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II

MIDNIGHT SPEECH.

The Hon'ble Sir CHARLES TRENKLE :—" Mr. President, I beg to introduce the budget for the year 1922-23, and I crave the indulgence of the Council if I do so at some length.

"The great king-maker Kautilya, who is perhaps better known as Chanakya, commences one of the chapters of his *Arthashastra* with words which are as true to-day as they were in the third century before Christ—' All undertakings depend upon finance.' And he proceeds, in words which likewise are nearly as applicable to-day as they were in his day, to define the factors that are conducive to financial prosperity as follows:—' Rewards for good conduct, capture of thieves, dispensing with the service of too many Government servants, abundance of harvest, prosperity of commerce, absence of troubles and calamities, diminution of remission of taxes and income in gold.' In another place, he concludes his description of the duties of the King's chamberlain in these words:—' He shall have so thorough a knowledge of both external and internal incomes, running even for a hundred years, that, when questioned, he can point out without hesitation the exact amount of net balance that remains after expenditure has been met with.'

"As chamberlain to this Government I cannot lay claim to such a thorough knowledge of income and expenditure as was expected in the days of Chandragupta. But I have stood the fire of questions as to the net balance or deficit that will remain after the various items of expenditure have been met with now for 15 days in the Finance Committee and for five days in the Cabinet, and as a preliminary to 12 more days of similar questioning in the Council, will endeavour to answer as many as possible of the questions in advance and to do so under the heads of classification which Kautilya adopted.

"Not being a Sanskrit scholar, I shall not attempt to follow the nice distinction which apparently he drew between public prosperity and prosperity of commerce. Nor do I propose to enlarge on the subject of rewards for good conduct beyond making a present of this portion of the wisdom of the ages to these honourable gentlemen who are anxious that the system of rewards should be abolished. I will take his remaining heads in the following order:—

- (a) absence of troubles and calamities,
- (b) capture of thieves,

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(c) abundance of harvest and with it diminution in the remission of taxes,

(d) prosperity of commerce,

(e) income from gold; in other words, exchange, and

(f) dispensing with the service of too many Government servants.

" As absence of troubles and calamities is conducive to financial

Absence of calamities.

prosperity, so the presence of them is conducive to bankruptcy,

and throughout this year the Government have been faced by a calamity on a very large scale, the calamity consisting in the mental attitude of certain people who, being dissatisfied with the constitutional means given them of obtaining self-government, have set to work to attempt by other means to obtain a state of no government at all. Those people, realising like Kautilya that all undertakings depend upon finance, have directed their attack upon the basis of government, namely, the revenue. They have organised this attack in a very skillful way by taking advantage of a very genuine and very praiseworthy sentiment in favour of temperance in the use of alcoholic drinks and under cover of this sentiment have managed to deprive the Government of revenue derived from excise to an amount of 75 lakhs of rupees. Had the cause of temperance benefited to a like extent, we might have cheerfully accepted the loss and sought other means to make it good. When we learn that their campaign is conducted in some places on the lines of encouraging people to distil illicitly, in others of selling the shugs themselves and paying the proceeds into one of their own funds, it is difficult to regard it as other than a calamity and a calamity of a very serious kind. Nor is the loss of excise revenue the only loss that is to be attributed to them. In addition we have lost through them 2½ lakhs at least of land revenue in Malabar and 1 lakh under forests in that and other districts, making a total of 81½ lakhs in all. If we add the expenditure in which they have involved us, the total bill will be nearly a crore.

" By capture of thieves I take it that what Kautilya indicated

Maintenance of law and order.

was the maintenance of law and order, without which no govern-

ment can function. In the year under review, as this Council are well aware, there has been a complete breakdown of law and order over large areas of Malabar, in which neither life nor property has been safe; there have been further disturbances in the Madras City itself, in Ganitūr, Cuddapah, Trichinopoly, Tanjore and Salem, while the Malabar rebellion has been felt in the Nilgiris also. And apart from the expenditure involved in Malabar itself, the

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Government have been compelled to take up schemes for organising striking forces of armed police to deal with such activities. Meanwhile, there is a converse to the proverb that when thieves fall out honest men come by their own in the fact that when the police are engaged with agitations of this kind, among persons who are usually peaceful, the badmashos make their harvest. The actual cost of all these operations has not yet been worked out, but, as I have already indicated, they help to raise the debt against the revolutionary party to somewhere near a crore of rupees.

"I come now to the third head, abundance of harvest.

12-13 a.m.

The course of the season.

Generally speaking, the year has not been unfavourable, but the reverse has been the case in the Ceded districts where the ryots have been going through very trying times. In 1920-21 the rain needed to ripen the *sungari* or early crop failed completely and the *Atigari* or later crop also failed in some places, while it was ruined by excess in others, so that when the year 1921-22 began, we were already faced with famine conditions and had 9,800 persons on works and 2,800 on gratuitous relief. The south-west monsoon was again unfavourable and as the year went on the distress deepened until in October there were 27 works open with 38,000 persons employed on them and 14,000 persons on gratuitous relief. It was not until the coming of the north-east monsoon in November that matters began to improve. The good rain that fell then took the ryots back to their fields and from November onward the number on relief has fallen continuously until the last returns show only 2,840 on works and 900 on gratuitous relief, while later reports still show that all the works in Anantapur have been finally closed, while those kept open in Bellary have been reduced to two. Meanwhile, throughout this period I think it may safely be said that there has been nothing approaching emaciation, although we do not attempt to minimise the distress from which the people who lost their crops must have suffered. To reduce that as far as possible we have spent money with a liberal hand, though I am glad to say that we have not needed the whole of the budget provision, the total expenditure expected by the end of the year being 12 lakhs. In addition to this, we have to acknowledge our gratitude to the Indian People's Famine Trust for grants amounting to Rs. 25,000 as well as to private contributions of considerable amounts towards clothing and other funds.

"To enable the people to recover, we have in several villages remitted the kists for 1920-21 and 1921-22 altogether. In others, we have remitted 50 per cent, and in this case and others we have

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suspended collections till fasti 1332. Lastly, we have disbursed loans liberally, the total amount for the Presidency under the two Agriculturists Loans Acts being 22 lakhs as against an average of between 7 and 8 lakhs a few years ago, and for the Ceded districts 10 lakhs. On the other hand, more favourable rains have led to a comparative increase in the payment of arrears in other districts and we hope that there will be a net improvement in the payment of land revenue at the end of the year by about 2 lakhs.

"Under the head of prosperity of commerce, there is a less favourable report to give. At the time of the framing of our last budget, we thought we were at the worst of the slump and that only a good monsoon was needed to bring a boom again. But the monsoon passed without materially improving the trade, and though at intervals since different commercial magazines have prophesied the early coming of the boom, their prophesies have so far, I regret to say, been of as little worth as statements from another quarter as to the date fixed for the arrival of *energy*. The depression instead of lifting has deepened almost without a break, and the result is reflected in a decline in our revenue from stamps by 12½ lakhs of rupees. May I under this head remind the House that the head of revenue which generally varies more than any other with the prosperity or otherwise of the country is the Excise? The assertion has not unfrequently been made that this, with the liquor which is taxed, is an introduction of western civilization. It is therefore of interest to note that one of the most important chapters in the *Arthashastra* is that on the duties of the Superintendent of Liquor, which anticipates much of our latter-day Excise Manuals. I make a present of this piece of wisdom of 23 centuries ago to gentlemen who are anxious to wipe out drink and the Excise revenue *ta-morrow*.

"Somewhat similar remarks apply to Kautilya's next head among the items conducive to financial prosperity, namely, income from gold, or, in our case, profit on exchange. As the Council is aware, our transactions in this matter are regulated by the Government of India and we were directed at the commencement of the year to frame our budget on the basis of a 2s. rupee, but to provide for a loss in exchange based on the difference between that figure and 1-8d. The actual rate at which most of our purchases have been made, however, has been generally under 1-4d. The effect of this loss in income from gold is an increase in expenditure of 12-40 lakhs.

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" I now come to the last of the heads entered by the great king-maker, namely, dispensing with the service of too many Government servants, and I am sure that

Reduction of unnecessary establishments.

the Council will hear with me if I enter into an explanation of the action taken in this matter at some length. Let me first of all explain what we set out to do. In accordance with an undertaking given at the time of last year's budget we called upon all heads of departments to say what portion of their work and establishments could be abandoned with the least detriment to the public interest if they were compelled to carry on with a scale of expenditure 20 per cent less than that which they were then incurring. Now, I am anxious that there should be no misunderstanding in this matter, and particularly that it should not be understood that every department was required to reduce its expenditure immediately by one-fifth. That was clearly not practicable in some cases. You cannot suddenly reduce the expenditure, say, on hospitals and schools by a figure like that without turning away patients and scholars, while if you apply such a rule to the expanding departments such as Industries and Agriculture, it is clear that you must convert them from expanding into contracting ones. What we aimed at doing was to secure from each head of department a list of the items up to the figure named which he regarded as being less essential than other items, but it was reserved for the Government to say whether these least essential items could be dispensed with or were still so essential as to justify, if necessary, new taxation to ensure their maintenance. The examination has been in progress throughout the year under the personal direction of His Excellency the Governor and the net result stated briefly is the abolition of 60 gazetted appointments, or 4 per cent of the whole, of 565 appointments of non-gazetted officers, or 2 per cent of the whole, of 4,763 constables, attendants and peons, or 8 per cent of the whole, and of 7,174 members of the village staff, or 4 per cent of the whole. The gross total of the salaries of these public servants amounts to 23½ lakhs. But just as it has been impossible to turn all adrift at a moment's notice, so it has been impossible to show that amount as an immediate saving. Reductions of establishment of this sort are carried out for the most part by stopping recruitment and absorbing the surplus officers as vacancies arise, so that it is extremely difficult to say how much the immediate saving effected will be.

" As regards savings of other kinds, it is even more difficult to

Other economies—Schemes suspended.

give the Council an exact figure. We have closed down schemes in all directions, some of them now

schemes recently brought forward, some schemes which formed part

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of a regular programme of advance which hitherto has been pursued steadily from year to year and some schemes actually in operation, sometimes long established. The following are a few instances of schemes of the three classes :—

"Under new schemes may be included :—Redistribution of the northern districts, settlement of pre-settlement loans in Yimgapsham, opening of model toddy and areck shops, opening of the Agency Forest divisions, raising of allowances to prosecutors, witnesses, jurors and assessors, grant to the Discharged Prisoners' Aid Society, opening of a reformatory school for girls, the Andhra University, making provision for the teaching of science in Queen Mary's College, provincialisation of the District Medical and Sanitary Officers' office establishments, deputation of a Civil Assistant Surgeon for special study of Pathology and Chemical Physiology, training of nurses and midwives, opening of dental departments in hospitals, opening of a leper asylum in Chingleput, institution of a chair of a Clinical and Operative Surgery, training of an officer in lunatic asylum management, grant to the Lady Hardinge Medical College, appointment of a Public Analyst, provincialisation of Health Officers, removal and reconstruction of the Baysore cannery, expansion of the Labour department and extension of the operations of the Publicity Bureau. This, in addition to the omission of provision for any new buildings except one for one lakh of rupees.

"Among the programmes to which we have called a halt or in which we have made large reductions may be cited: Revision of village accounts as a preliminary to settlement, opening of new registration offices, purchase of books for the Legislative Council Library, making of temporary courts permanent, opening of additional temporary courts, reorganization of the Training College for Women, opening of additional secondary schools for girls and additional training schools for nurses and midwives, opening of new dispensaries in the Agency, of a fourth-year class in the Calicut Medical School and of the Guntur and Coimbatore medical schools, reorganization of the nursing staff, appointment of a sixth Director of Public Health, opening of new veterinary dispensaries, increase of the vaccination staff in the Agency and opening of additional day and night schools for children of fishermen.

"Among the existing schemes which have been cut out or curtailed may be cited: Disposing with temporary Deputy Collectors to relieve officers for training, gradual closure of police recruit schools, reduction in the number of ryotwari village officers, suspension of the appointment of house surgeons, discontinuance of courses in Ophthalmology and Dentistry and for Health Officers, of popular

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health lectures, and of sundry minor fisheries schemes, replacement of Assistant Directors of Industries by Assistant Engineers, stoppage of the recruitment of Inspectors of Schools, abolition of one Public Works Department Circle, seven divisions and 21 subdivisions and closing down the Irrigation Projects division at the end of April 1922.

"It is difficult to give even an approximate money value to the cancellation or postponement of these schemes.

"Finally, we have cut down drastically a number of charges other than those for establishments, such as travelling allowances and contingencies, for 1922-23. The net reduction under these heads amounts to 23.14 lakhs.

"The Council will realise that the estimate of the total saving effected will depend entirely upon the standard with which the proposed expenditure for next year is compared, and here I should like to say a word to honourable members who expect that, if an appointment on Rs. 1,000 a month is abolished, the expenditure upon the particular branch of the service concerned will be shown as Rs. 12,000 less in the ensuing year than it was in the current year. This calculation leaves out of account the factor which is known as the 'normal growth' of expenditure. It is the tendency of every service rendered by the State to expand from year to year, as cultivation increases, as trade grows in prosperity, as scientific knowledge advances, as patients overcome their reluctance to come to the hospitals, as co-operation grows in favour among the ryots, as the villagers demand more school accommodation for their children. I should like to give the Council a few figures relating to this normal growth of expenditure. Under Land Revenue, General Administration and Law and Justice the average growth in the past 10 years has amounted to 5.9 per cent, under Excise to 8.6 per cent, under Police to 12.8 per cent, under Education to 18.5 per cent, under Medical to 23.3, under Agriculture to 23.4 and under Industries to 170.0. This normal growth is a thing which provides the Finance Member with a great part of his work from day to day and even from hour to hour in endeavouring to check it and if he cannot check it, to provide for it, and in fact the endeavour has become as much a part of his mental equipment that I fear it is difficult for him to realise the attitude of mind that I have just described. There has recently been added a new item to it, a thing against which no Finance Member has any defence, and that is the incremental scale of

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scheme which has been saddled upon us by the Public Services Commission. I greatly fear that it has not been realized what the ultimate effect of this scheme is going to be upon the finances of the Presidency. I hope I have said enough to make it clear to honourable members that, as a standard of comparison for the purpose of estimating economies, the previous year's expenditure by itself will not serve, since it will be clear that, if we are able by economies even to retain expenditure at the existing level, that will mean that we have effected an economy of many lakhs. It will not be unconstructive, however, to test our proposals by this standard. The revised estimate of expenditure for ordinary administrative purposes in the current year is 1,483 lakhs, of which 21 lakhs is met from loans. The estimate for similar expenditure for 1921-22 is 1,463 lakhs, of which 1 lakh is met from loans. The reduction in expenditure is thus 18 lakhs, but the figure of 1,463 lakhs includes provision for additional expenditure under the head of interest to an amount of 10½ lakhs and under that of exchange to one of 4 lakhs. At the same time 5 lakhs go in a book transaction on account of purchase of a stock of stationery from the Government of India so that we have obligatory charges quite outside our ordinary expenditure to an amount of 19½ lakhs to add to the reduction. The figure of 1,663 lakhs also includes additional expenditure on account of the Malabar disturbances amounting to 19 lakhs, and if we add additional expenditure under the heads of Education and Agriculture amounting to 10½ lakhs, we get a total of 47 lakhs. We may set against this abnormal expenditure in 1921-22 under Famine, Cinchona and Income-tax to an amount of 18 lakhs. The difference of 29 lakhs has only been brought about by severe restrictions of normal activities in other departments.

"The next standard with which we might make comparison is the estimate of expenditure made by the heads of departments, and in a year like the present when they have all sent in their estimates with a full knowledge of the desperate financial conditions, and have therefore kept down their projects to a minimum, this might seem to be a fair standard of what is considered normally necessary. I will only say with regard to this that the amount which we propose to expend is 199 lakhs less than the total of the estimates of the heads of departments. A third standard may be found in the figures sent in by the heads of departments as those of the expenditure that is absolutely obligatory in order to carry on the services under their control. As to this I may say that we have reduced the figure which they regarded as absolutely essential for that purpose by no less than 40 lakhs, and have done so solely in view of the desperate financial condition of the province and in full knowledge of the risks that such a reduction involves.

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" In making these reductions we have given our earnest attention to the various proposals for economies that were made in the Council.

12-25 a.m. budget debate of last year and in the course of the year, and if the results do not satisfy some members of the Council, I fear that that is to be attributed rather to an exaggerated idea on their part of the possibilities of particular proposals than to the inadequacy of the action that has actually been taken.

" There are certain honourable gentlemen who think that they have an inexhaustible fund to draw upon by reduction of the amount of pay and allowances spent upon the services, and at the risk of being wearisome, I am afraid I must deal with the proposals that fall under this head at some length.

" For this purpose, let me first divide the services into five grades: (1) Imperial, (2) Provincial, (3) Subordinate, (4) attendants, constables and peons, and (5) village staff, and in order that we may clearly understand what is the fund in question, let me say that the total amount spent upon all the services in salaries and allowances is 826 lakhs, of which 95 lakhs are for Imperial, 40 for Provincial and 340 for Subordinate officers, while 117 lakhs are spent on attendants, constables and peons and 113 lakhs on village staff.

" Now though there have been innumerable proposals for further increase of the pay of the employees in the grades below the Provincial services, there have been comparatively few for reduction under these heads, and I think that for practical purposes we may take it that the sums out of which the reductions, if made, would have to come are the 95 lakhs paid to officers of the Imperial and the 55 lakhs paid to officers of the Provincial services. The total being 1½ crores, it will be seen that a complete stoppage of payment for a year of all members of the services would not suffice to meet our present and our coming deficit.

" The proposals for reduction divide themselves into three heads: first abolition of appointments, second reduction of salaries of appointments, third abolition of allowances.

" As regards the abolition of appointments, the following are appointments which different honourable members have expressed a desire to get rid of: under *General Administration* one Member of the Executive Council; under *Land Revenue* one Member of the Board of Revenue, one Collector, additional and temporary Deputy Collectors and Personal Assistants to Collectors, and Assistant

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Directors of Survey; under *Excise* Deputy Commissioners and Assistant Inspectors of Salt and Alkali; under *Forest* some of the Conservators and District Forest Officers and all the Extra Assistant Conservators; under *Administration of Justice* some of the temporary Courts and of the Presidency Magistrates; under *Agency* the Agency Commissioner and his Assistant Commissioners; under *Police* the Deputy Inspectors-General, the Inspectors, the Reader Sub-Inspectors and the whole of the Criminal Investigation Department; under *Education* some of the Inspectors and Assistant Inspectors, the Deputy Director of Public Instruction, the Additional Deputy Director and the Personal Assistant to the Director, and the Supervisors; under *Public Health* the Sanitary Commissioner; under *Agriculture* some of the Deputy Directors and expert officers and some of the officers in the Veterinary College; under *Public Works* one Chief Engineer, all the Superintending Engineers, the Deputy Secretary, one of the Consulting Architects, some of the Deputy and Assistant Sanitary Engineers and all the Subdivisional Officers; under *General* the Publicity Officer, the Labour Commissioner and the Inspectors of Factories and the Personal Assistant to the Superintendent of the Government Museum.

"The sum total includes about 250 gazetted officers, or about one in six of the total number employed.

"As regards these proposals I should like to say in the first place that the majority of the Imperial and several of the Provincial services have been the subject of most searching inquiry by Royal Commissions or All-India Committees, such as the Indian Police Commission, the Indian Excise Committee and the Public Works Department Reorganization Committee, and that no appointment has been sanctioned in them without the concurrence of the Local Government, and generally of all the Local Governments, as well as of the Government of India and the Secretary of State. I hope therefore that it will be recognized that every single appointment represents a definite unit of work, and that honourable gentlemen who urge acceptance of the view that particular appointments are unnecessary take the responsibility, not only of saying that definite pieces of work which have hitherto been done need not be done any more, but also of making out their case against the opinions of all the authorities most competent to deal with the questions before the Reform were introduced.

"I would further deprecate the attitude of mind of certain honourable gentlemen who not only do not take up the burden of proof which is imposed upon them by the circumstances which I have just indicated, but who, having made the assumption that a certain appointment is unnecessary, proceed to argue from that basis

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that all the subordinates of the officer holding the appointment in question, or to quote another way in which it has been put, all the officers who work under him, are likewise unnecessary. As I have just said, every one of these officers represents a definite unit of work which ought to be done. It may be true that there are certain items which you can neglect at your peril, but the neglect of which will not bring the machine to a standstill. But there are many others to which this will not apply. Let me take, for example, the case of the Superintending Engineer. I do not propose to go—I am not capable of going—into the details of all the multifarious duties that he performs. If, for instance, he is in charge of one of the big delta systems, he plans the policy for the system as a whole. He brings the work of the different executive officers under him into co-ordination. He teaches the younger officers how to do their work and keeps the key ones up to the collar, and by continual inspection he corrects mistakes, makes changes in design when circumstances arising in the course of construction indicate the necessity, saves waste of money and sees that contractors do not put in bad work. He directs the preparation of a very large number of estimates. He is the sanctioning authority for some and the advising authority for others and has to scrutinise and execute a very large number of contracts and agreements. He is responsible for the appointment, promotion, transfer and punishment of a host of subordinates. He is likewise responsible for seeing to the proper distribution of water and for supervising irrigation panchayats and generally for the removal of grievances which in matters of irrigation are legion. He is the adviser in chief of engineers employed by local bodies, and is responsible for the proper expenditure of the grants made for the maintenance of trunk roads. If you displace him in respect of these functions, who else is going to do the work? Somebody must prepare and check the estimates. Somebody must appoint and control the staff. Somebody must deal with the many complaints that come up for disposal. Let us take the case of estimates alone. The estimates sanctioned by the Superintending Engineer in the course of the past year numbered in all no less than 5,170 of a value of Rs. 185·15 lakhs, in addition to which these officers prepared, checked and forwarded further estimates numbering 5,765 to an amount of Rs. 348 lakhs. If the Superintending Engineer with his office is to be abolished, all his work must be done either in the office above him or in that below. It will certainly not be possible to dispense with his staff and I think it will be inevitable to strengthen the staff of the Chief Engineer to enable him to exercise, not a proper control, but a sufficient minimum of control to keep the machinery running at all. We

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may take it, therefore, that if you abolish one of these intermediary appointments, you cannot expect to make an effective saving of more than half the cost of the officer and the staff attached to him.

"In the case of some others of the appointments referred to above, you cannot even do this. Let me take the case of the Assistant Inspectors of Salt, many of whom are stationed in charge of salt factories, where they combine the duties of salt-maker, revenue controlling officer, treasury officer and engineer. If you abolish them, I cannot think how you are going to carry on the work of the factory at all.

"Let us, however, suppose that a reduction is made to the extent of 50 per cent in the case of all the officers whose abolition has been proposed. The total cost of the officers in question comes to 30 lakhs, and 50 per cent of that is 15 lakhs. If we assume that the cost of the staff attached to the officer is half the cost of the officer, the greatest saving that could be secured, that is 22½ lakhs, would still not be as much as the amount of 30½ lakhs by which, as I have already told the Council, the salary bill for both gazetted, non-gazetted, inferior and village staff has been reduced.

"I shall now endeavour to show the Council how far, in making the latter reduction, we have been able to meet their wishes in respect of the former.

"I should weary the Council intolerably if I were to enter into a discussion of the pros and cons of each case on the long list. But I think it may perhaps save trouble later if I indicate as briefly as I possibly can the reasons why it has not been possible to accept some of the proposals and the extent to which action has been taken on the others.

"The question of the number of Members of Council is one for the Secretary of State. One post in the Board of Revenue will be abolished when the Government of India take income-tax entirely under their control. The question of the abolition of a second has been considered by a Committee who have advised against it. Proposals have gone up to the Government of India for the reduction of the cadre of the Indian Civil Service by eight appointments, four superior and four inferior. The Personal Assistant Deputy Collectors have been reduced in number from 11 to 7. A number of Deputy Collectors employed under the Registrar of Co-operative Societies have been replaced by officers of lower grade while other temporary officers have been dispensed with, as I have already indicated. It was not found possible to dispense with Assistant Directors of Survey, but the Council are relieved of payment for three of these officers who are employed upon estate work. The

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proposal to dispense with Deputy Commissioners of Salt and Abkari resulted in the abolition of one Deputy Commissioner and two Assistant Commissioners. The Forest Department is just entering on a large scheme of exploitation, and it was not found possible to make any reduction in the number of officers in that department. In response to the request for the reduction of Presidency Magistrates by two, one is being temporarily dispensed with. It was not found possible to reduce the number of temporary civil courts as the number of suits now pending is over a lakh. It was not practicable to go back upon the creation of the Agency Division, but one post of Deputy Superintendent of Police is being kept vacant, the much needed expansion of the Forest staff has been held in abeyance and the budget has been reduced in other directions for instance by the reduction of the number of medical officers attached to touring officers. In the Police Department, the recommendation regarding the abolition of Reader Sub-Inspectors has been accepted and the rank of Naik has been dispensed with. In addition, the whole of the clerical establishment in the subdivisional offices has been abolished. The abolition of the vacancy reserve will result in a reduction of the number of constables by 1,745. The Government have not felt themselves justified, in view of the present conditions, in abolishing the Criminal Investigation Department, the Inspectors of Police or the Deputy Inspectors-General, who are responsible for the discipline and control of large numbers of a force which is subject to much harassment and temptation to indiscipline. In the Education Department, proposals to add nine officers of the Inspector grade have been kept in abeyance and a reduction by 49 has already been made in the number of supervisors. The question of the possibility of reduction of the headquarter staff is under the consideration of the Hon'ble the Minister in charge. Under Public Health, the Government have found themselves unable to concur in the proposal that the office of the Sanitary Commissioner should be abolished, but have deferred an increase in the number of Deputy Sanitary Commissioners. Under Agriculture, they are of opinion that the proposal to dispense with the experts, whose function it is to devise schemes for the improvement of agriculture, and with the Deputy Directors, whose function it is to spread the knowledge of the discoveries of the experts, would result in bringing the department to a standstill. They have, however, reduced largely the programme of advance under both Agriculture and Veterinary.

"The Government have been unable to accept the proposal for the abolition of the Publicity Office or the Labour Commissioner or the Personal Assistant to the Superintendent, Government

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Museum. As regards Inspectors of Factories, they are unable to see how any saving would result from handing over the work of these officers to Boiler Inspectors or vice versa. One governing factor is that the Boiler Inspector must do his work while the fires are out and the factories are closed, while the Factory Inspector's functions involve his visiting it when it is open and in full work. It would therefore not be possible, even if an officer capable of executing both functions were found, for him to carry out inspections of the two classes at one and the same visit.

"In the Department of Public Works, very large reductions have been made involving the abolition of 1 Superintending Engineer, 7 Executive Engineers, 25 Sub-divisional officers, 200 subordinates and 815 menials. The final total expenditure set down for 1922-1923 amounts to 48 lakhs as against 51 lakhs, the revised estimate for 1921-1922. In view of these economies, the Government have found themselves unable to accept the proposals for the abolition of one Chief Engineer or the Deputy Secretary, while as regards the Consulting Architects, they are all employed under agreements which could not be terminated without expenditure as great as that involved in continuing their employment.

"Before I conclude this portion of my speech, may I invite the attention of the Council to two facts? The first is that the total staff of officers in the Imperial and Provincial Services in all departments in Madras is 100 less than the number sanctioned for Bombay, 243 less than the number sanctioned for Bengal and 234 less than the number sanctioned for the United Provinces. The second is that the actual number of officers employed at the present moment, excluding the Public Works Department, the reduction of which I have just mentioned, is 39 less than the sanctioned cadre. In other words, there is a saving of 5 lakhs of rupees a year to the Council owing to short recruitment for posts which have been sanctioned by the Secretary of State.

"I now come to the second head of the proposals for reduction, namely, the reduction of salaries of officers who are to be retained in service. As to this, I hope I am fully cognisant of the feeling of helplessness which some certain honourable gentlemen who consider that salaries have been fixed just before the coming in of the reforms at rates which they think excessive and who find that every proposition for reduction which they may make in general terms brings them up against something which is very like a black wall of impossibility. If they cut salaries all round, they reduce the services in Madras to a position of inferiority to those of the rest

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of India. If they make a percentage reduction on promotion, they reduce promotion in many cases to a punishment. If they advise a new scale for new entrants at a time when they are rectifying caste proportions by limiting the new entrants to certain castes, they penalise those castes. At the same time, while I fully recognize this, I must decline to accept the position that, because certain members of the Council say they think the scales too high, it is the Government's business to set about devising new scales. The scales have been devised on the advice of the Public Services Commission, who set down their figures as being the figures necessary to obtain men of the right stamp and to maintain them in such a degree of comfort and dignity as would shield them from temptation and keep them efficient for the term of their service. These proposals have been discussed by all the Local Governments, and recommendations based upon the results of that discussion have been submitted to the Government of India and the Secretary of State, by whose orders (even if in certain instances they go further than the Local Government originally proposed to go) the Local Government, at any rate the reserved part of it, are bound. If, therefore, the Council desire any change in the rates, it is, I submit, for the members interested to put forward a definite scheme and to carry it by a majority. Now, the only things approaching a definite scheme which have hitherto been put forward are these. In the first place, the resolution passed by the Council to the effect that all Indian officers newly appointed or promoted to posts on Rs. 500 and upwards should draw two-thirds of the present sanctioned pay of the posts to which they are appointed or promoted. That proposal, as I have already submitted to the Council, is not one to which effect can be given, because new appointments on Rs. 500 and upwards are made only to certain special posts, while the effect of the proposal in the case of promotions would be actually to penalise the officers promoted. The other definite proposal was to levy a tax of 10 per cent upon all officers in superior service. This is a proposal which the Council have the power of carrying in so far as it concerns the voted appointments. The total cost of voted appointments in the Imperial and Provincial services is 78 lakhs of rupees. Therefore the financial effect of the proposal would be a saving of 7 lakhs. As to whether this saving is worth setting against the other effects which the proposal would have, I leave it to the Council to say. It seems to me that the way in which it would present itself to the officers concerned would be somewhat as follows:—

"That the revolutionary party have succeeded in reducing the Government's revenue by many lakhs of rupees, that the Government's officers have suffered exceedingly severely in combating the

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activities of the revolutionary party, and that the Council would be visiting the sins of the party who have done the mischief upon the officers whose duty has been to prevent it and who have already suffered more than enough in the process.

“ The third proposal for reduction relates to allowances, and

Allowances.

here I find myself at the very strict faced with a difficulty which

it has taken me many discussions with non-official gentlemen to realise. There seems to be an idea abroad that the scales of pay by themselves represent the full necessities of the definition of the Public Services Commission which I have just quoted. Consequently, everything in the shape of an allowance is looked upon as something extra which needs a most special justification, and the very word is anathema to many honourable gentlemen. It is perhaps fortunate in view of this idea that the term itself will disappear with the coming in of the Fundamental Rules under which there will be no allowances, but ‘special pay’ will be given either for special classes of work or for living in very expensive or very unhealthy localities. This being so, I would ask the Council to agree that it is not possible to pass any general sweeping resolution reducing or abolishing allowances in general or any particular class of allowances. Every one of them that exists has been sanctioned by Government for special reasons and it would not be fair to abolish any one of them without inquiring what those reasons were and whether they still apply. I will go further than this and say that ever since I have held the Finance portfolio, I have set my face against allowances, so that my Honourable Colleagues may well say of me what I have said of certain members of this Council that the word is anathema to me, and no allowance, however temporary, is ever allowed to be sanctioned without special reference to the Finance Member. I will go further than this again and remind the Council that the whole question of allowances, in so far as it arose in connexion with their inquiry, was referred at my instance to the first Salaries Committee whose report contains no less than 50 pages on the subject. The Committee’s recommendations again have been examined exhaustively by the heads of departments and by the departments of the Secretariat; but the result of the examination has been in the great majority of cases to confirm the grounds on which the allowances were originally granted. In fact, I can only recollect at the moment one instance in which cancellation of an allowance has been the result and in that, the cancellation was no sooner carried into effect than the Member of Government concerned began to agitate for the restoration of the allowance in question on the ground that it was absolutely essential to the post from which

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it had been taken away. So much then for the possibility of anything in the shape of general all-round reduction of allowances. As regards particular cases, I am, as I have always been, at the disposal of the Finance Committee and ready to place before them in the fullest way possible the grounds on which any particular allowance has been sanctioned, so that, if they consider any modification in the scales desirable, they can make such recommendation as they think fit to the Governor in Cabinet.

"In dealing above with allowances, I have not mentioned the question of travelling allowances, because these differ from most of

the others in that they are definite payments for expenses incurred which are required by statutory rule to be so regulated that they are not on the whole a source of profit to the recipients, and I hope that there is no doubt in the mind of any honourable gentleman that this at any rate is the intention of the rules. Now let me remind the Council briefly of the history of this matter. The question of the reduction of travelling allowances was raised in numerous cases at the last budget debate. In no case was the proposal carried. In very few did the movers even secure a large minority. In the face of this decision, at the very next meeting the Council carried a resolution that the order prescribing the scales of the allowances to which effect had been given by the budget after consultation with other local Governments and with the sanction of the Government of India in substitution for a scale which was long out of date should be cancelled and the old scale restored. The Government considered whether effect should be given to this resolution and decided against it for various reasons, chief among which was the fact that the old scale was most markedly inadequate in the case of clerks on Rs. 35 and throughout and that it was not fair to subject them to hardship because the Council thought that the allowance was unduly profitable in the case of officers who travelled by motor, or in that of district and taluk board presidents. Accordingly, the matter was laid before the Finance Committee with a view to concrete suggestions in the month of December, and it has been an item on the agenda ever since. The following concrete suggestions have been made:—

- (1) that the mileage rates of officers of the first class be reduced from twelve to ten annas,
- (2) that no officer should be allowed more than two railway tickets either in the first or second class, and
- (3) that the daily allowance of Rs. 10 and Rs. 7-8-0 should be reduced to Rs. 7-8-0 and Rs. 5.

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"I might perhaps add to these a suggestion which has been put on the notice paper by an honourable gentleman who does not belong to the Finance Committee, namely, that district and taluk board presidents should be given a fixed travelling allowance in lieu of payment for each journey made. The Finance Department have meanwhile been at work on the case and have made detailed proposals the chief of which is a revision of the limits of salary which divide the officers of different classes from one another. In many cases the effect of these will be the same as would the adoption of the first and third of those referred to above. The question is a very complicated one and the proposals have not yet taken final shape, but I hope to have them ready for submission to the Finance Committee at their next meeting. Meanwhile, and largely in anticipation of changes in the rates or classes, the total provision for travelling allowances in the budget for 1922-23 has been fixed at 64 lakhs, or 10 lakhs less than the provision in the revised estimate for 1921-22.

"That, Sir, completes my review of the working in the year Summary of figures for 1921-22. 1921-22 in the Presidency of Madras of the causes that, according to Kautliya, conduce to financial prosperity or otherwise. To sum up the results in figures, we began the year with 58 lakhs in hand and we anticipated a revenue of 1,433 lakhs and a loan from the Government of India of 70 lakhs, of which we proposed to spend 36 lakhs for remunerative purposes and 34 lakhs on works of permanent utility. For reasons which I have already mentioned our revenue fell to 1,528 lakhs, while the loans we received from the Government of India were increased to 110 lakhs. Our total expenditure worked out to 1,748 lakhs. Out of this sum 55.75 lakhs represented loans for remunerative purposes and 21 lakhs were spent from loan funds on works of permanent utility and famine relief, while 9½ lakhs represented the instalment due to the Government of India of the repayment of the provincial loan account. The remainder, viz., 1,662 lakhs, is chargeable to the revenue account. The expenditure from this account is thus 136 lakhs in excess of the reduced revenue. Against this we set in the first instance the 58 lakhs of our opening balance leaving a dead-weight debt of 78 lakhs. Out of this again, we have already met 24 lakhs by restricting expenditure from loans made to us for remunerative purposes and we have yet to borrow a further sum of 54 lakhs from the Government of India to enable us to pay our debts. What will be the terms on which they will lend us this money, which will represent the beginning of our national debt, we have yet to ascertain. But I anticipate that an early repayment

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will be pressed for and accordingly provision has been made in 1922-23 for interest and sinking fund charges against this amount.

" I now come to the proposals for the ensuing year, and as it

Proposals for 1922-23,

seems inevitable that expenditure will exceed income, I think

it will be best to deal first with expenditure, then with income on the present basis, then with the anticipated proceeds of new taxation and lastly with the deficit that still remains.

" The total anticipated expenditure is 1,774 lakhs. To get

Expenditure to be met from at the real expenditure of the revenue. Presidency, however, we may first

exclude the contribution to the Government of India of 348 lakhs, leaving a balance of 1,426 lakhs. We may next, in order to arrive at the expenditure chargeable to revenue account, exclude expenditure from remunerative loans which we anticipate will amount to 104 lakhs. Of this, it is proposed to apply 12½ lakhs to irrigation, and 51½ to harbour works and the Ramswaran canal, while 17 lakhs are provided for loans to agriculturists and the sufferers from the Malabar rebellion, and 31 for loans to local bodies, including 9 lakhs for the Tinnevely-Tiruchendur Railway. There is only one public work which it is proposed to pay for out of loan money, namely, a building to house police officers in the heart of the City of Madras. This is not expected to be fully remunerative, but endeavour has been made to make the scheme pay its way as far as possible by providing that beneath the quarters shall be constructed shops which can be let at a profit. The total cost of this scheme in 1922-23 is estimated at 1 lakh.

" If we exclude these sums, the amount of expenditure which ought to be met from revenue stands at 1,322 lakhs. For the details that go to make up this amount, I would refer honourable members to the memorandum by the Finance Secretary which will be distributed. I will confine myself for the present to saying that there is a decrease in expenditure, which is due mainly to the policy of retrenchment under the departments—Land Revenue, Stamps, Forests, Miscellaneous Irrigation Expenditure, General Administration, Police, Medical and Civil Works.

" The principal increases in expenditure are under the following heads:—

" Under Excise, which is the last of the departments to receive a revision of salaries and in which it is proposed in addition to give for the first time travelling allowances to touring Sub-Inspectors, there is an increase from 30-97 to 32-96 lakhs. Under

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Administration of Justice we are providing for revision of the pay of clerks both in the High Court and the mufassal courts and also for payment for the Malabar Tribunals. These are the principal causes of an increase of expenditure from 93-48 to 96-15 lakhs. Under Jails again, the aftermath of the Mappilla rebellion involves a large increase in expenditure, the figures being 27-58 and 27-32 lakhs. Under Education we are making provision for a scheme of vocational education and for grants which were not included in the budget for 1921-22 for payment to teachers in primary schools, raising the provision from 154-18 to 160-81 lakhs. Under Agriculture we are providing for taking over veterinary hospitals from local bodies and for certain other developments which result in an increase in expenditure from 27-49 to 31-71 lakhs. Under Stationery there is an increase from 23-52 to 28-58 lakhs, which is due, not to an actual increase in the outgoings, but to a re-adjustment under which we take over responsibility for the maintenance of a stock of stationery which has hitherto been maintained by the Government of India. Lastly under the head Miscellaneous there is an increase from 8-82 to 11-26 lakhs, which again is due to expenditure connected with the Mappilla rebellion.

" To meet this expenditure from revenue we have an income

Income from existing sources,	from the existing sources, which
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again is explained in detail in the Finance Secretary's memorandum, of 1,564½ lakhs 3-48 or 1,216½ lakhs. As to this, I will only say that the estimates were minutely checked and re-checked up to the latest possible date before the printing of the budget in the hope of finding some improvement in the situation. But though a few months ago the prospects looked somewhat more hopeful, the continued slump in trade and the activities of the revolutionary party have checked them again and the most that heads of departments, who are responsible for these figures, considered it at all safe to anticipate was the figure above noted which is 105½ lakhs less than the expenditure which has to be met from revenue. Even this figure will have to be reduced with reference to news received since the budget was printed since, in the first place, the Government of India have made a large increase in the duties on foreign liquor which will involve a rebate of the tax on a less, and in the second place, the final report on the result of the sales of arack shops shows that the total realisations are three lakhs less than the estimate.

" We have repeatedly considered the possibility of a situation such as that with which we are

Ways of making good the deficit-easy.

faced, and I think I am echoing the Council when I say that the

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order of preference in the matter of meeting this deficit should be, first a reduction in our contributions to the Government of India, second economies and third and last new taxation.

* The question of the contribution with which we are saddled

The reduction of contribution.

has never been absent from our thoughts. It was raised in April

1921 in a resolution by Mr. Prabhakara Tampar and again in a much more acute form in October 1921 when the Council, on the motion of Rao Bahadur T. A. Ramalinga Chettiar, and echoing the telegram which the Government had already despatched, protested against the grant of a reduction a large part of which, if it was to be given at all, was rightly ours, to the provinces of Bengal. We have since been in fairly constant correspondence with the Government of India and have entered that protest with every argument at our command, concluding by sending a deputation consisting of two of our Hon'ble Ministers and representatives of all sections of the House to lay our case personally before His Excellency the Viceroy. The time was more opportune than we thought, for the day after the arrival of the deputation there was moved in the Council of State a resolution favouring a reduction of the contribution in the case of our chief companion in suffering. Such a resolution could not fail to bring into prominence the condition of the finances of this Presidency which like all the rest has budgeted for a deficit, but unlike most of the others has no balances out of which the deficit can be met, and the result of the debate, which was watched by two of our Hon'ble Ministers from the gallery, was the passing of a resolution in the following terms:—

'That the provincial contributions as fixed by the Devolution Rules be reduced in the manner specified in those rules and finally extinguished as early as possible.'

"This is disappointing enough, without being made doubly so by incorrect telegrams that gave us a hope of immediate relief, but at least it gives us the assurance that there will be no more infringement of our rights as has already occurred in the case of Bengal and the hope that from the year 1922-23 some portion of justice may be done to us. That hope, such as it is, is confirmed by a telegram received this morning that the matter has been raised in Parliament by Sir John Ross who obtained from the Secretary of State a repetition of the assurances given by the Government of India. Without that hope a drastic rearrangement of our finances would have been necessary; with it we may perhaps, as I shall show later, feel ourselves justified in borrowing for the one year in anticipation of such reduction as will enable us to repay the loan.

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"The second alternative, economy, I have already discussed at, I am afraid, inordinate length, and I have shown that our proposed expenditure despite the factor of normal increase, will be 18 lakhs less than the expenditure of 1931-32 and 30 lakhs less than what the heads of departments regard as essentially necessary for carrying on their departments in a state of efficiency. I have shown the results of the examinations made of proposals for economy in this Council, and while the Council will have seen that a great number of them have been accepted, with or without modification, I think I have said enough to make it clear that the increased saving that would have resulted if we had accepted them all in every detail would have gone only a very small part of the way towards meeting the deficit with which we are faced.

Economy.

"There remains the expedient of new taxation and I hope that, in view of the explanation now given, the Council will agree that we were justified in asking them to take into consideration the two Bills which are common to nearly all the major Provinces in India, namely, the Bills relating to the Stamp Act and the Court Fees Act. The first of these is, I think, open to little criticism in view of the circumstances of the day. It is a fair tax upon transactions largely commercial and the increase in the rates is not more than commensurate with the increase in prices of food-grains and other commodities. The regrettable fact about it is that, whereas the rates proposed here are much the same as those proposed for Bengal and Bombay, our expected return is only half that of the one and two-thirds that of the other of these two prosperous provinces.

New taxation—Stamps.

"The Bill to amend the Court Fees Act is open to some criticism on the ground that court fees should not be used as one of the sources of general income. But that is a criticism to which in this case a good deal may be said in reply. In the first place, the court fees have stood unchanged for half a century, in which time litigation has increased by 155 per cent. This increase has been specially marked in the last 20 years in which there has been a 51·7 per cent increase in institutions, and this has been accompanied by a 18·4 per cent increase in the number of courts, which has resulted in the circumstance that, whereas up to 1910-21 there was a balance left over the cost of the courts, the balance is now considerably the other way and would be very much more the other way if we added the cost of the buildings and other incidental expenses. While, therefore, we hope that these enhanced fees may check

Court fees.

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unnecessary litigation, it can be replied to the charge that we are making people pay for justice that, if we are doing so at all, we are not making them pay proportionately a larger sum than they were paying a few years ago, and that if the cost of the courts goes on increasing at the present rate, in less than ten years it will have out-stripped the revenue again.

"It is needless to say anything more here regarding the Bills

Village service cesses.

to reintroduce the village service cesses, the introduction of which

the Council have disallowed, except that this refusal to vote the money has compelled us to omit the provision which had been made in the budget in pursuance largely of the expressed wishes of this Council for improving the pay of village officers and servants in proprietary estates and of village headmen generally, an omission which we fear may have very serious consequences.

"Meanwhile we have sought other means of meeting the

Tobacco.

remaining deficit. The most

likely source appeared to be the

taxation of tobacco, a drug which is subject to taxation in almost every country in the world. But the project presented very great administrative difficulties, especially if taken up in a single province, while its neighbours remained free of such a tax, in addition to which the Hon'ble the Ministers and the members of the Finance Committee advised us that politically such a tax was undesirable.

"That project having been abandoned, there remained only

Registration fee.

an increase in the registration fee

and a tax on amusements. The

increase in the registration fee has already been imposed with effect from the 1st March and will, we hope, bring in an additional revenue of 7½ lakhs.

"As to the tax on amusements, it is certainly, generally

Amusements.

speaking, a fair enough form of

taxation, which has yielded good

results in England and is expected to do the same in Bengal, and we were at first disposed to ask the Council to sanction legislation for imposing it in this Presidency also. Three considerations have, however, deterred us. The first is that we have already proposed the imposition, in addition to the Stamp and Court Fees Bills which are shared by several provinces, of an increase in the registration fees which, so far as I am aware, has been imposed in only one other. In the second place, the tax, if applied in Madras, would affect only the headquarter city and appears therefore to be a more suitable subject of exploitation by the Corporation than by the

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Local Government. In the third place, while Bengal expects 15 lakhs from it, the return in Madras, according to the most accurate calculations that we have been able to make, would amount to a little more than one-fifth of that sum, or three lakhs. In view of these considerations, we have decided for the present that it is not advisable to ask the Council to pass this measure of taxation.

" We are therefore left, as I have said before, with a deficit of 140½ lakhs and proposals for new taxation which are expected to yield 77½ lakhs, leaving still a deficit of 28 lakhs.

Not deficit—the propriety of borrowing.

" As to this there is laid upon the Government and the Council the responsibility of deciding whether it is legitimate to meet it by borrowing, that is to say, to impose the responsibility for the repayment of it upon our successors. The answer to this question will depend on whether the deficit is likely to be a temporary one or not and that again depends, I think, upon three factors, one affecting the whole world, one affecting the whole of India and one which can be influenced largely by this Council. The first is the period of convalescence necessary for recovery from the malady of the war. As the Hon'ble the Finance Member to the Government of India has pointed out, the whole world has under-estimated this, and he would be a rash man who would prophesy when the turn to better things will come. The second is the extent to which our finances will be disorganized again in the coming year by the forces of organized disorder in this country, and again it would be rash to prophesy the period necessary for return to sanity of those who have brought about a deficit in the budget of every province in India. The third cause, which the Council have it in their power to influence, is the pushing forward of a policy of prohibition or temperance which will make the decline in our Excise revenue continuing and increasing. Excise is transferred subject and therefore honourable members have this matter entirely in their hands.

" If the trade of the world recovers, and through it the revenues of the Government of India so that they are able to give us a remission of our contributions; if peace and order are restored and people are allowed to go about their lawful avocations without molestation; and if the Council decide to continue to pursue the existing Excise policy and to let intoxicants continue to be a source of revenue as they were, as I have indicated, twenty-three centuries ago; then we may hope for a revival of our income in 1932-23 and to wipe out our debt instead of imposing a burden on posterity. If, on the other hand, the present slump in trade continues, if respect for law and order is to continue to decrease and if