improvement in the profit of railways is the result of the increase in the gross traffic receipts—£674,500—and the decrease of working expenses, interests charges, and miscellaneous charges by £597,700. The share-holders, who are junior partners with the Government in some of the most important lines of railways, have benefited considerably by the improved traffic and cheaper working. The guaranteed companies receive as surplus profits, or net earnings, over £100,000 more than in the preceding year. In the period from June 1, 1910, to June 1, 1911, although Consols fell from 82½ to 81¼ the general trend of the prices of the stock of the chief Indian railway companies was upward, sometimes as much as 6½ points, as in the Bengal and North-Western and the Southern Punjab Railways. It will thus be seen that the better financial position of the Government is not the outcome of increased burdens on the people, but is the indirect result of favourable conditions by which the general population benefits much more directly, and in much fuller measure than the Government. The Government of India is not merely a Government. It is a vast commercial undertaking, sharing directly in the prosperity of its subjects, and directing many of their most profitable enterprises How it came about that England—so distrustful of national or even municipal commercial enterprises—at a time when

I suppose, it was even more distrustful than it is now, gave to those who administered for it in India such wide commercial opportunities is a matter for speculation; but not only in railways and in canals, but even in agriculture—the chief industry of India—the Government is a large and active partner.

THE HARVEST AND THE TRADE RETURNS.

It is this situation which makes budgeting in India so difficult—the impossibility of predicting the conditions which may lead to large surpluses or great deficits. Empires may rise or fall, but the weather—here little more than a topic of banal conversation—is of paramount importance to the peoples and the Government of India. Of course the world's harvest is at the root of world trade, but in India failure of the harvest brings misery to millions, danger and difficulty to an overwhelming proportion of the population in her provinces, and deficits to her Government. Success of the harvest brings overflowing coffers to the Government and prosperity to the people. Last year I was able to tell the House that, after two years of severe drought, the abundant rains of 1909 had re-established the agricultural prosperity of India. The crops of 1909-10 where heavy, the prices satisfactory, and the export trade generally brisk. I am thankful to be able to say to-day that there has been no check to this prosperity. The monsoon rains of

1910 were sufficient, and the harvests reaped at the end of the year and in the recent spring have been normal or above normal. The prediction that I made last year of expanding trade has also been fulfilled. The exports of Indian merchandise in 1908-9 were £100,000,000; in 1909-10, £123 000,000 and in 1910-11, £137,000,000 (Cheers) A rise of 37 per cent, in three years is a notable event, and imports of merchandise have increased, too though to a much less extent. Thus, then, it is to this general prosperity of harvest and of trade that India owes its surplus. I turn now to the extraordinary improvement in the actual receipts from opium as compared with the Budget estimates It is hardly necessary for me to assure the House that this is not the result of any deviation from the arrangements made with China in 1907 It is on the contrary, the result of strict adherence to that Agreement; for the restriction of supply, consequent upon the steady progress of the reduction of exports, has raised prices to an unexampled level. In 1908-9 the average price of a chest of opium sold in Calcutta for export was £92, in 1909-10. it was £107; and in 1910-11 it was £195. The consequence of this extraordinary rise was to give the Government of India last year £2,723,000 revenue from opium beyond what they expected, and this, added to the surplus with which I dealt just now, gave the total surplus of about £5,500,000.

THE DISPOSAL OF THE SURPLUS.

The uses to which this surplus were put are fully explained in the Blue-books. It will be seen that a million pounds has been granted to local governments for expenditure on projects of permanent value for the development of education and sanitation —two crying needs of India, about which I shall have more to say later. Of this amount £601,200 will be distributed between technical and industrial institutions, primary and secondary schools, colleges, hostels, girls' schools and European schools, and about £400,000 will be used for drainage and waterworks in towns. About £1,000,000 is granted for expenditure in the promotion of various administrative or municipal schemes; for instance, the City of Bombay Improvement Trust gets £333,300, and Eastern Bengal and Assam £183,600 for the reorganisation of the subordinate police; £1,000,000 has been retained by the Government of India as an addition to its working balance, and £2,000,000 has been set aside to be used towards the discharge of floating debt. Hon. members who read the report of the discussion on the Budget in the Viceroy's Legislative Council will find that the disposal of the surplus was received with general satisfaction. There was not, indeed, a tame unanimity of approval, because there is some feeling among the representatives of Indian opinion against

the practice of devoting much money to the discharge of debt. In this House the opposite view is likely to be held and the Government may perhaps be thought to have infringed the strictest canons of finance in not using the whole realised surplus for the discharge of debt. But, inasmuch, as the non-productive debt amounted on March 31, 1911, to only £46,000,000 as against £71,000,000 ten years previously, so that, if the same rate of reduction were to continue, the non-productive debt would be extinguished in about 18 years, the Government of India may claim to have displayed on the whole a combination of produce and liberality in dealing with the surplus that good fortune placed at its disposal. It has intrenched its own financial position, discharged onerous liabilities, and has spent considerable sums on very deserving objects.

The Estimates for 1911-12.

I must now turn for a moment to the Budget estimate for 1911-12 Our estimates have been based on the expectation that harvests and trade will be great, and a surplus of £819,200 is anticipated. I trust that this expectation will be fulfilled, but, as the prospects of the harvests give rise to some anxiety in places I thought it desirable to obtain from the Government of India the latest informa-

tion on the subject. The following telegram was received from them yesterday (July 25):—"Prospects are generally good in greater part of Eastern Bengal and Assam, Bengal, Madras, and Burma. In the rest of India, including the dry zone of Burma, sowings appear, generally speaking, to have been normal, but crops have begun to wither, and if no rain falls during the next ten days or so, the autumn crops will be imperilled. The situation (more especially in North-Western Deccan, North Gujerat, Berar, and West of Central Provinces and in North-West India generally) causes some anxiety, but stocks are in most places considerable, and the condition of the population is reported good and prices show no abnormal movements." The only alteration of taxation that is provided for is in tobacco. The experience of last year seemed to indicate that a larger, or at any rate a more staple, revenue would be derived from a lower duty, and the rates have, accordingly, been reduced by one third.

The Expenditure on the Durbar.

But although taxation has not been reduced, provision has been made for the cost of the Durbar and military review to be held at Delhi in December next, and for other incidents of the King's visit, without any extra-taxation. The latest estimate of

gross expenditure is £942,200 Imperial and £183,000 Provincial expenditure. Against this there will be a considerable set-off in the shape of receipts from the Durbar light railway, visitors' camps, and sales of plant and material. It may be of interest to add that the Government of India have made the most careful arrangement to secure that the accounts of the cost of the Royal visit, which will be prepared in due course, shall show the whole of the expenditure of every description. There are few questions of greater difficulty than that of the scale on which expenditure of this kind should be incurred when the taxpayers are poor, but when at the same time there is among them a very general desire that the celebration shall be on a worthy and adequate scale In this instance the scale of expenditure was fixed after very careful consideration by the Government of India and the Secretary of State, and when the financial provision was brought to the notice of the Legislative Councils, both Provincial and Imperial, it was received by the Indian representatives with what the Viceroy, in his speech on March 27, described as "a tidal wave of enthusiasm." An Indian member of one of the Provincial Councils expressed an opinion on the expenditure by saying." I wish it were more." I think we may assume that the decision of the Government represents fairly well the

mean between the possible mistakes of extravagance on the one hand and on the other hand failure to give suitable expression to the feelings of a population deeply moved by a great and indeed unique occurrence.

A Historical Retrospect.

I say unique occurrence, but although his Majesty is not going to be crowned again at Delhi, it would not be unprecedented that a King of England should undergo two Coronation ceremonies. There are several instances, as the House no doubt knows. Richard I., who was crowned at Westminster in 1189, was crowned again at Winchester in 1194, much against his will, on his return from captivity in Germany after his ill-starred crusade. Henry III. had to be content with an initial Coronation at Gloucester, as the French were in occupation of London—without a crown, too, as the regalia had been lost with the rest of King John's baggage in the Wash—and it was not until four years later that a second ceremony was held in Westminster Abbey. But two centuries afterwards the tables were turned, when Henry VI. was crowned both in Westminster Abbey and in Notre Dame. The two Charleses were both crowned in England and in Scotland. Comparison between Scotland and England and India and England is a mark of the signal

growth of the British Empire. Nor is it unprecedented that Delhi should witness the Accession ceremony of an Emperor. That historic city has been the scene of many Accession festivals, though the ancient ceremonies present points of dissimilarity from those which will be witnessed next winter. We do not, for instance, think it necessary to conclude the festivities, as did Aurangazeb, by the public decapitation of 500 thieves, "thereby," as a local historian quaintly says, "terrorising the perverse." (Laughter.) The unique nature of the present occasion lies in the fact that India has never before had the opportunity of receiving in person and doing honour to her English Emperor and Empress.

AN HON. MEMBER: British. (Laughter.)

MR. MONTAGU: Her British Emperor and Empress

THE DURBAR ARRANGEMENTS.

It may interest the House to hear a brief description of the ceremonies of which the Durbar will consist. Our aim is to make them as popular as possible, and to give every opportunity to the people of India of sharing in them. I am glad to be able to say that the outbreak of plague at Delhi,

which caused some anxiety, has now subsided, and we may hope that there is no danger of any such untoward incident as marred the Coronation of James I., when the plague was raging in London, and the people were forbidden to come to Westminster to see the pageant. On December 7 their Majesties will arrive at the bastion of Delhi Fort, where 150 Ruling Chiefs will be presented. Subsequently they will go in procession with British and Indian escorts round the Great Mosque and through all the principal streets of the town. On the Ridge they will be received by representatives of British India, between 3,000 and 4,000 in number. On the two following days the King will receive visits from the Chiefs, and will lay the foundation-stone of the all-India Memorial to King Edward in Delhi. On December 11 colours will be presented to British and Indian troops. The Durbar ceremony itself will take place on December 12. In order to make it as popular as possible accommodation will be provided for 50,000 spectators in addition to the 12,000 officially invited guests and the 20,000 troops in the great arena. Thus there will be space for about 100,000 persons to see the ceremony, and to see it well. On the following day in the morning, the King will receive the officers of the Native Army, and in the afternoon their Majesties will attend a garden party at the

Fort, where a huge popular fete will be held on the ground below the Fort, to which it is expected that about a million people will come to spend the day in the games and amusements that will be provided for them. It is anticipated that, following the custom of the Mogul Emperors, their Majesties will show themselves to the people from the bastion of the Fort. On the 14th there will be a review of unprecedented size, in which British and Indian troops, numbering over 90,000, will be present, and I may add that this will have been preceded by four days manœuvres on a scale never before found possible. Thus the advantage of practical training will be combined with the delights of brilliant display. On the next day, the 16th, their Majesties will depart in procession through the streets of Delhi, and this historic pageant will be over. (Cheers.) We, who have crowned and welcomed with great joy our King this year, will wish him "God-speed" as he sets sail on his Imperial mission, believing that he will receive a real and heartfelt welcome from all his peoples in India, not only because news of his popularity and single-purposed devotion to his Imperial duties will have reached their shores, but because they will see in his visit thus freshly crowned an earnest that the passage of time and growing knowledge has increased the desire, which has always animated the British

people, to help and serve their Indian fellow-subjects. (Cheers.)

The Opium Revenue.

I must, however, get back to the subject of finance, because I want the House to look with me for a moment at the future beyond the year with whose finance we are at present concerned. We must now definitely face the total loss, sooner or later, of revenue derived from opium sold for export to China. As the House knows, a new agreement on this subject was concluded in May last between the United Kingdom and China. The Provisional Agreement of 1908, which arranged that the import of Indian opium and the production of Chinese opium should be progressively diminished year by year until, in 1917, import and production will entirely cease, was confirmed. His Majesty's Government have, moreover, agreed that the export of opium from India to China, either over the whole country or province by province, shall cease whenever clear proof is given of the complete absence of production of native opium in China. They have also agreed that Indian opium shall not be conveyed into any province which can establish by clear evidence that it has effectively stopped the cultiva-

tion and the import of native opium. Some prophets say, with considerable reason, that in two years or less we shall have to face a loss of the £3,000,000 approximately of net opium revenue which figures, in the Estimates for 1911-12. It is sufficient to state, as I have, the main terms of the agreement to make it clear that in furtherance of the policy of sympathetic support of reform in China and in recognition of the progress made there in reducing the production of native opium, the Indian Government have gone a long way towards the final extinction of their opium trade. (Hear, hear.) The Government of India will loyally and scrupulously carry out their share of the agreement, and I claim the sympathy and admiration of the House of Commons for all who are doing their share, as I believe because they have decided that opium growing and opium trading is an immoral and intolerable industry. First of all, there are the Chinese people, who are showing an almost inconceivable zeal in freeing themselves from the vice which has laid them so long helpless in chains. There are the Indian people, the taxpayers, who are willingly and cheerfully sacrificing in this humane interest a valuable source of revenue. (Cheers.) There are the opium growers in the Native States, and there are the Government of India and his Majesty's Government, who in 1906 found the opium trade

flourishing and unlimited and who have now succeeded in setting an end to this industry.

Economies in Administration.

Towards meeting the possible loss of the three millions from this source there is the estimated surplus for this year of £800,000; but there is also the non-recurring item of £1,000,000 for the King's visit. There is therefore a margin of nearly £2,000,000 of surplus revenue in the present year. It is not over-sanguine, I think, to hope that each future year may be expected to give a modest addition to the revenue of the Government, because although it is difficult and undesirable to obtain sudden increases of revenue in India, there is nevertheless a steady upward movement due to the spread of cultivation, the growth of railway and irrigation systems and the general development of the country. I am not forgetting that it is possible that a portion of the natural growth of revenue may be required to meet increased expenditure, especially on objects such as improved education and sanitation, which are commended by public opinion in India and in England, but there is also the possibility of economy in other branches of expenditure. I quote the promise which was made last January in the debate on this subject in Calcutta, when the Finance Member said that all the members of the

Government of India will, during the current year, subject the expenditure for which they are individually responsible to close scrutiny with a view to effecting all possible economy.

THE REDUCTION OF MILITARY EXPENDITURE.

I have every reason to believe that this promise is being fulfilled. (Hear, hear.) It has, indeed, given rise to rumours, founded on what information, obtained from where, I do not know. It is said that we propose to cut down the military forces in India. Well, what if we did? Is it suggested that when we are reviewing the expenditure in other departments we should except the military department? If there were no Army in India no one would suggest that the Army should be made anything but large enough and only large enough, for the needs of the situation, but simply because the Army was devised and organised at other times it is seriously suggested that no modification should be made, and that, even though you are searching for economy in every department, you should not be allowed to question your military expenditure. I can assure hon. members that the Government does not share this illogical view, but that nothing is, or will be, contemplated that will impair the efficiency of our Army for defending and guarding the peace of our Empire. (Hear, hear.) However this may be, the

question whether the loss of opium revenue will involve fresh taxation cannot be definitely answered. The present financial strength of the Government of India, the growth of its resources and the growth or restriction of its expenditure are all factors that have to be considered and re-considered as the financial plans for each successive year are made.

Frontier Politics.

I now reach that portion of my statement which by tradition is devoted to a more general discussion of the political conditions of India. I hope I shall not be thought to fail in my duty if I say very little about political affairs this year. I dealt with them very fully last year, and in politics the year has been uneventful. That is all to the good. The North-West Frontier has been singularly free from disturbance. There have, of course, been raids and there will continue to be raids so long as an increasing population with predatory instincts presses more and more heavily upon the soil. The appointment of a special officer to take charge of our relations with the Waziris has undoubtedly been successful so far, and it is hoped that the recent Joint Commission of British and Afghan officials which disposed of an accumulation of cases of border crime will check frontier raids, especially

if the Afghan authorities are firm in carrying out their agreement not to permit outlaws to reside within 50 miles of the frontier. The North-East Frontier, on the other hand, was the scene of a deliberate open attack by Abors on a small British party, in which Mr. Noel Williamson, Assistant Political Officer at Sadiya, lost his life. The outrage is one for which his Majesty's Government are taking steps to inflict punishment at the earliest possible moment. Mr. Williamson was a young and energetic officer who had done good service on the frontier, and to whom the Government of India are indebted for much valuable information about peoples whose confidence it is notoriously difficult to win. The House, I am sure, will wish to join the Government in an expression of regret at the loss of so valuable a life. (Cheers.) In the internal sphere of the political department an interesting event was the constitution of the State of Benares under the suzerainty of his Majesty the King-Emperor. This involves no change in the Constitutional theories of the Government of India, nor does it betoken any new policy in regard to such cessions in future.

Political Crime.

Political crime has, I am sorry to say, shown

its head once or twice. As long as there are men who lurk safely in the background to suggest these crimes—(cheers);—as long as there are tools, often half-witted and generally immature, to commit them under the, impression that they are performing deeds of heroism, so long, I am afraid, occasional outrages of this sort may occur. (Hear, hear.) Do not think I am minimising their horror. I can imagine nothing more tragic than that a devoted servant of the Government should have a career of utility to India cut short in this way. I should like to take this opportunity of expressing the deep regret that his Majesty's Government and the Government of India feel at the deplorable murder of Mr. Ashe and to tender the profound sympathy of all concerned with the relatives of this promising officer. But, horrible and deplorable as these crimes are in their individual aspect, it is a very common mistake, and a very great mistake, to attach too much importance to isolated occurrences of this sort as indices of the political situation, or to make them the text for long jeremiads in the most exalted journalese. (Laughter and cheers.) With all respect to the admonition of an army of friendly critics, I adhere to everything that I said last year as to the progressive improvement of the general situation, though I shall probably again be told that my optimism is unjustifiable.

A Word to the Pessimist.

I want to protest here against the ill-informed and unthinking pessimism of which we hear a good deal, accompanied by vague and unsubstantiated criticism of the present Government for being in some mysterious way responsible for the state of affairs which the critics regard with alarm. I wish that the people who talk like this would take pains to substantiate their views with something more than bare and vague assertions of general alarm. What do they mean, these prophets of woe, who shake their heads and say: "We do not like the news from India; India is in a dangerous state," adding something, as a rule, about a Radical Government? (Laughter.) They write it to their friends, they print it in the newspapers, they whisper it over the fireside. What do they mean? Why, all that they mean, so I venture to assert, is that the Indian problem is a difficult one, and a complicated one, becoming, as the country develops and its people are educated, increasingly difficult and increasingly complicated. There is no need to tell that to us who are concerned with the administration of India. It is all the more reason why we should face the future bravely and thinkingly; all the more reason why we should avoid a mournful pessimism which begets the atmosphere of distrust in which it

thrives. Whatever hysterics may be indulged in by armchair critics in the Press, the House may rest assured that the Indian Courts will not be deflected one jot from that adherence to strict justice which has won them the respect of all sections of the community, nor the Executive Government from exercising clemency where clemency will serve the best interests of the country. (Cheers.) The policy of Lord Crewe and Lord Hardinge is the policy of Lord Morley and Lord Minto—immoveable determination to punish fitly anarchy and crime, with strict sympathy for orderly progressive demand with the peoples that they govern. (Hear, hear) Indeed, this is no new principle of Indian government, for the policy of the Great Mogul was two centuries ago thus described by Manucci: "Liberality and generosity are necessary to a prince; but, if not accompanied by justice and sufficient vigour, they are useless; rather do they serve to the perverse as occasion for greater insolence."

A Changing India.

I do not want to be dogmatic, but India is changing fast—as fast as, if not faster than, the West, and our views must keep pace with the change. India has been given peace, unity, and an Occidental education, and they have combined to

produce a new spirit. It is our duty to watch that movement, and to lead it, so far as it may be led from without, into right channels. When a change is produced in the political organisation of a great Empire it must not be regarded as the result of an inspiration of a philosophic Secretary of State creating a new condition of things out of a placid sea, anxious to modify the realm over which he presides in accordance with his whim, his fancy, or even his settled conviction. Political change in any country, I take it, results from causes very different from this. It must originate from within, not from without. Social conditions, slowly developing, stir public opinion and public demand, which move unformed and uncertain at first, gathering strength and shape later, and it is the duty of those in charge of the machine of government to lead them into the channels of altered policy by means of statutes, Orders in Council, and so forth. These paper documents are the manifestation of the development of the country. They do not, of themselves, thrust the country either backwards or forwards. They only mark, as I understand it, and so help its movement forward or backward with a success which depends upon the equipment and wisdom of those in whom the control is vested. That is where true statesmanship lies—to watch the manifold and complex currents, to diagnose aright the

signs of the times, to await the moment, and, when the moment comes, to step in and mould into proper shape aspirations and demands which are feeling and groping for expression.

Lord Morley's Work.

It is for this that the name of the great statesman who has recently left the India Office will be remembered in Indian history. Lord Morley, with a keen and liberal understanding of Indian men and affairs, has set such a seal upon Indian progress as can fall to the lot of few Secretaries of State. The appointment of John Morley to the Indian Office stirred great hopes in India. He had the good fortune to find in Lord Minto one whose share in the events of the last five years has obtained for him the affection and gratitude of India. (Hear, hear.) The hopes were amply fulfilled. Liberal and generous reform, coupled with unflinching repression of crime, successfully met a situation that might well have broken the reputation of a lesser man. He has put off his armour amid the universal regret of the whole of India, and, if I may take this opportunity of saying so on their behalf, to the regret of all who worked under his leadership. (Hear, hear.) By Lord Morley's reform scheme I claim that we have successfully marked the political development of India as it is at the moment and

have provided a channel along which India's political history may run, I hope, contentedly and steadily for many years to come. May I say again what I said last year, that it is the opinion of all concerned in the government of India that th s scheme has been a complete success, and that the standard of work in the new Legislative Councils is worthy of the highest praise. (Hear, hear.)

The Political Future.

And it is because of this that, when I ask myself the question, "What of the future?" I am compelled to say frankly that a country cannot develop by political agitation alone. I say, as one who profoundly sympathises with progressive opinion in India, that political agitation must not be allowed to outstrip development in other directions. Genuine political agitation must be spontaneous; it must be the inevitable result of causes working within a nation, not fictitious importation from outside. It is not enough to admire and envy Western political institutions. They cannot be imported ready made; they must be acquired as the fitting expression of indigenous social conditions. If India desires—I use this conditional because I know there are some in India who would retrace their steps and abandon Western influence, and go back to autocracy and Oriental despotism—

but if she desires, as I believe the majority of educated Indians desire, to attain to Western political institutions, it must be by Western social development. The Indian educated faction with democratic leanings is a tiny faction. It must remove, if needs be by years of work, this inevitable rejoinder to its demands, not by clamour or by political agitation, but by work, however patient, along the lines I am about to indicate. It cannot be removed in any other way. The measures taken two years ago afford ample provision for the expression of public opinion, and for the more effective control by Indians over the government of their country. The time is not ripe for any further modification of the system of government and so I say to India, with all respect:—"Work out your political destiny so far as you may under your existing Constitution find out its best possibilites, and improve, if you will, its machinery; but, for the moment, turn your attention more directly to other problems which make a far more urgent call upon your energies. The Government is ready to play her part, but, without you, the Government can do nothing. Indians must turn their attention to organising an industrial population which can reap the agricultural and industrial wealth of the country, and attain a higher level of education and a higher standard of living.

India's Industrial Progress.

I must apologise most humbly for detaining the House so long, but I have a message to deliver on the part of the Government. India has developed from a series of isolated, self-supported village communities, where the main occupation was agriculture, carried on to feed the community, where payments were made wholly in produce, and where such industry as there was, was mainly hereditary, and the products were distributed among the inhabitants of the village. Justice, law and order were enforced by the village itself, often by hereditary officials. An idyllic picture, perhaps, marred only by the important consideration that such an India was wholly at the mercy of climatic conditions. Drought or tempest meant starvation and sometimes disappearance. In the famines of olden times, far, far older than the British occupation, millions died of hunger, just as thousands died in France in the seventeenth century. What has altered all this? The same cause which altered similar conditions in England, in France in Germany, in almost every European country—with this distinction, that what European countries acquired by centuries of evolution has been imported into India by zealous workers, profiting by the history of their own country. The huge development of railways in India is the work of

little more than a score of years. The first metalled roads were laid about fifty years ago. By these means of communication, with the post and the telegraph, the isolation of village communities has been broken down, money has been introduced as a means of exchange, competition has come in and national and even international trade has been developed. India's manufacturers compete with the manufacturers of the rest of the world, and require, as they do, the latest developments of science and technical knowledge. Her agriculturists till the soil no longer merely to provide themselves with food, but to sell perhaps at the other end of the world, the products of their labour. Enterprise has been facilitated; prices have been raised and equalised. Famine no longer means starvation. Thanks to modern means of communication and to the greater security given by the irrigation system that the British Government has so largely developed, in times of scarcity in these days the number of deaths directly attributable to lack of food is insignificant. But there are signs of a further development which also has its analogy in the industrial history of the West. The Inter-dependence of all branches of industry, the concentration of labour in factories under expert management, the stricter division of labour, the use of mechanical power and the employment of large amounts of

capital are symptoms of this revolution It is just what happened in this country when our great woollen and cotton industries were developed from the isolated hand-weavers This period in a country's history brings with it many possibilities of evil unknown to a more archaic society, but it brings also possibilities of wealth and greatness I hope the House will not pause to deplore the risks of evil, for, if the industrial revolution has begun, nothing can stop it. You might just as well try to stop the incoming tide with your outstretched hands. Our task is rather to guard against the evils that our Western experience enables us to foresee.

A Series of Significant Figures

I do not want to be accused of seeing in India an industrial revolution that does not exist, and so I may be permitted to read a very few figures. Twenty years ago there were 126 cotton mills, employing 112,000 hands, there are now 232 mills employing 236,000 In the same time the number of jute mills has exactly doubled, and the persons employed in them increased from 61,000 to 192,000. Altogether there are now about 2,500 factories of all kinds worked by mechanical power, employing nearly a million persons. The tea industry gives employment to 600,000 persons, and exports annually 250 million pounds of tea,

valued at nearly £8,000,000, an increase in ten years of nearly £2,000,000. As regards mineral production, the chief mineral worked is coal. The annual output, which has more than doubled in the last eight years, is 12,000,000 tons, and the industry employs about 130,000 persons. Petroleum also has developed very rapidly. The output is now 176,000,000 gallons, which is quadruple that of ten years ago. Manganese ore is also a new and considerable mining industry. As yet there is no steel-making plant in India, but much is expected from Messrs. Tata Brothers' undertaking, which is nearing completion. If we may add the employes on the railways, who number some half a million, to the numbers employed in factories, tea estates, and mining, the total comes to about 2¼ million persons. As regards the growth of capitalisation, there are 2,156 companies registered in India with a nominal capital of £70,000,000, and a paid-up capital of £40,000,000. These figures have been doubled in ten years. There are also many companies registered abroad which carry on business exclusively in India, mainly in tea growing, jute mills cotton mills, and rice mills. These companies (omitting railway companies) have a share capital of 30,000,000 besides debentures. Again, the banking capital of India has increased in ten years from £ 20,000,000 to £ 43,000,000.

Deposits have risen from £20,000,000 to £43,000,000. This, of course, means so much increase in the capital available for financing commercial and industrial operations. If further proof were needed of this industrial revolution, it can be found in the fact that, although four-fifths of the exports of India consist of raw materials and foodstuffs, and four-fifths of the imports consist of manufactured goods, these proportions are being modified as time goes on. Raw material imports have increased at a more rapid rate than manufactured imports, whilst the rise in the exports of manufactured goods is more than twice as great as the rise in the exports of raw material. These are my evidences of the industrial revolution, and, in order to avoid the evils with which it is attended, India has need of the assistance of the best and wisest of her sons. I am very hopeful that this evolution will not be confined to agricultural India. What is required in the industrial part of the scheme in India is the application of modern methods and modern science to Indian industry. We want to see a stream of educated young men entering industrial careers, and leaving alone the overstocked professions of the Bar and the public service. (Hear, hear.) May I quote an Indian economist, Mr. Sarkar, who says:—The supreme need of do-day is managers of firms, pioneers and entrepreneurs.

The highest intellect of the nation should be educated for industries, for, remember, the highest intellects are serving the industries in Europe, and capital and business experience are closely associated with brain power there." And again:—"Our recent industrial awakening has created a sudden demand for business managers. Experienced men of this class are not available in sufficient numbers, and so our new ventures are run by amateur managers, such as lawyers, retired public servants, and so forth who, with the best intentions, are unfit to take the place of the trained businessmen For this reason many of our new joint stock companies have failed." That is the want in India, technical education and people willing to profit by it. (Hear, hear.)

The New Agricultural World.

I hope that the industrial development of India will not be confined strictly to industries; I hope this development will also extend to the new agricultural world which has been formed by the comparatively recent destruction of the isolation of the village. Division of labour has been introduced, the export of produce is growing, and the shares of the landlord, the Government and the labourer are now being paid more and more by the cultivator in money. Government has modified, in the interests of the cultivator, the system of revenue

assessment which it inherited from its predecessors, and which represents its partnership in the agricultural industry. Government has also been sedulous to protect tenants from the exactions of landlords. Its methods of controlling landlords who exercised their ingenuity in adding to fixed rents cesses for fictitious services would, I fear, shock many Conservatives in this country, and whet the appetite of the most advanced agricultural reformers. (Laughter.) In Bengal the Tenancy Law provides that every cultivator who has held any land in a village for 12 years acquires a right of occupancy and is protected from arbitrary eviction and from arbitrary enhancement of rent. (Hear, hear.) He has got fixity of tenure and fair rent. (Hear, hear.) In Madras the cultivator is virtually a peasant proprietor, paying a judicial rent for the enjoyment of his land. (Hear, hear). But the cultivator has two things always against him; he is dependent on the seasons, and he is naturally improvident. He will spend, for instance, the equivalent of several years' income on a single marriage festivity. He must, therefore, turn to the money-lender, and, once in his clutches, he is never free. This is not unique in India. The tale is just the same as the tale in Ireland, in Germany, and in France, and 140 per cent. and 280 per cent. are not uncommon rates of interest. The whole of the surplus produce goes to the money-lender as

payment of interest. As for the payment of principal, that is nearly always impossible. Indian agriculture is going to be saved, as I believe by the Raiffeisen system—a boon from the West, which is taking hold in India.

The Co-operative Movement.

I want to say something of the co-operative movement, because I believe that even England may have much to learn from India here. You cannot apply capital to agriculture in the same way that you can apply it to industry, for you cannot take your raw material, the land, and lump it together into a factory. The size of an economic holding can never be greater or smaller than the local conditions of market of soil, of climate make possible. Though aggregation is the essence of the manufacturing industry, and isolation is the essence of the agricultural industry, the principle of capitalisation governs both, but in agriculture resource must be had to co-operation. The law under which the societies are incorporated was passed in 1904, and some time elapsed after its enactment before the principles of co-operation could be made intelligible to the people by the Government officials to whom the work of organisation was entrusted. The principles were borrowed from Europe were unfamiliar to the people,

and required a certain amount of intelligence as well as willingness to make trial of a new idea. The initiative had to come from without; and the Government gave it by means of officers and funds. The officers' zeal and interest have repeatedly been acknowledged, but funds have been supplied sparingly, in order to make the movement from the outset a genuine one. (Hear, hear.) Imperfectly though the figures reflect the progress, they are remarkable. In three years the number of societies has increased from 1,357 to 3,498. The number of members has increased from 150,000 to 231,000; the working capital has risen from £300,000 to £809,000. It is a fair assumption that each member represents a family, and that the co-operative movement has beneficially affected no less than a million people. Of course the banks vary in detail in the different provinces, but perhaps in Bengal, where there is no share capital and no dividend, and all societies are organised on the strictest principles of unlimited liability, and members of the society pledge their joint credit, we get the most perfect application of the Raiffeisen principle.

An Encouraging Picture.

It is from the accounts of the movement given by the provincial officers (and of the 28 officials at

the last Conference of Registrars 20 were Indians) that one realises the capacity of the Indian rural population to respond to a beneficent idea and their latent powers to work for the common good. The initiative in the first instance had to come from the Government and its officers, but a registrar and one assistant and two or three inspectors in a province of 20,000,000 or 40,000,000 people could do nothing unless they could count on the assistance of honorary helpers This has been forthcoming. Men of education and public spirit, animated solely by enthusiasm for the movement have set themselves to learn the principle of co-operative credit societies, and in their several neighbourhoods have become organisers and honorary managers of banks. Even greater enthusiasm is to be found in the villages among poor and homely men of little education. It has been found, not by any means in every village, or equally in all parts of India, but to an extent which was not anticipated. In a poor village a credit bank was started with a capital of 20 rupees. It has now a working capital—chiefly deposits—of more than £3,000. The bank has also a scholarship fund to send the sons of poorer members to a continuation school, and an arbitration committee for settling local disputes. I have another example of a committee managing a credit bank, which, by denying membership to a man of bad character until

he had shown proof of his reform, made a good citizen out of a bad one We read also of buried bags of rupees, crusted with mould, being produced and deposited in the bank. It seems as if we were in this way beginning to tap the hoarded wealth of India. Several societies have bought agricultural machines, and some are occupying their spare time and capital in opening shops and doing trade in cattle and wood. Others, again, aim at land improvement, repayment of old debts, and the improvement of the backward tenant, and even at the establishment of night and vernacular schools. In several districts the village societies have resorted to arbitration in village disputes, and in one or two cases they have taken up the question of village sanitation. One can almost see the beginning of the revival of old village communities (Hear, hear.) But there is also another note struck in most of these reports While villagers have shown a wonderful capacity for combination and concerted action, and while enthusiastic workers of position and intelligence have here and there been enlisted in the cause there is complaint of the apathy of the natural leaders of the Indian community and their apparent failure to realise the immense importance of the movement. There is no doubt that the field wants many more workers, and, I hope, it will not ask in vain.

THE PROBLEM OF EDUCATION.

There is, then, growing in India this great two-sided organisation of industrial and agricultural life. I do not think it can grow healthily far unless serious attention is given to one or two important matters to which I now want to draw attention. The first is education—general and industrial. I regret that I am not in a position to say much in detail on this subject, all the more because I see that my hon. friend Sir Albert Spicer has a motion on the subject on the paper. The department constituted last year to take charge of education has been hard at work elaborating a policy, and I hope that the result of their labours will shortly be made public. We have to deal with 16 million boys of school-going age, the bulk of them widely scattered over an agricultural population. There is no general demand at present for education among the people, who have borne their illiteracy very cheerfully. This is no reason, of course, that there should be any relaxation in our efforts to spread education among them. But while it is the obvious duty of the Government to provide better buildings, better equipment, a better curriculum, and better teaching staffs, there is a duty, on the other hand, for Indian educational reformers to create a willingness to allow children to be educated, a willingness to help, to teach, and, be it said, a willingness to help,

pay the taxes or the fees (I do not know say which) by which alone large educational schemes can be financed. By this means only can we bring into the pale the 80 per cent of children who, I am sorry to say, are now growing up without any education at all As for technical instruction, much is being done by the provision both of institutions and of technical scholarships, a full description of which can be found in the last quinquennial report on education in India—Command Paper 4,365 of 1909. What is required there is, as I have said, to invite young men who have achieved a good primary education to choose these advantages rather than to crowd still further the entrance to the Bar or the public service through the universities. (Hear, hear)

THE NEED FOR A HIGHER STANDARD OF LIVING.

With education will come, I hope, a higher standard of living for the people and some reduction in the terrible wastage of human life. The present standard of living is deplorably low Ignorance of sanitary or medical principles is practically universal. The birth-rate is extremely high, judged by the birth-rate of Western Europe. The death-rate and notably the death-rate of children, is also, judged by European experience, appallingly high. The death-rate in the United Provinces and the Punjab in 1908, when malaria was very prevalent,

exceeded 50 per 1,000. The English death-rate is only 16 per 1,000. The sickness, disease, and mortality which horrify students of Indian society are, from one point of view, the consequences of a very low standard of living, though from another point of view they are the rude restrictions placed by Nature on a population which continually multiplies up to the limit of bare subsistence. Now at present only 10 per cent. of the Indian people live in towns. The effect of the reorganisation of industry upon capitalistic lines will be to modify this. The concentration of people from the countryside into large towns is bound to occur. The figures of the recent census have not yet been published in sufficient detail to enable a definite judgment to be formed as to how far this process has already taken place, but the tendency is undoubted. The population of Calcutta, for instance, has increased by 10 per cent. in the last ten years, that of Bombay by 25 per cent., that of Karachi by 36 per cent. and that of Rangoon by 18 per cent. This will not be without its good effects. The consequent increase of wealth will provide means wherewith to ameliorate the poverty which at present impedes the progress of India in so many directions. Again, the multiplication of industries will relieve the pressure on the land which now drives down the profits of agriculture, and will thus mitigate the severity of those recurring

calamities which follow upon the failure of the harvest, for it has long been recognised that the encouragement of diversity of occupation is the only radical cure for famine. Moreover, in the concentrated population of the towns all those civilising and educational movements which are summarised in the word "progress" find their centre. Technical instruction in special trades and occupations is impossible in sparsely populated districts.

The Evils of Town Life.

But, on the other hand, there is danger that all the evils of town life—the overcrowding, the destitution, and all the squalid misery of mean streets with which we are too familiar—should be reproduced in India, and be even harder to bear than hear on account of the suffocating heat. Already we hear of overcrowding and insanitary tenements in the operatives' quarters in Bombay. Mr. Dunn, late Chairman of the Bombay City Improvement Trust, in a paper of February 17, 1910, says:—The rooms or 'chals' less than 10 ft. square are separated from one another by partitions of wood or split bamboos plastered with mud. There is no ceiling, only the sloping low roof, which is of rough round rafters and a single thickness of country tiles. The walls and roof are black with smoke and dirt of

many years, the rooms are filled with choking smoke from the wood fires and naked lamps, and there is no exit for this except through the rough doors. The only openings are the doors leading from the rooms on to narrow verandahs, no ventilation, darkness, and a choking atmosphere, and a family of five or six persons, with perhaps a lodger or two. Refuse of all kinds is disposed of by the simple expedient of throwing it outside beyond the verandah, and the condition of the surroundings of the 'chal' may be left to the imagination. Of course, a situation such as that demands activity from the Government. In Bombay a City Improvement Trust has been working for the last ten years with inadequate means. The Government of India have now given, as I have said, £333,000 to it, and proposals are being considered for providing the trust with a larger income from local sources. A similar trust is now about to be created in Calcutta. In Rangoon, again, land reclamation on a large scale is being undertaken. Elsewhere much attention is being paid to the subject; but the most urgent need is the education of the masses in the principles of hygiene. There is a limitless field indeed for private enterprises here. Tolerable though archaic habits and practices may be in the open country, when transferred to the crowded towns they become insupportable. At the Bombay Medical Congress in

1909 a Parsi doctor read a painfully interesting paper on "Unhygienic Bombay" He said: "A large portion of the insanitary conditions prevailing in and outside the dwellings of the poorer classes is directly due to some peculiar and perverse habits of the people themselves, through ingrained prejudice and stupidity, through want of personal cleanliness and through ignorance of personal hygiene. They form a painful picture of a stolid and unconscious ignorance, associated with great poverty such as can rarely be seen in the poorest civilised town of the West." The picture is repeated with variations in all the great towns of India.

The Ravages of Plague.

If there were less ignorance and perversity, plague would never find in the country the lodgment that it has. It is an established fact that persons living under proper sanitary conditions are virtually exempt from the disease. Plague does not attack the gaol population or the Native Army; it attacks the ordinary civil population, because they live in houses which are not rat-proof, because they treat the rat almost as a domestic animal, because large numbers of them refuse to trap or kill it, and because they will not adopt the sanitary precautions which are pressed upon them. In plague we have examples from our own history.

England has suffered many times, the most severe epidemic being that in the middle of the 14th century known as the "black death" which came from the Levant through Europe. A contemporary writer, quoted in Dr. Simpson's book on plague, says:—"At first it carried off almost all the inhabitants of the seaports in Dorset, and then those living inland, and from there it raged so dreadfully through Devon and Somerset, as far as Bristol, that the men of Gloucester refused those of Bristol entrance to their country, everyone thinking that the breath of those who lived among people who died of plague was infectious. But at last it attacked Gloucester—yea, and Oxford and London, and finally the whole of England, so violently that scarcely one in ten of either sex was left alive." Outbreaks of plague continued to occur occasionally throughout the next three centuries—notably in London in 1665, when nearly 70,000 persons perished. Towards the end of the 17th century it rapidly disappeared from the whole of Western Europe. Plague has now been present in India for 15 years, and the appalling total of nearly 7,500,000 deaths from it has been recorded. Of this the Punjab accounts for nearly two and a half million deaths—almost a third of the total. The tale of deaths in the last ten years represents 11 per cent of the population of that province. When

I think of the sensation that was caused in this country a short time ago by what was by comparison a minor outbreak in Manchuria, resulting in only 50,000 deaths, I fear that people in this country do not realise the awful ravages that this scourge is daily making among the Indian people.

The Remedies.

Scientific research has established that it is conveyed by rat fleas to human beings. The two effective remedies are inoculation and house evacuation. Professor Haffkin has discovered a vaccine by which comparative, though not absolute, immunity can be temporarily secured. But by an unhappy accident at Mulkowal several villagers died of tetanus after inoculation. Inoculation in India has never recovered from this disaster. It is hated by the people and avoided by them except when the disease is in their midst. House evacuation is easier in villages than in towns. Administrative arrangements by which plague is now fought include the provision of special plague medical officers and subordinates and they and the district staff are on the look-out for the occurrence of plague, and when it occurs, they visit the locality, offer inoculation, give assistance to persons to vacate their houses, advice rat destruction, and so on. To the prevention of plague

there would seem to be no royal road. The case is one in which lavish expenditure of money is not called for and would be useless. But the Provincial Governments have spent, and are spending, a good deal. The United Provinces have expended some £600,000 up to date. The Punjab Government is spending about £40,000 a year. The improvement of the general sanitary conditions under which the population lives is more and more clearly seen to be essential, and to improve them the local Governments are devoting all the money they can spare. They have been helped to do so by the grants for sanitation made by the Government of India. The scientific difficulties are enhanced by the difficulty of overcoming prejudice and ignorance, habit and apathy. In some districts there is actually religious objection to rat-killing and inoculation. No better work can be done for India than to offer example and instruction in principles of life that appear to us elementary, and to strive to exercise the foes of progress—superstition and resistance to prophylactics.

Local Self-Government and Sanitation.

There are, I am glad to say, signs that the sanitary conscience is beginning to awake among the people. But it is not enough to point out evils to the Government, to urge the Government to do

something, and to say that more money is required. Of course more money is required. More money is required for every item in India's programme of development, and we allocate to each item with as lavish a hand as we can consistently with the other requirements. It is no use to urge proposals requiring the immediate expenditure of money without any regard to ways and means, when there is so much to be done by private exhortation, by example, and by devotion to the problems of local self-government. Municipal work in India, as elsewhere, is proving an admirable training ground in public affairs, and the better municipal corporations, such as that of Bombay, have carried through large drainage and water projects with help and stimulus from the Government. What is now wanted is to obtain support from the Press and the Community for municipal effort and a public opinion which can be relied upon to control and appreciate the responsibilities of municipal institutions.

The Danger of Capitalisation.

I must mention one more danger that the industrial revolution involves. The development of capitalisation is sure to bring forward in India, as everywhere, certain men who, in the hurry to grow rich, will take advantage of the necessities of the poor and the want of organisation among the Indian

labourers. These are the men, be it said, who would reap the advantage of a protectionist tariff. They would work their hands long hours for insufficient wages, exploit women's and children's labour, and reproduce, as far as the law will permit them, the horrors of the English factory system at the beginning of the last century. A Factory Act was passed last year, after a long and exhaustive inquiry by a Committee and a Commission, giving increased protection to a worker and greater inspecting and controlling powers to the Government. But the Government cannot advance beyond that Indian public opinion which, at the best, is only in its infancy. The leaders of Indian opinion must set their faces against the degradation of labour, and they need to be specially vigilant, because India's working classes, besides being themselves unorganised, are not directly represented on the Legislative Councils, whose Indian members come almost exclusively from the landlord and capitalist classes. This is not due to any defect in the law, but to the condition of Indian Society. Labour, long accustomed to silent drudgery, has not yet found a voice, and it will probably be long before it makes itself heard in the Legislative Councils. All the greater reason that public-spirited Indians should take care that these unrepresented interests are carefully considered and the conditions of labour improved.

India may derive one advantage from the fact that her industrial revolution has been so long delayed. She may profit by the abundant mistakes that we made in this country if she takes advantage of our experience, and with a wise forethought, closes the door to industrial abuses before they have grown strong; and, in that case, she may look back upon her industrial revolution without the shame and regret with which we are forced to contemplate some of the features of our own. (Hear, hear.)

Caste Principles and Progress.

I have spoken of industrial and agricultural organisation and their subsidiary problems of education, sanitation, and a higher standard of living. There remains another subject on which I wish to touch in pointing out to Indians the objects towards which, as it seems to me, their activities should at present be directed. It is a subject of great delicacy; but I feel obliged to draw attention to it on account of its great importance and the intimate connexion of one aspect of it, at any rate, with certain of the topics that I have been discussing. Nothing could be further from my intention than to say anything that might possibly be construed as offensive to the beliefs and usages of any religion. Every religion has forms and ceremonies which it is difficult for

those outside its pale to appreciate and to understand. Even less would I have it thought that I desire to weaken the wonderful religious inspiration of the Indian peoples. If the House will forgive a personal allusion, I was brought up in a denomination which attaches great importance to quasi-religious ceremonial institutions and derives spiritual inspiration from them, and I should be the last to question the religious usages and semi-religious usages which are dear to our Indian fellow-subjects. But I wish to suggest to the leaders of Hindu thought that they might, if they thought fit, look carefully into certain of their institutions and consider whether they are compatible with modern social conditions and modern industrial progress. Of the 220,000,000 of the Hindu population 53,000,000 form what are known as the depressed classes, who are regarded by the higher castes as untouchable. There are 9,000,000 girl wives between the ages of one and 15, of whom 2,500,000 are under 11, and there are 440,000 girl widows forbidden to re-marry. It is the first point that I wish to emphasise, because it is here in particular that I cannot help feeling that Hindu social conditions hamper to some extent modern development, both industrial and political. The way in which caste principles affect industrial development is this. English industrial history in all its

branches shows how supremely important is the possibility of infusing fresh blood from the labouring classes into the ranks of the captains of industry. In India this is impossible under present conditions. Social distinctions are rigid and permanent; many occupations are still almost purely hereditary, and there is no fluidity. Even supposing—as I hope will be the case that young men of education and capacity take to industrial careers, and supposing that the shyness of Indian caiptal is at length overcome, still the conditions that I have mentioned must inevitably hamper and retard India's industrial progress In the region of politics the matter came into prominence two years ago in rather a curious way. During consideration of the question of securing for Mahomedans adequate representation on the new councils, the point came up of the numerical proportion borne by Hindus and Mahomedans in the community. The Mahomedans asserted that the Hindus had no right to count, as Hindus, persons whom no self-respecting Hindu would touch or come near. It is undoubtedly a difficult point, and there are now signs of a movement among leaders of Hinduism towards taking an interest in the condition of these classes, and devising measures to bridge the gulf between them and the twice-born. It is this that has emboldened me to say what I have said on the subject. I would

not have presumed to do so, had it not been for the fact that there is evidently a growing feeling amongst prominent members of the community that all is not well with their social organisation. Let me quote to the House the words of the well-known leader, Mr. Gokhale He said:" If, after fifty years of University education conducted on Western ideas, the essence of which is the equality and dignity of man, the condition of the depressed classes is practically the same as it was half a century ago, it is a very great reproach to them. There is no greater blot upon us to-day than the condition in which we have allowed 53,000,000 of our fellow-beings to continue." One word more before I leave the subject If the Hindu community think it possible and desirable— and it is for them alone to say—to effect changes in these matters, the movement must be a spontaneous one and must be effected by the community itself Government may not—cannot help. I mention this because in a recent debate on the subject in the Bombay Council there were signs of an inclination to turn to the Government for assistance. If the House will forgive me another quotation I should like just to read the wise words with which Sir George Clarke concluded the debate: "The fact is that the Government cannot force the pace in regard to social matters. We must leave

them to the growing feeling among the Indian peoples themselves; and if politics remain in abeyance for a time, it is possible, and I think probable, that social reforms will force themselves to the front. That we must leave to the people of India. I do feel that if a real sentiment of Nationalism spreads throughout India, as I think it will, the time will come when the Mahars, in common with all other classes, will be treated as brothers."

Hindus, Mahomedans and the National Sentiment.

But brotherhood within the Hindu community is not enough. India needs more than that Real national feeling cannot be produced while in the same province, village, town, or street you have Indians learning the national ideal and Indians denying their part or share in the history of the land in which they live. Provincial distinctions do not permanently matter. Racial distinctions do not offer a lasting obstacle to confederation and mutual share in the commonweal But religious segregations which produce fierce, exclusive patriotism seem more obdurate and more hostile to amicable and united action. In India Hinduism teaches a fierce love of India itself, the motherland which is so wonderful as to be an example of love of country to the whole world, the love

of country produced by worship of God. But Mahomedanism produces and teaches a patriotism equally remarkable a sort of extra-territorial patriotism—if I may strain the words to describe it—a love of religion which seems almost to laugh at distance and material neighbourhood, and breathes loyalty and sympathy and fellow-feeling from one Mahomedan to another. The one is spiritual, the other is spiritual—and more. How can one preach tolerance in this atmosphere? How can one say to the Mohomedan? "You need abandon no jot of your fervour if you add to it principles of less exalted and more Western desire to help and to share the destiny of the country in which you live"? And how can one say to the Hindu: "Your religious susceptibilities really should not be outraged by rites performed by people who do not share your religion, even if you would regard them as wrong if they were performed by Hindus"? This trite advice is ineffectual. These are *not* mere denominations; they are nations—the one bound together terrestrially and spiritually, the other spiritually only. Now of course it would be criminal to foster this difficult antagonism, but not to recognise its existence is to be blind to facts in a way which must enhance the evil. I cannot see how this state of affairs can do other than retard and indeed prevent the growth of national feeling

and the development of India in the way I have tentatively suggested, and I would appeal to all Indians—and I include in those people of every inspiration, race, creed and colour—to unite and join hands for their country's good. I need assure no intelligent critic that the Government would be the first to welcome and to help the co-operation which we all desire. (Hear, hear.)

The Case Re-stated.

I have now, I hope, so far as the Indians are concerned, made good my case. It is as good as I can make it if I forbear to produce, from considerations of time, all the evidence on which it rests. Let me now re-state it. The opinion most familiarly, but not originally, stated by Mr. Kipling that the "East is East and the West is West, and never the two shall meet," is contradicted by the fact that India is now, with our aid, rapidly passing, in a compressed form, through our own social and industrial development, with all its advantages and some of its evils. She has, however, still a very long way to go and many hard problems to tackle if she desires to acquire as an outcome of her conditions the same political institutions, and there is no other way in which she can, or ought, to acquire them.

PARLIAMENT AND INDIA.

Will the House forgive me if I now, in conclusion, address myself directly to members of this House and say a word about the theory of Indian government? I hope I shall not be thought over presumptuous if I try to explain what I conceive to be the functions of the British Parliament with regard to our Indian dependency. The importance of the subject cannot be over-estimated. It affects us all, collectively and individually, India is woven, as it were into the very fabric of our being. In a never-failing stream many of the best of our men and women give themselves and the best of their lives ungrudgingly to the service of India. Their names are honoured and remembered, whether by small groups of our fellow-subjects or by our whole Indian Empire and beyond. (Hear, hear.) These men are inspired by an Imperial patriotism which, I am thankful to say, shows no sign of failing, and which will, I hope, be diffused among the people whom they govern. This is no strange thing, this unceasing flow of workers drawn by the magnet of the East. However burdensome and unattractive Indian problems may seem from the outside, I can testify that even the shortest experience of them makes them lastingly absorbing, interesting and important. I can well understand

how it is that men who have fought on behalf of India until they are worn out put on their armour again and enter public controversy; how they even go back to the country in which their life's work has been spent, because of the intimate and lasting effect that India has upon their minds and thoughts. Thus it comes about that almost every street, mean or rich, has some one living in it who has worked itself, or whose relations have worked, or are working, in India. No better index of a nation's activity is to be found than the front sheet of a newspaper. Every birth, marriage and obituary column has its item of Indian interest. India is part and parcel of the normal existence of our nation. Is it not proper, then, that the House of Commons should ask itself what are its duties towards this question which affects so nearly the life of the nation and the lives of its people? (Hear, hear.)

Increasing Importance and Inadequate Knowledge.

I realise well that I shall probably read to-morrow that I have been guilty of the enormity of lecturing the House of Commons. But I cannot refrain from speaking out what I feel, for I am convinced that Indian problems will become more

important, more insistent, more vital as the years go on, and I see so clearly the danger that we shall incur if they present themselves to a House of Commons inadequately equipped to grapple with them. It is only a matter of time for questions of supreme importance in connexion with our Indian Empire to come through the outer Lobby into the inner Lobby and knock irresistibly at the door of this Chamber. Are we prepared to meet them? Have we the knowledge, the sympathy, the breadth of view, that they demand for a satisfactory and statesmanlike solution? How many members of this House are able to say that they are in a position to discuss with knowledge and decide with wisdom the great problems of India—the problem of education both in India and in England, of commercial and industrial development, of military defence, of political concession, of the eradication of political crime? On how many of these questions can hon. members honestly say that they are fitted to form any views at all? Indeed when I think how this House is harassed and overburdened by its innumerable domestic responsibilities, which I hope it will not always be persistently unwilling to delegate, I am bound to admit that there is lacking that first requisite for the efficient discharge of our Imperial duties—time for study and mature consideration. But apart from this, when I ask myself the question, What is the present

attitude of this House towards Indian questions ? I am bound to answer frankly that the salient characteristic of that attitude appears to me to be—speaking of the House as a whole—something approaching apathy. And as regards those hon. members who take most active interest in Indian affairs, may I say that I should be very sorry to see this interest represented by two parties concerning themselves chiefly with points of administrative detail, the one thinking it necessary to espouse the cause of the governed by attacking the Government, the other constituting itself the champion of the official. The tendency to assume an antagonism between the interests of the Indian and the interests of the official is one which I cannot too strongly deprecate —it is the negation of all we have done, are doing, and hope to do for India. We are there to co-operate with the peoples of the country in working out her destinies side by side, with the same object, the same mission, the same goal. (Hear, hear.)

The Theory of Government by Prestige.

Time was, no doubt, when it was a most important function of this house to see that the theory of government by prestige was not carried to excessive lengths in India. In the extreme form of government by prestige those who administer the country are, I take it, answerable only to their

official superiors, and no claim for redress by one of the ruled against one of the rulers can be admitted as a right. If, for instance, a member of the ruling race inflicts an injury upon a member of the governed race, no question will arise of punishing the former to redress the wrong of the latter. The only consideration will be whether prestige will be more impaired by punishing the offender, and so admitting imperfection in the governing caste, or by not punishing him, and so condoning a failure of that protection of the governed which is essential to efficient government. This illustrates, as I understand the matter, the prestige theory pressed to its logical conclusion. I do not say that it was ever so pressed in India. It has always been tempered by British character, British opinion and the British Parliament. Whatever reliance upon prestige there was in our government of India is now giving place to reliance upon even-handed justice and strong, orderly and equitable administration. But a great deal of nonsense is talked still—so it seems to me—about prestige Call it, if you will, a useful asset in our relations with the wild tribes of the frontier, but let us hear no more about it as a factor in the relations between the British Government and the educated Indian public. Do not misunderstand me—and this I say especially to those who may do me the honour of criticising outside these walls what I

am now saying. I mean by "prestige" the theory of government that I have just described—the theory that produces irresponsibility and arrogance. I do not, of course, mean that reputation for firm and dignified administration which no government can afford to disregard. This reputation can only be acquired by deeds and temper, not by appeal to the blessed word "prestige." I think it necessary to make this explanation, for I have learned by experience how a single word carelessly used may be construed by sedulous critics as the enunciation of a new theory of government.

Delegation and Responsibility.

It is, of course, a truism that in Parliament, acting through its servant, the Secretary of State, is vested the supreme control over the Government of India. It is no less a truism that it is the duty of Parliament to control that Government in the interests of the governed just as it is the duty of Parliament to control the Government of the day at home in the interests of the people of these islands This House in its relations to India has primarily to perform for that country the functions proper to an elected Assembly in a self-governing country. That, I say, is its primary function. But that is not all. It is characteristic

of British statesmanship that it has not been content with so narrow a view of Imperial responsibilities. The course of the relations between the House of Commons and the people of India has taken, and must take, the form of a gradual delegation, little by little, from itself to the people of India, of the power to criticise and control their Government. You have given India that rule of law which is so peculiarly British and cherished by Britons; you have given elected councils for deliberative and legislative purposes; you have admitted Indians to high administrative and judicial office. And, in so far as you do these things, you derogate from your own direct powers. You bestow upon the people of India a portion of your functions; you must, therefore, cease to try to exercise those functions, and devote yourself solely to the exercise of the duties that you have definitely retained for your own. Permit me to say that I see signs that this most important point is not always sufficiently realised. The more you give to India the less you should exercise your own power; the less that India has the more you are called upon by virtue of your heritage to exercise your own control. The sum is constant; addition on the one side means subtraction from the other. There are then, these two problems always before this House. The one is how much of your powers of control to delegate

to the people of India, the other is how most wisely to exercise the powers of control that you retain. It is not only that the powers that you have delegated are of no use to those on whom you have bestowed them unless they are entrusted with them unhampered; it is not only that the more you have delegated powers of control the more important are such powers as you retain, demanding more and more study and thought. You must also remember the position of the British official in India. You cannot allow him to be crushed beneath a responsibility to Indian opinion, now becoming articulate and organized, to which he has now to justify himself in open debate, added to an undiminished responsibility to British public opinion, unwilling, in fact, to surrender the functions that it has professed, through its Parliament, to delegate. Let the Indian official work out his position in the new order of things, where justification by works and in council must take the place of justification by reputation. I have every confidence in the result.

Anticipating the Critics.

In conclusion, I accept the blame which I am fully conscious of deserving for the fact that I have wearied the house. The subject cannot weary anyone. But I am painfully conscious that anybody

who deals with it and makes it unattractive only does harm to the cause he espouses. My aim and object is this: I want people to think of India. There is enough to think of. I have spoken with a full sense of responsibility, knowing the fulness of the critics' wrath. I think I have anticipated all the criticisms that I shall be called upon to meet outside these walls. There are those who hate the extinction of poetry, of lethargy, of the pictures of the bizarre, which they assert is inseparable from progress, from competition, from industrial development. There are the cynics who forgetful of the history of their own country, would stop with their pens the revolution of the globe, and deny opportunity to a world force which is beginning to penetrate and stir in the country of which I speak. There are the pessimists who spend a useless life, mourning a past which can never return, and dreading a future which is bound to come. Then there are those who, filled with antediluvian imperialism, cannot see beyond domination and subjection, beyond governor and governed, who hate the word "progress" and will accuse me of encouraging unrest. I bow submissively in anticipation. I believe there is nothing dangerous in what I have said. I have pointed a long path, a path perhaps of centuries, for Englishmen and Indians to travel together. I ask the

minority in India to bring along it—for there is room for all—by education in the widest sense, by organisation, and by precept, all those who would be good citizens of their country. And, when at intervals this well-ordered throng show to us that they have made social and political advance to another stage, and demand from us, in the name of the responsibility we have accepted, that they should be allowed still further to share that responsibility with us. I hope we shall be ready to answer with knowledge and with prudence. In this labour all parties and all interested, wherever they may be, may rest assured of the sympathy and assistance of the Government. (Cheers.)

Reply to the Debate.

Mr. Montagu, by the leave of the House, dealt with some of the points raised during the discussion, and after thanking the members for the kindness with which they had received his statement, turned to the speech of Lord Ronaldshay, who had (he said) made an interesting and well-argued appeal in favour of Tariff Reform for India. After the invitation he had given to the House to discuss the industrial development of India, it did not need much power of prophecy to realise that the first hon. member to address the House from the benches

opposite would prescribe for India their favourite homœopathic medicine for everything. Without detaining the House with argument in favour of Free Trade, he would only say that the Government had no intention of departing from the Free Trade system in India, and as opportunity offered they would bring the fiscal system in India more into accord with what they believed to be the only sound economic doctrine. (Hear, hear.) Indian industries were developing, but to hope to develop them by a protective tariff would be to hopelessly expose India to some of the worst evils of Western capitalisation, the concentration of wealth in a few hands, the tyranny of capital over labour, and the oppression of the working classes and consumers. If the noble lord thought that with a preferential tariff for India they would rope India into the scheme which would always be associated with the name of Mr. Joseph Chamberlain, he would ask the House to remember that that was a scheme for binding together the Empire, by which its advocates usually meant our great self-governing Dominions. If anybody still believed in that policy as applied to our Indian Empire they would find that the case for it was absolutely demolished by Lord Curzon, when Viceroy, in a despatch which he earnestly hoped his lordship had not forgotten. That despatch, together with the arguments laid

before the Conference by Sir Jamas Mackay, would be found in a command paper. Those arguments had never been answered

Lord Minto and "India's Right to Protection."

It was sometimes said that educated opinion in India was in favour of Tariff Reform and should be given what it wanted. It was true that a large number of Indian publicists believed in Protection, but not all of them. Mr. Gokhale was by no means an unqualified advocate of it; and Mr. Bhupendranath Basu, another well-known Indian publicist, had declared that the people, who did not belong to the capitalist class did not want it, and that protective duties would benefit a small class while the millions of India would suffer. (Hear, hear.) It was impossible to abrogate part of our own responsibility in India. As long as it remained our responsibility to govern India politically it would continue to be our duty to govern her fiscally. To give over our responsibility for dictating her fiscal policy while keeping responsibility for her political government would be to embark upon a most disastrous experiment. He wished to call the noble lord's attention to a speech which Lord Minto took the first opportunity to make when he became an ex-Viceroy. He hoped some early opportunity would

be taken of making what was meant clear. It was bad enough to keep English voters waiting, whilst drawing pictures of agricultural or manufacturing prosperity without exactly defining the tariff by which this was to be brought about. But there were other people here who could draw the other picture. In talking to Indians it was almost criminal not to put before them exactly what we meant. The policy of the Government was Free Trade. Was the policy of the Unionists simply to rope India into a preferential system in order to twist her trade within the British Empire, or did they mean that one of the planks of their policy was to remove the cotton duties as at present applied to Lancashire? The noble lord had given his views. He hoped he would not be thought impertinent if he said that his interesting speech could well have been delayed for a few minutes until the House had had the views of some Leader of the Conservative Party speaking with all the weight which attached to a seat on the Front Bench. The question he had asked had awakened great interest in India, and many people were awaiting an answer to it.

A Batch of Criticisms.

He had been accused by Mr. Keir Hardie of Swadeshism. Swadeshi struck him as being the

only rational form of Tariff Reform, each man deciding for himself whether he would buy imported goods or not. He did not, therefore, complain of the label. But there was not, he believed, a jot of foundation for the hon. member's assertion that anybody who delivered in India the speech which he had delivered that afternoon would find himself in prison. If there were any doubt, he wished Mr. Keir Hardie would give him particulars and he would do his very best to secure their immediate release It was perfectly true that agriculture in India would remain for very many years its principal industry. There were 191,000,000 people engaged directly or indirectly on agriculture. However much industry developed the agricultural side would always remain profitable. His hope for India was that the two sides would develop together, neither the one nor the other being particularly prominent. With regard to plague the hon. member had airily waived aside the theory and scientific diagnosis of the cause, and so had Mr. O'Grady. It was the belief of both that poverty, a low standard of living and low resisting power, were the causes. So they were. They were the causes which made anybody prone to any disease, but the most recent and careful scientific research had shown that the bacillus found a home in the rat, and on the death of the rat was conveyed to human beings, who,

however, if they were in a good resisting state, might remain unaffected. It was the duty of the Government and Indians to work together to improve sanitation and to urge the advantages of inoculation. Comment had been made that he had left out of his speech many things to which he ought to have referred. He had warned them of that almost as soon as he began. The things he had left out were things to which he referred last year. The Press Act was one. It was in existence last year, and he then gave such a defence of it as he believed at the time and now believed to be necessary. The Seditious Meetings Act, about which there had been complaints, had been amended, and did not at present apply to any district.

Mr. WEDGWOOD: Does the hon. gentleman mean that at present meetings can be held without anyone asking any authority to do so?

Mr MONTAGU: Before the Act can be applied the district has to be proclaimed.

Mr. WEDGWOOD. Can meetings be held in districts which are not proclaimed?

Mr. MONTAGU: There are other regulations for maintaining law and order, of course, this is under the common law and not statute law. The hon member, in the amendment he moved last year, complained of the resort to the Press Law, and among the measures to which he referred was the Seditious Meetings Act.

Mr. KEIR HARDIE: Is the hon. gentleman aware that two meetings were proclaimed which were called for the purpose of

considering means for providing education for the lower classes? Can he explain why?

Mr. MONTAGU replied that on the facts which the hon. gentlemam gave him, he could not. If the hon. member would supply him with more information, he would investigate the matter. He repeated that the Seditious Meetings Act was not now in force in India. The appeal had been made that the King's visit to India should be celebrated by an amnesty of political prisoners, and several hon. members had made various suggestions for a boon or gift from his Majesty on that occasion. It would not be right for him to make any pronouncement He could only assure hon. members that all the suggestions would be brought to the notice of the Secretary of State on the conclusion of this debate. Mention had been made of political deportees. There were no political offenders in prison under the regulation of 1818. People were in prison now, but they were not political prisoners, and nearly all not British subjects, who had been deported from their own countries as the result of war. He did not understand whether the demand was made that they should be released, or whether it was supposed that under the regulation of 1818 there were still prisoners. A few years ago there were still political offenders in prison. They had all been released.

THE ARTICLE IN THE "PIONEER."

Attention had been drawn to an article in the *Pioneer*. Mr. O'Grady had asked why, if the Press Law applied to Indian newspapers, it did not apply to Anglo-Indian newspapers. Mr. Wedgwood had added that no Act such as the Press Law could be administered fairly when the power was given as it was in India. He differed from both. He believed that the Press Act was being administered fairly and squarely and to the very best of their ability by men whose chief attribute was their scrupulous fairness. With regard to the particular article referred to he need hardly say that it was his own personal opinion, as it was the opinion of everybody who had read it, that it was a disgusting piece of writing calculated to do an infinite amount of harm. Whether it did or did not come within the meaning of the Press Act was a matter for the legal officers of the Government of India to decide. He could only say that the attention of the Government of India had been called to the matter. But he would remind the hon. members that they were the first to protest when the Government of India embarked on a political prosecution and failed to get a conviction. And that applied equally to the Press and to other things. Colonel Yate had asked why the Indian Marine should not police the Persian Gulf and so set free the Royal Navy for its proper duties. The

Indian Marine was not a fighting force at all, and any idea of having a separate naval force for India was abandoned in 1862. In conclusion, he said the discussion had been more hopeful in tone than any Indian debate he could remember, and he congratulated the House and their Indian fellow-countrymen upon the result of their deliberations.

THE INDIAN BUDGET—1912.

On the motion to go into Committee on the East India Revenue accounts.

Mr. Montagu said —I am more than ordinarily impressed by the difficulty of diverting the attention of this House from important domestic concerns to the affairs of India, but I hope to be able to announce to the House a policy of such importance that I trust the hon. members will pardon the large draft I shall have to make upon their patience. I do not intend to deal more than a minute upon foreign affairs because the House has kept itself informed of events on the North-West Frontier and in Tibet. The expeditions to the Abor, Mishmi, and Mari countries have returned to India having successfully accomplished what they set out to do. If the geographic and scientific results of these expeditions have been somewhat disappointing, the incalculably adverse climatic conditions must be borne in mind. All that it is necessary for me to say about them is that the thanks of the House and all interested are due to General Bower and the other gallant officers and men who conducted the

expeditions, and our sympathies will go out to those who lose their lives in the service of their country (Hear, hear.)

The King's Visit.

Of course, the outstanding feature of the past year in India was the visit of his Majesty and the Queen Empress I do not propose to attempt what others have done adequately before me, to paint to this House the glowing success of their visit, and to try and describe the warmth of the welcome which awaited them from their Indian subjects I ventured last year to prophesy the welcome which his Majesty would receive in these words. I said. "His visit would receive a real and heartfelt welcome from all his peoples, not only because news of his popularity and devotion to his Imperial duties will have reached their shores but because they will see in his visit an earnest that the passage of time and growing knowledge had increased the desire which has always animated the British people to help and serve their Indian fellow-subjects." I quote these words because they describe the welcome which his Majesty received, a welcome enhanced by his own personality and the personality of her Majesty, a welcome which was echoed from end to end of the Indian Empire

THE SPIRIT OF NATIONALITY.

At the risk of incurring the anger of my critics, I would express once again my belief that there is a growing spirit of nationality in India, the direct product and construction of British rule. The Brahmin from Bombay speaks Mahratta, the Brahmin from Bengal speaks Bengali, and despite their community of religious belief they are separated by an incapacity to understand one another's language, but they come to discuss the affairs of the nation which is growing under British rule in the language of the British people. (Hear, hear.) There is growing up in India a caste of educated Indians which includes among its numbers members of all castes from all parts of India, discussing the affairs of the nation in English. It is small wonder that the educated people of India should welcome the British Kings as the representatives of the unity which is Britain's gift to them. Above and beyond these there were the nine-tenths of the people of India who are still illiterate and uneducated, who welcomed our King because of the peace and tranquillity and the growing prosperity produced by those who govern India in his name. There is an old doctrine that we govern India by the sword. Without questioning the fundamental truth of this I want to assert that it is because we also govern

India by the consent of those who know, and by the cheerful acquiescence of those who do not realise all that it means, that his Majesty's welcome was so wide and real as it was. (Cheers.)

The Removal of the Capital.

I do not want to tread upon the more debatable ground of the results of his Majesty's visit. The House of Lords has had its say, and the House of Commons has also had its say. I have stated my case, the case for the removal of the Government of India from a provincial centre, and the case for what we conceive to be a more statesmanlike partition of Bengal: and although I fully recognise the importance of the grave misgivings felt by those interested in commerce in Calcutta, I am bound to adhere to the opinion that I have expressed in this House, that the changes are popular everywhere else, that they have produced satisfaction and tranquillity, and that there is reason to hope and believe that the adverse and isolated, though important, misgivings of the commercial community at Calcutta will prove to be ill-founded.

The Financial Position of India.

I pass to that part of my speech which no representative of the India Office, however careless of precedent, could afford to omit, what is, indeed,

the real basis for this motion—a very short review, and I will make it as short as I can, of the financial position of the Empire. We have to consider two years—1911-12—in review, and, so far as we can, 1912-13 in prospect. The estimates for 1911-12 were framed on the hypothesis of normal harvests, good steady progress in trade, and a satisfactory export season. The net revenue, imperial and provincial, was estimated at £52,141,700, and the net expenditure chargeable to the revenues of the year, after allowing for the amount estimated to be met from the balances of provincial Governments, was estimated at £ 51,322,500, which would have left a balance of £819,200. I think the House will agree that it is highly satisfactory to be able to report that the general economic conditions were far more favourable than was anticipated Budget framers, taxpayers, politicians, and journalists all cast their eyes towards the monsoon, which is the vital element in Indian prosperity. I should like to give the history of this particular monsoon, because it may be taken to show the extreme difficulty of Budget-making in India, and the caution with which deductions should be made from earlier rains. The monsoon began in June normally, but during July and August rain practically ceased over the whole of India. The young crops sown during the first fallacious burst were destroyed by dry, westerly

winds, fodder failed for the cattle, and the price of all grains rose rapidly to famine level. On August 25 the Punjab Government reported to the Government of India that the failure of the rains had up to date been greater than had ever been experienced in the history of that province; everything portended as grave and as extensive a drought as any recorded in the history of India. We were, I am informed, without 24 hours of one of the greatest calamities we had ever known Then in the last week of August the monsoon currents freshened and copious rains fell in most parts of India and continued in unusual strength throughout September, but the north of the Bombay Presidency, and parts of the native States of Baroda, Kathiawar, and Central India were not reached by the later rains, and in those districts, except where irrigation—which I think is the most beneficent triumph of British rule in India—(cheers)—saved the situation, the autumn and winter crops failed and positively disappeared. Relief works were started in the famine districts, and in the latter part of May of this year 100,000 people were employed on the relief works.

The Volume of Trade.

These favourable conditions showed themselves in an expansion of the volume of trade. Imports

and exports reached a record. I have some remarkable figures to read to the House. The imports of merchandise were of the value of £92,000,000, an increase of 7 per cent.; exports of merchandise were £151,000,000, an increase of 8 per cent.; and the net imports of treasure were £28,000,000, an increase of 32 per cent. To give a better idea of the general expansion of Indian trade the House will, if it compares the figures for 1911-12 with those of 1901-2, find an increase of imports of 70 per cent., an increase in exports of 83 per cent., and an increase in imports of treasure of 285 per cent. The favourable trade conditions were responsible for the fact that the financial results of the year were considerably more favourable than had been expected in the Budget estimate. Railways showed an increase in the gross receipts of £33,150,000, or an excess of £1,720,000 over the estimate. This was partly due to the great expansion of trade and partly due to the Durbar traffic in December. The net profit on the year's working was, therefore, the record sum of £3,204,000, an excess over the Budget estimate of £1,250,000. The local Governments who are mainly responsible for Excise administration have lately raised their fees and duties in order to discourage the use of stimulants and of drugs, and therefore on this account the revenue of 1911-12 was expected to

show only a very moderate increase, but good harvests and good trade led to an expansion, and the net revenue was £416,300 over the estimates The Customs revenue benefited in a similar way. There was an increase of £308,000 in the Custom. revenue as a whole, the only item showing a decrease being sugar and tobacco Under the heading of irrigation there was an increase of £320,000.

The Opium Trade

The most important item which contributed to the surplus of the year was opium. The reduction of the exports has been proceeding at a very considerable pace since the agreement with China which came into force in 1908 In that year the total exports amounted to 61,900 chests, of which 48,000 went to China. In 1912 the exports to China are limited to 21,680 chests, and to the rest of the world 13,200 chests. Of course, this restriction of the exports affects the price and makes it very difficult to forecast from year to year the exact price which it will fetch in the market. Last year the situation was complicated by a new factor, because the Government of India had adopted a system of certificated chests for export to China in response to the wishes of the Chinese Government. It was impossible, therefore, to foretell the price of certificated or uncertificated opium. It is not

surprising, therefore, to find that, owing to the poor yield of the season's crops, the expenditure was £444,000 less than the estimate and the receipts £1,624,000 more than the estimate, so that the net receipts were better than the estimate by rather more than £2,000,000. The most important decrease in the year was land revenue. Owing to the scarcity in the North of Bombay and the lateness of the monsoon in the United Provinces and the Punjab, remissions and suspensions of the land revenue were granted, and there was a net decrease of £696,000 in the land revenue as a whole. Thus the net revenue amounted to £56,209,000, a surplus over the estimate of a little more than four millions sterling.

Expenditure and Surplus.

When I turn to the net expenditure I find there was a decrease in the estimated expenditure of £780,000. There was, further more, a decrease in interest charges of £316,500. This was mainly accidental, and was owing to the fact that the large amounts received on loans granted from the Secretary of State's balances helped to decrease the amount payable for interest. I will draw the attention of the House to a decrease in the expenditure on education of a little over £250,000. It is not a real decrease, because £100,000 of the grant

which was to have been spent on education was spent on educational buildings, and therefore appears under the head of "Civil Works" instead of that of "Education." There is also a certain decrease owing to the fact that the large grant which would have enabled the total outlay to exceed that of the previous year by £430,000 were not fully spent by the Department. If I add the excise revenue of £4,067,700 to the savings of £780,000 in Imperial and provincial expenditure, it will be found that the Budget for the year showed a surplus of £4,848,000. Out of this sum the Provincial Governments receive automatically a certain proportion of the revenue raised in their province. £540,000 of the surplus went thus to the local Governments; £782,000 went to provide suitable opening balances for the new Provinces of Bengal, Behar and Orissa and Assam; £322,000 went to pay the two weeks' gratuity to the lower-paid provincial employees, which was promised as a Durbar grant. This reduced the surplus to £3,960,000. In dealing with this sum we have, of course, to remember the causes which contributed to the great excess over the Budget estimate. The opium revenue, so far as it is derived from exports to China, will probably in greater part disappear during the next five years. The railway revenue has yielded a very exceptional return, but

must always be regarded as a fluctuating source of income. I think, therefore, that it is right to treat the surplus as the outcome of financial conditions which cannot be relied upon to recur, and to apply it to non-recurring purposes. £867,000 was given to the Provincial Government for sanitation, research in hygiene, improvements in communications and improvements in agriculture. The remainder of the surplus of a little over £3,000,000 went to the reduction of debt. At the close of the year there was in existence £11,166,300 of temporary debt—India bills, India bonds and debenture bonds—for which the general liability was assumed by the Secretary of State when he purchased the railways or terminated the contracts of companies. Provision has been made to pay off during 1912-13 out of the large balances in hand, including the surplus I have just mentioned, the £4,500,000 worth of Indian bills outstanding and the £1,977,600 of bonds which mature during the year. So there will thus be left out of this large temporary debt only a little over £4,500,000. I do not think I need stop to labour the general theoretical advantages of reducing so large an amount of debt, but, of course, the more India can free herself in prosperous times from floating debt in London the better she is in a position to call on the London market in times of difficulty.

The Future.

Now I turn to the future The Indian revenue for 1912-13 is estimated at £53,442,400 The net expenditure is estimated at £51,964,000, and the surplus is estimated therefore at £1,478,300. The latest telegram we have received from India concerning the monsoon gives a summary that the present conditions and prospects are almost universally good, but the House will not be surprised, after what I have said, to hear the warning that a continuance of such prospects depends very largely on favourable late rains The receipts in the new Estimate under most of the chief heads of revenue, such as forests, salt, stamps, Excise and Customs, railways and irrigation, are taken at a somewhat higher figure than in the Budget of last year to allow for normal expansion The estimate of the price of opium, having regard to the difficulty of forecasting the course of this exceptionally speculative commodity, is the same as in the Budget for last year, with allowances made for a reduction in the quantity sold. Under the head of general administration there is a reduction compared with last year of £673,200, which was expended last year in the Civil expenditure on the Royal visit to India, and there is a similar reduction in the military services of £307,000. The largest increase in next year's Budget is that of £760,000 for education.

(Hear, hear.) For 1911-12 the amount provided was £2,094,000. In 1912-13 the amount is £2,855,000. There is also an increase of £400,000 on medical services, £333,000 is allocated to water-works and drainage schemes, and £80,000 for medical research, including the equipment of research laboratories and the establishment of a tropical school of medicine Of course, the House will see that the surplus for which we have budgetted is abnormally large In a normal year the natural course would be to use at least a part of the surplus for the reduction of taxation or, perhaps, for increasing administrative expenses. But in this year neither of those courses was possible. The revenue derived from the sale of opium to China will shortly disappear, both because it is a source of revenue which I think neither India nor Great Britain desires to continue to have—(hear, hear)—and partly because of our international agreements. The surplus, therefore, is going to be retained in order to reduce the amount to be borrowed on capital expenditure on railways, irrigation works, and the building of the new Delhi.

The New Delhi.

I want now to make a short diversion and say something about the new city of Delhi. The site which has been recommended by the Expert Com-

mittee, which has returned to this country, lies to the south-west of the modern city of Delhi between the Kutab Road and the Aravelli Ridge The area stands high, commands a wide prospect which includes the existing city of Delhi, and the ground is virgin soil because the man-worn sites of the early occupation lie, I understand, nearer the river and due south of Delhi The drainage problem is simplified by the ample fall of the ground towards the river, and although no plan for the laying out of the city has as yet been finally decided upon, I think it is safe to say that the present intention is that a belt of park not less than a thousand yards in width should intervene between the walls of old Delhi and the new capital, and that this park will probably be extended to envelop the entire site at the eastern boundary, where will lie probably the bazar and the quarters of the English and Indian Government servants The distance from the new Government House to the Jama Musjid will be about three miles to the south-west, and between the two will lie the Government offices for the administration of the old and the new city of Delhi. The military cantonments will be to the west of the Aravelli Ridge, where I understand there is much available and suitable land. I have only to add that at the earliest possible moment the report of the Committee and the plans will be exhibited in the tea-room. On the site I have describ-

ed it is hoped there will grow up in the heart of India on the site of what I think may be described as its most ancient capital, at its most convenient railway centre, the enduring British seat of government, firmly planted, I believe, in the affections of those for whom it labours.

THE QUESTION OF COST.

The estimated cost of the new capital is put at £4,000,000. The Government scheduled under the Land Acquisition Act a very large area round Delhi, so that they are able to acquire the land they want at the price it was worth before the Durbar announcement. The buildings which will be a public charge are the Viceroy's residence, the Government offices, a place of meeting for the Imperial Legislative Council, and offices for the municipal administration and the cantonments. If residences for other individuals are constructed in the first instance at the cost of public revenue, a rent will be charged to the occupants. The architects for the various Government enterprises have not yet been chosen, but efforts will be made by competition to obtain a wide field of selection. I am afraid I cannot give at present any revised estimate. Lord Hardinge, in his speech to the Council on March 25, expressed considerable confidence that the estimate would be found to be sufficient. I can only say this provisional

estimate has been framed after considering the cost of lighting, road-making, drainage, and comparing it with the similar cost for places like Bombay, Calcutta and Madras, and making allowance for the fact that there will be little or no clearing. We do not intend to build streets of private dwellings and shops, but we intend to allow other people to build private dwellings and shops in harmony with the general plan; and, although, of course, nothing definite can be said, I really do not anticipate that this new Delhi will, in the long run, prove to be a very serious burden upon the finances of the country.

Finding the Money.

How are we going to find this money? When Government offices and buildings are required in India the usual practice is to find them out of current revenue; but, in view of the magnitude of the Delhi scheme, it is proposed to adopt a different method of providing the money, and in this case to treat the outlay as capital expenditure and to meet it partly from loans and partly from revenue surpluses as they may arise. I think it is the same principle which is now adopted in this country, as a rule, whenever public buildings are to be built. If new taxation were going to be imposed for the purpose of producing a surplus for use in Delhi, or if a remission was going to be refused because we

wanted to provide a surplus, or if money was going to be withheld from administrative needs because of this plan, there would be very much weight in the objection which has been raised in India. But there is no idea of creating a surplus in any of these ways. New taxation is not introduced in India except to meet a deficit or a prospective deficit in current revenue, and the fact that the expenditure on Delhi is to be treated as capital expenditure will prevent it from contributing towards a deficit in current revenue, and there is no intention or prospect that the building of Delhi will prevent a remission of taxation, because the probability is that it will be built in a time when revenue from Chinese opium is disappearing and when no prudent man in India and no Government of India would ever recommend the remission of taxation which it would be certain to have to re-impose at the end of the time. Undoubtedly the expenditure on Delhi, so far as it is met from surpluses, will lessen the amount available for objects which are paid for from revenue generally. But it is equally true, in view of the limited amount which can be borrowed in any given year, that, if we met it from loans entirely, it would lessen the amount which could be spent on equally important work in connexion with such subjects as railways and irrigation. To meet the whole expenditure from loans would involve the possibility of so res-

tricting the expenditure on these latter objects as to diminish India's prosperity in time of plenty and her security against suffering in bad seasons. Therefore, I contend the task before the Government, when once it had come to the conclusion that the change of capital was a measure of such importance as to justify the expenditure involved, was to survey the field of administration as a whole and adopt a financial scheme which seemed likely to be the least onerous to the interests concerned. We believe that the plan we have adopted of using a variety of resource, instead of relying upon one, is the plan best calculated to achieve this object. The vindication of the decision will have to be looked for in the way in which it is carried into effect year by year while the expenditure on the new buildings is in progress. The Government of India will have to submit each year to the criticism of the Legislative Council and of Parliament as to the way in which it co-ordinates the claims of Delhi with the other claims on its resources. I do not think that, having regard to its commitments and its pledges, it is likely to allow the claims of Delhi to obscure its other responsibilities or to impede their fulfilment.

A New Chapter in Indian History.

I want now to ask the House to listen to a few more general statements. Two years ago I discus-

sed generally the political position of India and what I conceived to be the lines on which it could best be governed; and last year I dealt at some length with the social conditions and development of the country, and tried to explain how political development must be contingent upon social development. The three contentions which I tried to establish last year and the year before were, first, that it is possible to distinguish and segregate legitimate aspirations for advancement from sedition; secondly, that political institutions cannot be imported advantageously from one country to another unless they are the resultant of similar social organisations, and that it is towards improved social conditions rather than change of political institutions that our attention and the attention of Indians should be turned; and, thirdly, that there are striking analogies in the history of India under British rule and the history of a European country, although this chapter of the history of India has been shorter, because it is governed and created by men who have inherited the results of European and British development. I want to resist the temptation of going over that ground again. I cannot help thinking that with the passage of the Reform Act of 1909 a chapter of Indian history was closed and a new chapter was opened. I do not believe that India has yet discovered what possibili-