LOSS BY EXCHANGE—SERIOUS CONSEQUENCES AND CAUSES FOR ANXIETY.

TAXES, properly so-called, yielded altogether in India, in 1886–87, a gross revenue of 20,684,000*l.* Among them the most important is the tax on salt. It gave in 1886–87 a gross amount of 6,658,000*l.*

The system under which the Salt duties are levied varies in different parts of India. Bengal and Assam, with more than 70,000,000 of people, obtain nearly the whole of their salt from England. There are hardly any local sources of supply for these provinces except the sea, but on the greater part of the coasts of Bengal salt cannot be made cheaply by solar evaporation; the climate is damp, and the difficulty is increased by the vast quantity of fresh water brought to

the Bay of Bengal by the Ganges and Bráhmáputra. There are no protective duties, and the locally produced salt cannot compete with that imported from Cheshire. Owing to the fact that the exports from India are largely in excess of the imports, freights to India are very low, and salt costs little to import. The tax in Bengal is levied as an import duty at the port of entry.

In Madras and Bombay, on the other hand, although the facilities for communication with England are equally great, English salt does not compete with that produced locally, for the manufacture of salt from the sea is an easy process. The duty in Madras is collected partly under an excise system, and partly under a monopoly, by which all salt is manufactured for the Government and sold at a price which gives a profit equal to the duty. In Bombay the duty is levied as an excise.

The North-Western Provinces and Oudh, and parts of the Central Provinces and of the Punjab, derive their chief supply of salt from lakes or springs impregnated with salt in the Native States of Rájputána. The salt is prepared by solar evaporation at works controlled by the Government. Further north, the greater part of the Punjab is supplied from rock-salt, which is found in inexhaustible quantities. The salt is extracted and sold by the Government, the duty being included in the selling price.

Until 1882-83, the amount of duty varied in different provinces. It was higher in the Bengal Presidency than in Madras and Bombay. So long as there were no railways and few roads, the inconvenience of these different rates was not much felt; but as communication improved, it became more and more impossible to prevent salt, taxed at a lower rate from coming into

provinces where the tax was higher, and a system gradually grew up in India to which, for extraordinary folly, it would be hard to find a parallel.¹

In 1843 the establishment of a customs line was commenced, and by 1870 it had extended itself across the whole of India from a point north of Attock, on the Indus, to the Máhánadi, on the borders of Madras, a distance of 2,500 miles. Along the greater part of its length it was a huge material barrier, which Sir M. E. Grant Duff, speaking from personal observation, said could be compared to nothing else in the world except the Great Wall of China; it consisted principally of an immense impenetrable hedge of thorny trees and bushes, supplemented by stone walls and ditches, across which no human being or beast of burden or vehicle could pass without being subjected to detention and search. If this customs line had been put down in Europe, it would have stretched, in 1869, from Moscow to Gibraltar; as late as 1879, when it was abolished, it was still more than 1,500 miles long, a distance as great as that from London to Constantinople. It was guarded by an army of officers and men, some 12,000 in number, divided into beats which were constantly patrolled by night and day, and watched from 1,700 guard-posts. It may easily be imagined what obstruction to trade, what abuses and oppression, what annoyance and harassment to individuals, took place. The interference was not confined to the traffic passing into the British provinces, for an export duty of a most objectionable character, not abolished until 1878, was levied on all sugar passing from British territory into Native States, and sometimes from one part of British territory to

¹ The following account of the Inland Customs line is taken from *The Finances and Public Works of India*.

another. Obstructions were offered to the traffic from whichever direction it came.

It was impossible, without great loss of revenue, to get rid of this inland customs line while the salt tax was levied at different rates in different provinces, and until we had the means of controlling the manufacture and taxation of salt produced in Native States and brought into our own territories.

The first steps towards a better system were taken by the Government of Lord Mayo in 1869. An amicable arrangement was made with the Native States of Jaipur and Jodhpur, under which we acquired the sole right of manufacturing salt at the Sámbar salt lake, the chief of the salt sources of Rájputána, and from which a large proportion of the supply of Northern India is derived. The same policy was followed during Lord Northbrook's administration, and an important reduction was made in the length of the customs line in its southern section, where it passed through British territory only.

At last, in 1879, under the Government of Lord Lytton, this system, which had been one of the opprobria of British rule, finally disappeared. In 1878, Lord Lytton declared the maintenance of the inland customs line to be a great political and commercial scandal, and it will always be a cause of satisfaction to me that I was able to help him in getting rid of it.

The abolition of the customs line was rendered possible by two measures. By the first the duties throughout India, although not quite equalised, were made to approximate so nearly that salt could not profitably be taken from one province to another. By the second measure agreements were entered into with the Native States of Rájputána, under which the

British Government obtained leases and control of all the more important sources of salt manufacture. Liberal compensation was given to the chiefs of the Native States for loss of revenue.

The equalisation of the salt duties throughout India, at a reduced rate, was completed in 1882 under the Government of Lord Ripon. The duty was then fixed at two rupees per maund (82 lbs.), or about four shillings per cwt. This is equivalent to an annual tax of about fivepence per head of the population.¹

This is the only obligatory tax which falls upon the masses of the population in India, and, although they are very poor, it cannot be said that the additional price which they have to pay for their salt is felt as an appreciable burden. The case was different twenty or thirty years ago, when high duties and, still more, the absence of means of communication made it difficult for the poorer classes in some parts of India to obtain a sufficient supply of salt. In 1877 the Government declared that its policy would aim at giving to the people throughout India the means of obtaining an unlimited supply of salt at the cheapest possible cost; that the interests of the people and of the public revenue are identical, and that the only just and wise system is to levy a low rate of duty on an unrestricted consumption. This principle has been acted upon ever since with satisfactory results. The consumption has steadily increased, and the combined effect of reduction of duty, the extension of railways, and the general improvement in the means of communication, has been to make salt cheaper in the greater part of India than it had

¹ In January 1888, in consequence of financial pressure, the duty was raised to two and a half rupees per maund.

ever been before, while the revenue is larger than before the reform of the old system was begun.

Unfortunately the temptation is always great in times of financial pressure to have recourse to the easy expedient of increasing the duty on salt. The vast majority of the people throughout India are probably unaware even of the existence of the tax; but it is on them—that is, on the poorer classes—that the actual burden falls. The masses remain unmoved and silent, while the small and wealthier minority, who alone can make their voices heard, give loud approval to measures which impose no appreciable obligation upon themselves. No efforts consistent with financial prudence should be spared to reduce to the utmost the price of salt throughout India, and thereby to stimulate consumption. A time of extreme political emergency may come when a large and immediate addition to the revenues is necessary, and when fresh direct and unpopular taxation cannot wisely be imposed. Under such circumstances, the tax on salt might without serious objection be temporarily increased, for the Government would thus be able to obtain, by a small increase of duty, large additional resources, almost without the knowledge of the people. Salt ought to be looked on as the last great financial reserve, to be drawn upon in case of urgent necessity, but not otherwise.

Under existing conditions in India a moderate tax upon salt is open in principle to little objection. The reasons for this conclusion were summed up by the Duke of Argyll, when Secretary of State for India, in a passage which I cannot do better than quote:—

‘On all grounds of general principles, salt is a perfectly legitimate subject of taxation. It is impossible in any country to reach the masses of the population by direct taxes. If they are

to contribute at all to the expenditure of the State, it must be through taxes levied upon some articles of universal consumption. If such taxes are fairly adjusted, a large revenue can thus be raised, not only with less consciousness on the part of the people, but with less real hardship upon them than in any other way whatever. There is no other article in India answering this description upon which any tax is levied. It appears to be the only one which, at present, in that country can occupy the place which is held in our own financial system by the great articles of consumption from which a large part of the imperial revenue is derived. I am of opinion, therefore, that the salt tax in India must continue to be regarded as a legitimate and important branch of the public revenue. It is the duty, however, of the Government to see that such taxes are not so heavy as to bear unjustly on the poor by amounting to a very large percentage upon their necessary expenditure. The best test whether an indirect tax is open to this objection is to be found in its effect upon consumption.¹

The Stamp revenue is derived partly from stamps on commercial papers, and partly from fees, levied by means of stamps, on proceedings in the judicial courts. It amounted in 1886-87 to 3,751,000*l.*, of which more than 1,000,000*l.* was derived from commercial stamps, and about 2,500,000*l.* from court fees.

The revenue under the head of Excise is derived from duties on spirits and intoxicating drugs. The people of India generally are extremely abstemious; the consumption of spirits is for the most part confined to the lower classes, but even among them there is, in the words of the Government of India, 'a condition of things which, if it existed in England, would be regarded almost as a millennium of temperance. Drunkenness in the English sense of the term hardly exists in India.' There has been a large and steady increase in the excise revenue. In 1870 it was less than 2,250,000*l.*; in 1880

¹ Despatch to Government of India, January 21, 1869.

it was 2,840,000l. ; and it was 4,375,000l. in 1886-87. Benevolent people in this country, carried away by the enthusiasm of ignorance, have found in such figures as these the opportunity for indignant protest against the wickedness of a Government which, with the object of obtaining revenue, affords, in defiance of native opinion, constantly increasing facilities for drinking. There is no foundation for such assertions. The sole cause of the increase of revenue has been improved administration and the suppression of illicit distillation and sale. I quote from a despatch of the Government of India the following summary of the facts :—

‘ Few subjects have of recent years obtained greater attention at the hands of the Government than questions relating to excise administration. In each of the three larger Governments the excise system has, within the last six or seven years, been completely examined in its operation and in its effects. These examinations have been made under the instructions of the local Governments and in direct communication with us, and the principles on which they have been based, and which have been unanimously accepted by all the authorities concerned, have been these : that liquor should be taxed and consumption restricted, as far as it is possible to do so without imposing positive hardships upon the people and driving them to illicit manufacture. The facts now placed on record show that in this policy the local Governments have been completely successful, and that the great increase of excise revenue in recent years, which has been taken as evidence of the spread of drinking habits, really represents a much smaller consumption of liquor, and an infinitely better regulated consumption, than the smaller revenue of former years. . . .

‘ There is not the slightest reason to imagine that in the days of native administration the Indian populations refrained from indulgence in a practice which it requires the constant watchfulness of the British administration to prevent. Under the Mohammedan administration which immediately preceded the British rule, the facilities for drinking were very much

greater than have ever since existed, and the prevalence of drinking habits was quite as much complained of. The reports of the Chief Commissioners of the Central Provinces and of Assam prove that it is precisely those tribes and races which have been the least accessible to the influences of British rule which are most addicted to intoxicating drinks and drugs. We have at the present day ample evidence on this very point in the conflict between the British and Native excise systems wherever British and Native territory meet. These are the only points where the British system breaks down, because the restrictions imposed upon manufacture and consumption on the British side of such frontiers are not met by equivalent restrictions on the other side. One of the main difficulties which the excise authorities have to meet is that of excluding from British territory the more lightly taxed and more easily obtained spirit available in Native States.

‘It is only by strong preventive establishments that illicit distillation can be prevented. The great increase in the revenue does not mark the extension of drinking habits, but is the result of a great and general increase in the rate of tax, which it would have been entirely impossible to realise but for the great improvement in preventive measures which has accompanied it. In fact, the ability of the Excise department to prevent illicit distillation is the only limit which is imposed in practice to increase in the rate of taxation.’

There is hardly a province in British India in which, during the last ten years, there has not been a decrease in the number of liquor shops and in the consumption of liquors.

The next head of Indian taxation is that of Provincial Rates, which I have already mentioned.

In 1859, the year after the transfer of the government to the Crown, Mr. James Wilson was appointed financial member of the Governor-General’s Council. The heavy charges incurred in the suppression of the mutinies and the reorganisation of the administration rendered the imposition of fresh taxation

necessary, and in 1860, under the advice of Mr. Wilson, a general Income tax was imposed. It was levied at the rate of 4 per cent., or rather more than $9\frac{1}{2}d.$ in the pound, on all incomes of 500 rupees and upwards, and at half that rate on incomes between 200 and 500 rupees. It yielded in 1861–62 a net revenue of nearly 2,000,000*l.* Many changes have from time to time been made in the system thus introduced. The direct taxation of incomes has several times been wholly or partially abolished, and several times it has been restored. Sometimes there has been a general tax upon all incomes, sometimes a licence tax on professions and trades, and sometimes on trades only. In 1877–78 the question of direct taxation was forced into prominence by the necessity of making provision against the financial dangers caused by the liability to famine to which the greater part of India is from time to time subject. Taxes which were called licence taxes, but which were really in the nature of taxes on income, were then imposed throughout India on the commercial and trading classes, and additional rates were placed on the land in some of the provinces. In 1886 a further step was taken. An Act was then passed imposing a tax on all incomes derived from sources other than agriculture. The rates already levied on land remained unaltered, and the licence taxes were removed. This Act affects no income below 500 rupees; on incomes of 2,000 rupees and upwards, it falls at the rate of 5 pies in the rupee, or about $6\frac{1}{4}d.$ in the pound; and on incomes between 500 and 2,000 rupees at the rate of 4 pies in the rupee, or $5d.$ in the pound. The poorer classes are not touched. An income of 50*l.* a year seems very small to us in Europe, but to a native of India, in his own country, it is almost as large an income as 500*l.* would be here. I hope it may

now be assumed, after many years of contest, that an income tax has been finally accepted as a permanent source of revenue in India. The amount yielded by the income tax in 1886-87 was 1,355,000*l*.

There is no country where a general tax upon incomes is more just than in India; but there has been much difficulty in imposing and maintaining it, because it has been opposed by the richest and most powerful classes, who alone can make their voices heard. It has long been a reproach to our administration that they have borne no fair proportion of the public burdens. The official classes, in the absence of direct taxation, contribute almost nothing. The mercantile and professional classes derive, from the security which they enjoy, greater benefits from our government than any other part of the community, but they have paid almost nothing for its support, except when direct taxation has been imposed upon them. Even the land, although it provides so large a portion of the public revenues, sometimes fails to contribute anything like an adequate amount; the most notorious example of this fact is seen in Bengal, where the zemindars, the richest class in the richest province of the empire, not only, in consequence of the mistakes of the last century, pay an altogether insufficient sum as land revenue, but remain in great measure exempt from taxation. Much has been said about the unpopularity of an income tax in India. It is undoubtedly disliked by those who have to pay it; but out of the 200,000,000 people in British India, less than 300,000 are liable to the tax, and no such term as unpopular can reasonably be applied to it. I do not undervalue the fact that the small minority on which the income tax falls is politically the most influential section of