

27th February 1923]

APPENDIX B.

[Vide answer to question No. 524 asked by Mr. T. Sivasubramanian Mudaliyar at the meeting of the Legislative Council held on the 27th February 1923, page 1364 (supra).]

Proceedings of the Board of Revenue (Land Revenue and Settlement),
His No. 549, dated 20th May 1922.

In a number of cases recently submitted to the Board, Collectors have recommended the defence of suits regarding encroachments in respect of channels, pathways, cart-roads, etc., running through patta lands. More often than not, these are not marked in the original survey plans, although they may be shown in the recovery plans. The channels are not recognised sources of irrigation, nor are they or the pathways and cart-roads, etc., separately registered and demarcated.

2. These channels, pathways, etc., have been in existence for so long without protection from Government that it may be assumed that the private interests concerned in their maintenance will continue to suffice for their protection.

3. It seems therefore unnecessary for Revenue officers to interfere with encroachments of this kind except where Government interests or important public interests are involved, or where it is a case of an important man taking undue advantage of his position and attempting to deprive others of a right acquired by long user. Except therefore in such cases these petty encroachments should be ignored and the Land Encroachment Act should not be applied and Collectors should see that Government is not dragged into what are really private feuds in which the Government has no real interest.

(True extract)

R. V. NARAYANAM,
for Secretary.

II

NOT ASSENTED TO BY HIS EXCELLENCY THE GOVERNOR.

The hon. the President announced that the Madras Survey and Boundaries Act, 1923, which was passed into law at the meeting of the Council held on the 20th January 1923, received the assent of His Excellency the Governor on the 21st February 1923.

III

BUDGET SPEECH.

The hon. Sir CHARLES THOMSON :—“ Sir, I beg leave to submit the third and last budget of the first combined Government of the Presidency of Madras and of this Council as at present constituted.

Preliminary.

* When I submitted my first post-Reform budget within a few weeks of the constitution of this Council, I said I was submitting a ‘carrying-on’ budget, that is, one which provided merely for

[Sir Charles Toddler.] [27th February 1868]

carrying on the policy of the old firm until the new partners should have had time to make themselves acquainted with the working of the concern and to advise us to the developments that they desired. Before they could do so, we were caught up in a financial crisis, and by the time of our second budget the cutting off of our supplies and the increasing cost of our staffs had rendered it necessary for us to call up all our resources and to cut costs in all directions in order to escape bankruptcy. We have now settled down to the new taxation and to the new scale of pay of establishments, which was one of the main causes of the crisis, and I hope that the other causes that contributed to it have to a great extent abated. The question for the consideration of the Council to-day is how far our present circumstances justify our resuming some of the essential activities which last year we were compelled to suspend.

"To enable us to do that, I think it is necessary that we should have a stock-taking of our assets and our liabilities; and, to understand that clearly, I think it is desirable that we should commence with a brief review of the development of the firm and its activities.

"I am frequently asked why it is that this Presidency, with its great resources, is so little developed, and why in certain matters, more especially education and medical relief, we have such a much lower standard of expenditure than one of our neighbours. That question has been answered—and emphatically answered—within the course of the past week by an authority who has no rival either in statesmanship or in exact knowledge of the two provinces that are compared. Opening a short line of railway which has been twenty years a-building, His Excellency Lord Willington said: "I wish such occasions as this could happen more often than they do. Ever since I have lived here, I have seen the greatest need for development in every department of our administration, but the financial situation is such that very little can be done. You all know the main reason well enough and I need not dilate on it, namely, the unfair contribution which we pay towards the expenses of the Central Government. The completion of this railway is a ray of light in these gloomy days when, owing to want of money, one has continually to abandon schemes which would be of immense advantage to our people." And by way of commentary on that statement I think perhaps it may be of interest to the Council if I give them a few instances of figures from a statement which I have had prepared converting our revenue and expenditure for the past 30 years from the old basis to the basis of the Reforms period and showing what would have been our position if we had been given throughout the treatment which is now recognized as equitable treatment.

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Financial situation of the Presidency till 1920-1921.

"Thirty years ago, in 1892-1893, we were, as we are to-day, in the position of budgeting for a deficit. The revenue given us to spend was 202 lakhs, while we could not possibly carry on with less than 318. If we had had the present settlement, we should have been in receipt of a revenue of 756 lakhs and our expenditure on the new basis would have been 407; in other words, our contribution in those days was nearly one-half of our gross revenue on the new basis.

"Ten years later, in 1902-1903, we had arrived at an exact equilibrium, but we were not much richer than before. Our total figures for revenue and expenditure were 367 lakhs. Had we had the new settlement, our revenue would have been 947 lakhs and our expenditure 471, so that again very nearly half our gross revenue went to the Government of India.

"By the beginning of the war, in 1914-1915, things had improved somewhat, but we were again in a position of budgeting for a deficit. Our revenue was 757 lakhs and our expenditure 822, but if we had had the new settlement, our revenue would have been 1,587 lakhs and our expenditure 841, leaving a contribution of 428.

"Then followed the four war years (1916-1916 to 1918-1919), in which expenditure was restricted in every direction, with the result that we came out at the end with a balance of 210 lakhs, a very great sum indeed for Madras, though it was much less than the balances accumulated by more fortunate provinces, and is indeed less than one of them can still boast.

"In the first budget after the war, that for 1918-1920, we had a revenue of 886 lakhs and provided for the expenditure, in addition to the revenue, of 75 lakhs out of the accumulated balances, which gave us a total expenditure of 961 lakhs; but again, if we had had the new settlement, there would have been no need to draw on our balances. Our revenue would have been 1,481 lakhs and our expenditure 883, leaving a margin of 498.

Financial situation in 1920-1921 to 1922-1923.

"I now come to the three budgets of the period of the Koduras (one while they were in the making and two while they were in force),—three years of hope deferred and unexpected reverses.

"The budget of 1920-1921 was prepared at the time of the visit of the Mason Committee; and at that time it was confidently expected that the Government of India's deficit would be reduced to six crores. The previous year had turned out better than was expected and we had still 195 lakhs in hand. Our revenue on the

[Sir Charles Toddhunter]

[27th February 1932]

old basis was estimated at 583 lakhs and our expenditure at 1,133, leaving a deficit of 159. On the new basis, the figures would have been 1,431 and 1,151, converting the deficit of 159 lakhs into a surplus of 480, while our contribution, on the basis of a 4-crore Imperial deficit, would only have been 190. With a surplus like that due to us in the coming year and with the confident hope that any contribution that was taken from us at first would be reduced steadily in future years, we thought ourselves justified in launching out into some of our many deferred schemes. We never did so, however. Even when we were preparing the budget, we were considering anxiously the question of the increase of salaries, for which we made a provision of 25 lakhs. By the end of the year we had had to increase that to 128 lakhs. Even that, however, proved far short of the necessities, and so in 1921-1922, when the first budget for the new Government came to be made, we found this consideration swamping everything else with the result that the provision for increase of salaries was raised to nearly two crores.

	1921-1922.		1922-1923.		Our revenues for that year were expected to amount to 1,471 lakhs * and our expenditure, including the contribution, to 1798 *, leaving
	Budget. LAKHS.	Actual. LAKHS.	Budget. LAKHS.	Revised. LAKHS.	
Opening balance.	49.60	39.78	NIL.	NIL.	
Revenues ..	1,379.80	1,539.11	1,442.74	1,435.16	
Charges ..	1,707.41	1,677.99	1,684.75	1,632.84	
Deficit ..	— 367.2	— 99.48	— 42.06	— 17.68	

a deficit of 37. The year had scarcely begun, however, when we met another great set-back in the temporary success of the non-cooperation movement, which cut down our revenue from Land Revenue, Excise and Forests and increased our charges in Malabar and on the maintenance of law and order generally, with the result that the actual revenue amounted to only 1,579 * lakhs, or 82 less than the estimate. On the other hand, we were able to make a reduction of 30 lakhs in the expenditure, keeping that down to 1,678 *.

* That brought us to the budget of 1923-1923, when our revenue was still at a low ebb, while, with the rest of India, we were still not out of our difficulties in respect of the revision of salaries. In addition to this, the Council imposed upon us a further bill on account of the village headmen amounting to nearly 35 lakhs

* These are the figures appearing in the Civil Budget Estimate. The total revenue figures for 1921-1922 include about 28 lakhs being a portion of the 1920-21 receipts, (Excise and State St) and the total expenditure figures of that year include an assignment to the Government of India very nearly equal to that figure. From 1922-1923 onwards only the net revenue from taxation is included on the receipts side.

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of rupees a year, while they declined the taxation to meet it. Consequently, in the final budget we had an estimated revenue, including the new taxes that were passed, of 1,643 lakhs and an estimated expenditure of 1,685, leaving a deficit of 42. I am glad to be able to report now that we have a better showing in the revised estimate than we made in the budget. The revenue, it is true, has fallen somewhat short of what we hoped, largely owing to the fact that our estimate of the Stamp revenue under the new rates was over-optimistic. On the other hand, the receipts under Land Revenue, Irrigation, Excise, and Administration of Justice have been better than the estimate. At the same time, we have succeeded in reducing the charges to 1,653 lakhs as against the estimate of 1,685, the net result being that our deficit as now anticipated is reduced from 42 to 18 lakhs.

Summary of the financial situation at the end of 1922-1923.

"So much, Sir, for past history, which I may sum up by saying that we were starved till the Reforms, and that from the date when we saw an era of prosperity opening up before us we have had to put up with postponements, due first to the Government of India's inability to balance their own budget, second to enormous new commitments for salaries, and third to the temporary success of the non-co-operation movement. And so we come to the commencement of 1923-1924 with the revenue recovering, the non-co-operation movement at least quiescent, the Malabar rebellion over, and the revision of salaries, we hope, practically at an end. But before we go on to consider what we are entitled to spend in the year that is to come, I think it is right that we should take stock more exactly of our position, making up our minds what is the real amount of damage suffered in the course of these three years'

Deficit.	Budget.	Actual.	buffetings.
	LAKHS.	LAKHS.	
1913-1923 ..	73.25	4.86	we have budgeted for deficits in
1923-1923 ..	150.32	1.47-16	successive years of 75, 150, 37
1923-1923 ..	34.72	95.43	and 42 lakhs, or 304 lakhs in all,
1923-1923 ..	42.05	17.63	at first sight a staggering figure.
Total ..	204.34	167.97	But in point of fact we are not
			really out of pocket to this very
			large extent. In the first place the

total I have given the Council is the total of our budget estimates. The actual sum by which we expect to be short at the close of the year 1922-1923 totals, not 304 but 267 lakhs, and against that figure we have to set the sum of 210 lakhs which we had in hand at the close of the war, so that we are actually out of pocket by 57

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lakhs. Even that figure, again, does not accurately represent the extent of the dead-weight debt that we have incurred, because against the 57 lakhs we have, I think, a right to set 29 lakhs which are invested in industrial enterprises, some of which are profitable, and 22 which we have spent on works of permanent utility which it is therefore fair to charge in part to posterity and to meet out of loans. If we decide to deduct these two amounts from the 57, the total amount of our dead-weight debt is only 6 lakhs. And this again will be covered by the repayment of capital which is provided for in 1923-1924.

“This conclusion—that we have practically no dead-weight debt at all—will, I think, be such a startling one to honorable gentlemen who are used from our long tale of deficits to regard the Presidency as almost hopelessly involved that, I think, it will be as well to verify it by another means. The process I propose to adopt is the following: I will take in the first instance the figure given by the Accountant-General of loans between Central and Provincial Governments (vide page 224 of the Budget) from which it will be seen that the total amount upon which we shall be paying interest at the end of 1922-1923 to our one creditor, the Government of India, is 1,158 lakhs. I will deduct from that, first, loans of what I may call the remunerative kind, that is, loans which pay their way, and secondly, loans the repayment of which it is fair to spread over a generation on the ground that the money has been spent on works of permanent public utility. The balance will be the amount we have borrowed for current expenditure. The loans of the former class, which cover the greater proportion of the whole amount, come to 1,389 lakhs. Out of this sum, 875 lakhs represent roughly the expenditure incurred on irrigation works up to

(Page 214-225, Civil Budget
Annals.)

	LAKHS.
Irrigation outlay—	
Up to the end of 1920-1921 ..	875.25
In 1921-1922 ..	+7.19
In 1922-1923 ..	+7.23
Local bodies ..	84.57
Madras Port Trust and Port authorities ..	14.01
Agriculturalists ..	84.82
Famindars ..	1.34
Miscellaneous ..	2.83
Total ..	1,389.24

the time of the Roderina. In this connexion, I might perhaps remind the Council in passing that the Central Provinces Restranchment Committee have raised the question whether the Government of India are entitled to charge us interest on the portion of this sum that was spent, practically out of current revenues, on protective irrigation works, which amounts in our case to about 75 lakhs. The further outlay on productive irrigation works since the Roderina amounts to 15 lakhs. Eighty-four lakhs

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are lent again to local bodies who are responsible for the charges of the loans; 15 to the Madras Port Trust and other harbour authorities who are similarly responsible; 95 to agriculturists; 1 to zamindars; and 2 for miscellaneous remunerative purposes. As regards this sum of 1,069 lakhs, therefore, I think the Council need feel no anxiety. The money is either well invested or lent again to other people who are fully responsible.

"As to the further sums which I propose to add, there may be not quite such a full feeling of security, but at the same time I think we are entitled to claim that they represent expenditure which clearly should be debited to Capital and not to Revenue. The first of these is the sum I have already mentioned of 29 lakhs, which represents approximately the present value of our investments in industrial enterprises. It is true that we do not expect every one of these enterprises to pay its way, but at the same time I think we can never expect to do anything in the way of industrial development if we are to wait until we can find money from revenue for the purpose, and I put it to the Council that the proper course is to treat each new enterprise developed by Government as if it were a separate limited company with a definite capital, and to let it budget each year for its estimated profit or loss, after allowing for interest on capital advanced, which thus becomes a sort of debenture loan. By this means we shall have a clear idea of what each of these enterprises is doing, and if any of them makes a heavy loss or has to write down its capital on the ground that an experiment has failed, we shall debit that loss or the amount of the capital written down to the

Water-supply and drainage interest (page 187, Civil Budget Estimate).			
	1921-1922	1922-1923	
	LAKHS.	LAKHS.	
Mafussal	.. 4.01	2.97	
City	.. 10.00	3.40	
	14.01	6.37	
	20.38		
In 1921-1922: Ordinary			
Public Works (page			
216, Civil Budget			
Estimate)			
	.. 11.50		
	21.88		

revenue of that year. In the next place, a sum of 11.50 lakhs for expenditure on certain works included in the Public Works programme has already been debited to the capital account in the year 1921-1922. To this I propose to add a further sum of 22.58 lakhs which has been spent since the reforms on works that are equally of permanent public utility, namely, water-supply and drainage works in large towns and especially in the town of Madras. These are works for which it is

only equitable that posterity should pay its share and therefore it is fair that the amount spent

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should be met from a loan in the first instance, the loan being paid off by equated payments, in other words, the repayment being spread over a series of years, instead of being met out of the budget of a particular year. If we add these figures together, we have a total of 1,153 lakhs, and if we deduct that from the Accountant-General's figure of 1,158 lakhs, we have the same figure of 5 lakhs representing our dead-weight debt up to the end of the current year which was arrived at by deducting the opening balance at the close of the war from the actual deficits in the years since it closed, and that, as I have said, is less than the amount of capital which we propose to repay in 1923-1924.

"That, Sir, sums up our loan position. We have borrowed 1,158 * lakhs and re-invested 1,152 lakhs. We have a dead-weight debt of 5 lakhs, which we shall repay next year. If we had had the Madras Committee's settlement, we should have had an addition to our income of 29 lakhs in the current year, with an addition of 58 lakhs to follow it in 1923-1924. The Joint

Committee gave us in lieu of that smaller substance a dazzling vision of the total remission of our contribution of 348 lakhs of rupees and emphasized their intention that this should take place at the earliest possible moment. The fact that at the beginning of our third budget the "reasonably short period" over which this reduction was to be spread has yet to begin leaves us, Sir, it is true, in a position of hope deferred, but not, I think, in a position of despair.

Retrenchment.

"Before entering upon the question of the revenue we hope to obtain and the expenditure we propose to meet from it in 1923-1924, I should like to turn again for a moment to the three ways we have so often considered of increasing the one or reducing the other.

"Of the first, the increase of taxation, it would have been unnecessary for me to say more than that no further increase is at present proposed or contemplated, if it had not been for the cynical advice of a member of the Legislative Assembly that Madras should set her house in order by following the lead of other provinces in a bold policy of retrenchment and additional taxation. I shall deal with the question of retrenchment in a minute, only pausing here to

* After deducting repayments.

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say that, if the hon. gentleman in question had read the recently published despatches of the Government of India and the Secretary of State he would have realized the extent to which Madras was leading her would-be leaders in that matter. As for the new taxes, the additions to the Stamp and Court Fees schedules came into effect from the 1st April 1932 in only four provinces out of seven, and Madras was one of the four. The increase in the Registration fees was imposed in only two provinces, and Madras was the first to impose it with effect from the 1st March 1932. It is true that we have not the Amusements taxes of the two great cities for the reason that we have not the amusements upon which to impose them, but, on the other hand, we have a higher rate of taxation under Land Revenue, Excise and Local Rates than other provinces in India so that again our would-be leader is leading us from a long way behind.

11-49 a.m. "Of the second, the reduction of the contributions, I would say this: that our position under the settlement, such as it is, seems to be finally secured. It seemed to be secured before by many assurances and by statutory rule, but, as the Council are aware, those assurances were broken, and that rule was altered without our having an opportunity to protest. We have now the assurance of the highest authority, the Secretary of State, that the settlement stands; while the Government of India have promised us that there shall be no more departures from the rules, except after consideration of any proposal for the same by an impartial committee before which each province should have an opportunity of stating its case. We have more than that. We have, if we can believe the newspaper reports, the assurance of the hon. Sir Basil Blackett that there will be no question of reconsidering the Madras settlement at any rate until the contributions have been remitted. Let me read the exact words: "He assured the Assembly that in the matter of contributions the Government was not keeping quiet. It was pledged so to shape its financial policy that it might lead to a reduction and eventual extinction of the provincial contributions. The Government had been strenuously working for that policy . . . The balancing of the Imperial budget would be the first real step towards that reduction and eventual extinction of the provincial contributions to which they were looking forward. As for the Madras award, the time might come when, after the contributions had been wiped out, it might be desirable to reopen it. He disagreed with fixing any time-limit for the abolition. They might perhaps be able to do it in less than six years." That, Sir, is a statement of the case for which I am sure the Madras Presidency will be deeply grateful to the hon.

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gentleman who has so recently taken charge of the Government of India's finances.

" I now come to the third way of improving our condition, the way of retrenchment, on which I should like to say a few words. I have received within the last few days a string of questions as to how often the Retrenchment Committee have sat, how long they have been sitting, what subjects they have been considering and how many pages of report they have written, and much more to the same effect, which all seem to suggest that there is a feeling of dissatisfaction in some quarters at the fact that we are not, as some other Councils are, in a position to consider the proposals of our Retrenchment Committee. Now, I do not for a moment wish in any way to disparage the work done by the Retrenchment Committees in other provinces, on which some of the best brains in India have been engaged, with the result that they have produced a mine of suggestions and have cleared the ground by setting before us the conclusions of these able brains upon numerous questions upon which we have been or are now engaged. But I should like at the same time to present the Council with a few of the considerations at which I have arrived from a perusal of the reports and a comparison of them with the work done here.

" In the first place, I should like to say that some of these committees were appointed as much as two years ago, and ours only four months ago, but that at the same time retrenchment has been actually in progress here meanwhile, and orders have actually issued on quite a number of the questions which other committees have only now recommended to the consideration of their respective Governments.

" In the second place, I should like to add to the fact that many of the subjects they have dealt with have already been dealt with here, the fact that many others of their recommendations deal with reductions in expenditure on objects on which we spend nothing.

" Lastly, I should like to say that our Committee has adopted a method of procedure which, while it baulks less in the public eye, will, I hope, be more effective in the matter of the actual reduction of expenditure than that adopted in some other provinces. What we are endeavouring to do is, not to put forward general considerations and leave it to the Government to work out the details, but to get down from the abstract to the concrete as part of the campaign, and in consultation with the representatives of departments, to work out proposals in detail which, if they are approved, will not require any further examination before they can be put into effect. May I add, Sir, while I am on the subject of our proposals and the



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proposals which are made to us not balking in the public eye that we have received certain proposals which have been examined in other provinces, on the part of the hon. the President and the hon. the Ministers offering to accept a reduction of salary, which are among those that are going to be considered and reported upon by the Retrenchment Committee. (Applause.)

"Let me now take two instances of the comparisons I am making. Various committees have proposed a reduction in the expenditure on travelling allowances. One of them recommends in specific terms a reduction, which is estimated at seven lakhs, to be made by the adoption of certain principles which are proposed. We actually made a reduction, not of seven but of ten lakhs, last year. At the time of the budget we were busy with the revision of the rules, which I may assure hon. Members is a matter of infinite complexity. By July we had a complete set of new rules ready to be placed before the Finance Committee. They were approved in August and issued with effect from 1st September, so that we have now not only the substantive reduction, but also the detailed revision of the rules complete.

"Let me take another case of even greater interest—our old friend, the allowances. As the Council are well aware, these were referred, as long ago as 1919, to the Salaries Committee who wrote 50 pages about them. The net result, as we saw last year, was imperceptible. Since then we have had many discussions, and we have had a complete list of them compiled by the Accountant-General. The fact that it took his office no less than seven months to compile it will be an indication to the Council of the amount of detail involved. This fact alone was sufficient to prevent our coming to a satisfactory conclusion until our Retrenchment Secretary was appointed at the end of September last. He has spent the greater part of his time since then, both before, after and during the sittings of the Legislative Assembly, in tracing each of these thousands of allowances to its source, and in classifying and analysing them, and I am sure that the members of the Retrenchment Committee will bear testimony to the great success that has attended his efforts. I had hoped, if it had not been for his detention in Delhi, that the Committee would have been able to complete their examination of the whole case in time for the budget. As it is, we are now sitting on the subject practically *de die in diem*, and I hope that we shall be able to make detailed recommendations to the Government in the course of the ensuing month. When I say that on a question of this magnitude other committees which were appointed as much as two years ago have only got to the stage of making a general recommendation that

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the question of the allowances be examined, I hope I shall satisfy the Council that we have not much to learn from them in the matter of procedure, but are leading our would-be leaders again.

"These are two instances of a more or less general nature. Where departments are concerned, we have special committees at work preparing the ground in almost every instance. Thus the hon. Sir Muhammad Habib-ullah, with the aid of an official committee, has made a complete overhaul of the farms and accounts kept in connexion with settlement operations and has made a substantial reduction in them. Following that, he has held a conference of officials and non-officials to re-examine the policy pursued in matters of survey, and settlement from top to bottom. The hon. Sir K. Srinivas Ayyangar has attacked the question of arrears in Civil Courts with the aid of two eminent judges, and has arrived at arrangements which, it is hoped, will in course of time effect a considerable reduction in expenditure. He has also appointed a committee to re-examine the whole organization of the Police force. The hon. Mr. Knapp has placed an experienced Forest officer on special duty to discuss, in consultation with the Retrenchment Secretary, the practical application of a series of propositions for reduction in expenditure in the Forest Department which were formulated by the Retrenchment Committee. The hon. the Raja of Panagal has appointed a committee to overhaul the expenditure in the departments of Medicine and Public Health. The hon. Mr. Venkata Reddi Nayudu has appointed another to examine a matter which has frequently been referred to in this Council, namely, the question whether it is not possible to reduce the proportion of supervising officers to officers who come into direct touch with the ryot, while the hon. Mr. Patra has long since appointed an influential committee to examine the whole question of the cost of works done by the Public Works Department, having already dealt with the establishments both in that department and in that of Education. This is by no means an exhaustive list of the various inquiries that have been or are being made, so much so that, when we came to make for the Retrenchment Committee a tabular statement of all the proposals of all the other provinces and to note against each the corresponding action taken here, we found that a majority either did not apply or had already been dealt with, while of those that remained all but a very small number could be disposed of by a reference to committees that are already sitting. And to set against these few we have numerous proposals that have been tried and put into effect in Madras to which there is nothing corresponding in the report for any other Province.

"As to what the net result of our Committee's enquiries will be, it is ill to prophesy. But I sincerely hope that it will be a

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saving sufficient to cover any sum which the Council may decide to draw from balances for current expenses.

Revised Estimate for 1922-1923.

"So much, Sir, for our general position and our hopes. I now come to the figures for the current and the ensuing year. As the Council are aware, we budgeted for a total revenue of 1,642-74 lakhs and a total expenditure of 1,484-79 lakhs, leaving a deficit of 157-95 lakhs. Our revenue has fallen short of expectations and amounts to only 1,635-14 lakhs, the head chiefly responsible for the decrease being Stamps, in which there is a shortfall of 36 lakhs. This shortfall has been partly counterbalanced by an improvement in Land Revenue, Irrigation, and Excise and by the realization of fines lost in Malabar. On the other hand, our expenditure (1,652-84) has also fallen short of the estimate (1,484-79) by a sum of 168-05 lakhs. The chief reductions occur under the heads of Public Health, Interest on Debt, Stationery and Printing, Education and Agriculture. Against these have to be set increases under the heads Police, Jails and Civil Works, which have in most cases formed the subject of supplementary demands. The final result, as I have said, is that the deficit has been reduced from 157 to 18 lakhs.

Budget Estimate for 1923-1924.

"For the ensuing year we anticipate a revenue of 1,683-49

Total expenditure as in Civil Budget	same.	lakhs, and subject to the
Estimate	1,719-07	approval of the Council.
Defect water-supply and drainage schemes (18 lakhs); and grant to the University (1-34 lakhs) ..	-18-60	we are putting forward proposals for an expenditure of 1,719-07 lakhs. These figures, however, are somewhat misleading, because, as
	1,705-67	in the old budgets, they include certain items of expenditure on capital account such as water-
Add repayment of loan	17-92	supply and drainage schemes. If we omit these and add a total sum of 17-92 lakhs for repayment of debt (9-50 towards the principal of the old Provincial Loan Account and 8-42 towards the principal of the short-term loans obtained from the Government of India during 1921-1922 and 1922-1923), the total expenditure will be 1,723-49 lakhs against a total revenue of 1,683-49 lakhs. We thus arrive at a net deficit of 40 lakhs. It is for the Council to say whether the prospects of a remission of our contribution in the near future or of a large reduction through retrenchment are sufficient to justify this overdraft.
Total expenditure ..	1,723-49	
Total revenue ..	1,683-49	
Deficit ..	40-00	

supply and drainage schemes. If we omit these and add a total sum of 17-92 lakhs for repayment of debt (9-50 towards the principal of the old Provincial Loan Account and 8-42 towards the principal of the short-term loans obtained from the Government of India during 1921-1922 and 1922-1923), the total expenditure will be 1,723-49 lakhs against a total revenue of 1,683-49 lakhs. We thus arrive at a net deficit of 40 lakhs. It is for the Council to say whether the prospects of a remission of our contribution in the near future or of a large reduction through retrenchment are sufficient to justify this overdraft.

(Sir Charles Toddman)

[27th February 1923]

"The figures are explained in detail in the Finance Secretary's memorandum, and I shall therefore not weary the Council with any prolonged discussion of them.

"The heads of revenue which are chiefly responsible for the increase are Excise (+ 47.29) and Stamps (+ 17.45). Under Land Revenue an increase is expected from the Tanjore resettlement, but this is offset by the fact that the opening balance of Land Revenue demand for the year 1923-1924 will be reduced by better collections than were anticipated in 1922-1923. The excise revenue has recovered since the cessation of the Gandhi agitation. Under Stamps we expect to get a fuller benefit from the new taxation.

"As regards expenditure, as I explained last year, we have to allow for a normal increase even in relation to what I may call "standing sanctions" owing to changes in prices, the operation of the time-scales, the necessity for providing further supplies and services for growing institutions and so on. And the original estimates of the heads of departments for 1923-1924 for the carrying on of the services which have already received the sanction of the Council, i.e., the services which were included in the final budget for the year 1922-1923, amounted to no less than 32 lakhs in excess of our estimated revenue. The figures have been cut down drastically in the Finance Department with the result that the final figure for these standing sanctions is 7.68 lakhs less than the revenue. To this it is proposed to add a sum of 46 lakhs from overdraft to finance new schemes. The schemes selected include, first, those marked down by the Finance Committee as being schemes which must be carried out if there is not to be a break-down in the departments concerned and, second, a very few out of those which the Committee designated as schemes of such importance that provision should be made for them if it possibly can be.

"The following is a list of the principal items:—

"Under Forests we have Rs. 54,600 for further developments at Russalkonda, Rs. 18,500 for improvements at Mount Stuart, and Rs. 35,000 for establishment to work under the Chief Forest Engineer. Under Registration we have Rs. 10,000 for opening six new registration offices. Under Irrigation we propose to spend 1.14 lakhs from loan money on productive works and 1.36 from revenue on other works. This does not include the taking up of any large new project, but the Council will, I think, be interested in the provision of Rs. 21,000 for raising the level of the Red Hills Tank. Under Administration of Justice we have Rs. 1,70,000 for opening nine temporary sub-courts and five temporary district munsifs' courts. Under Jails we have Rs. 31,000 for plant for use in jail manufactures at Coimbatore; under Police

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Rs. 70,000 for the formation of a body of military police on the East Coast and Rs. 21,000 for increasing the strength of the Armed Reserves in Salem and North Arcot. Under Education we have Rs. 2,15,000 (of which, 1·50 lakhs will be met from short term loans) for the Madras University, Rs. 21,000 for completing the provision for science classes in Queen Mary's College, Rs. 7,200 for increasing the pay of Assistant Professors in the Law College, Rs. 15,000 for boarding grants to Indian orphanages, Rs. 12,500 for the employment of three additional Sub-Assistant Inspectresses of Girls' Schools, and Rs. 10,000 for the deputation of a member of the Madras Educational Service to England and for the institution of scholarships for two Indian women. We have also resumed the giving of building grants, which were almost entirely suspended last year, 8·75 lakhs for aided institutions and 1·50 lakhs for schools under local bodies, besides a grant of ·27 lakh for the net cost of secondary schools under those bodies.

* Under Medical we have Rs. 54,000 for the special equipment of the new headquarter hospital at Vengalpetam and Rs. 3,200 for additional staff at the same, Rs. 26,000 for the opening of a medical school for women at Madras, Rs. 8,000 for deputation of a medical officer to England for training in the treatment of mental disease, Rs. 14,000 for the opening of three new dispensaries in the Agency, Rs. 24,000 as grants to local bodies for medical buildings, Rs. 33,000 for the provincialization of the establishment of the District Medical Officers and 4·20 lakhs (in addition to the usual 1·80 lakhs) for grants towards the maintenance of medical institutions by local bodies. Under Public Health we have Rs. 12,000 for the long-deferred appointment of a Public Analyst, Rs. 6,000 for the employment of an anti-malarial brigade in the Agency, and a total provision of 12 lakhs (which we propose to debit to short-term loans) for water-supply and drainage schemes. Under Agriculture and Co-operation we have Rs. 56,000 for the establishment of a central millet-breeding station at Calicut, Rs. 8,100 for the starting of more co-operative societies for the depressed classes, Rs. 5,500 for improvements of dairy cattle, Rs. 6,000 for special demonstrations of improved methods in agriculture and Rs. 21,000 for the opening of a sugarcane station at Anakkapalle. Under Industries and Fisheries we have Rs. 26,000 for the purchase of machinery for toy-making, and Rs. 43,000 for a variety of minor schemes. The sum of Rs. 1,50,900 for the British Empire Exhibition, which is shown under Miscellaneous Departments, also belongs rightly to this head. Under Labour we have Rs. 1,85,000 for extension of the operations of the department to new districts and Rs. 8,000 for extending those of the special officer in the Kallarad, Rs. 30,000 for construction of working men's dwellings at Pulantope,

[Sir Charles Toddhunter] [30th February 1923]

Rs. 50,000 for scholarships, Rs. 15,000 for opening an industrial school at Panambur, and Rs. 10,000 for establishing a hostel for Adi-Dravida students.

" Under Civil Works, out of a total of 2 lakhs, 8-68 go towards the long-delayed programme for housing the police, 1-68 to medical buildings, 76 to buildings connected with industries, 35 to education, 62 to jails, 95 to administrative buildings, 88 to residences and 40 for the investigation of the scheme for sanitary improvements connected with the Cooum river.

" A further sum of three lakhs has been set down for the provision of quarters for officers and clerks on a remunerative basis in anticipation of the recommendations of the committee that has been sitting on this matter; and a provision of 1 lakh has been made as an instalment towards the construction on the Marina of the combined Victory Hall, Medical School for Women and Hospital for Women and Children. The total cost is estimated by the committee presided over by the hon. the Raja of Panagal at about 20 lakhs, of which a sum of nearly 5 lakhs will be met from the subscriptions collected by the Victory Hall Committee and H.R. Royal Highness the Prince of Wales' Children's Hospital Committee. The total provision of 4 lakhs for these two schemes will form a debit against short-term loans.

" In addition to the usual trunk road grant, a provision of 4 lakhs has been made for grants to local bodies for roads and bridges, of which 1 lakh is for the restoration of communications in Malabar damaged during the rebellion.

" Finally, under Miscellaneous we have a provision of 3-25 lakhs as compensation to be paid for losses sustained during the Mappilla rebellion. That of course is quite distinct from the question of loans.

Grants to Local Bodies.

" Over and above all these, it is proposed to make a lump grant of 17 lakhs, the primary object of which is to relieve of indebtedness to the Government certain local boards whose expenditure is in excess of their revenue. Such a grant, I am well aware, is open to the gravest objection, and while endeavouring to explain it, I propose at the same time to seek the advice of the Council as to the means by which the necessity for any such grant may be avoided in future years. The questions which it raises are those which lie at the root of the whole question of local fund administration, namely, what are the services which should be discharged by local bodies and what are the resources out of which the charges of those services should be met. And, while these are subjects upon which volumes have been written, it is very difficult to find in those volumes any

27th February 1908] [Sir Charles Toddhunter]

clear guidance as to the line of demarcation to be drawn between the spheres of local and provincial duties and finances. The natural tendency in the first instance is to seek guidance in England, but here we are met at the outset with conditions which are the exact opposite of the conditions in India. Not only are the rates there equal to 50 per cent of the whole taxation, whereas in India they are certainly less than 25 per cent and in many places they are only 10 per cent, but also their grants are distributed with reference to a number of local and special principles which it is very difficult to apply in this country.

"If we seek guidance in the history of local institutions in this country, we find that the only definition of the services which they should perform is that they should be such as will evoke local interest, local sympathy and a local sense of responsibility and a local readiness to be taxed or to contribute in some other form. As an instance, we find it accepted in 1846 that the watch and ward of a town is a first charge upon its rates. In the elaborate discussions that preceded the enactment of 1884 what Lord Ripon asked local Governments to do was to survey the whole field of administration and decide which out of the many activities of Government might be handed over to local bodies. It was also proposed to hand over with these activities certain definite sources of revenue, including the pound rate and the licence tax, which was afterwards converted into the income-tax. While, however, these were not finally handed over in Madras, the local boards, with which we are at present concerned, did take over a very large variety of functions and paid for them out of the resources provided by the Act. These bore a much higher proportion to the ordinary revenue

Grants from Government.		Grants from Government.		than the resources belonging to local boards now, and there was very little in the early years given in the shape of grants. In 1888-1889 the amount for the whole Presidency was less than 4 lakhs of rupees. Even in 1894-1895 it was less than 11
LAKHS.		LAKHS.		
1884-1885 ..	3.60	1918-1919 ..	100.72	
1885-1886 ..	9.95	1919-1920 ..	100.69	
1886-1887 ..	13.62	1920-1921 ..	62.46	
1887-1888 ..	21.81	1921-1922 ..	57.59	
1888-1889 ..	21.11	1922-1923 ..	75.88	
1889-1890 ..	22.77	1923-1924 ..	108.89	
1890-1891 ..	27.53	1924-1925 ..	101.87	
1891-1892 ..	39.41	1925-1926 ..	66.12	
1892-1893 ..	39.58	1926-1927 ..	110.78	
1893-1894 ..	47.43	1927-1928 ..	122.44	
1894-1895 ..	79.92			

Notes.—The Grants from 1885-1895 include the expenditures incurred by Government on services taken over from local bodies.

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lakhs. It was then raised by the Government of India to a figure which for the next six years averaged 25 lakhs a year.

"Thereafter came the period of the opium surpluses, which demoralized the finances of all India. The Government of India did not realize these surpluses till the time of their budget. They then disbursed them to the provinces which had schemes ready. No prudent province that was working to make its revenue cover its expenditure had schemes and estimates ready for expenditure hugely in excess of revenue; and, consequently, this province got a very small share of these dolos and the bulk of what it did get it disbursed by transfer to local bodies for schemes which they were capable of executing themselves. Under this policy the grants jumped in 1911-1912 from 28½ to 47 lakhs, in 1912-1913 to 60 lakhs, and for 1913-1914 and 1914-1915 to 101 lakhs and 100 lakhs, respectively.

"As I have said above, the disbursement of these enormous dolos demoralized the finances of the whole of India, and I am afraid laid up a legacy of trouble for both the Provincial Government and the local bodies in this Presidency. Institutions were set up which could only be maintained if the income of the local bodies were to be permanently enhanced. Much money, it is to be feared, was wasted on what were called minor sanitary works and much more that was allotted to similar works was never spent and was ultimately resumed. In the three war years, 1915-1916, 1916-1917 and 1917-1918, the grants had to be reduced, though they were still maintained at an average of 67-62 lakhs, which was much higher than anything given prior to 1912. In 1918-1919 and 1919-1920 they exceeded the high water-level of 1913-1914 and 1914-1915. In 1920-1921 they were reduced again to 86 lakhs, but in 1921-1922 they were again raised to a higher figure than anything on record previously, namely, 111 lakhs. In 1922-1923 that figure was increased to 122 lakhs and now we are proposing to raise it to 140 lakhs.

"I should say in passing that the figures from 1915-1916 include the amount of expenditure incurred by Government on behalf of local bodies, for instance, on the maintenance of district head-quarter hospitals, which at one time were a charge upon the local bodies and have now been taken entirely under Government control. This is one of several instances of varying policies in respect of what I have said is the main issue at the root of the whole matter, namely, what are the functions properly to be allotted to local bodies and what are the resources from which they are to be paid for. As has been seen above, we first handed over to local bodies

27th February 1921] [Sir Charles Toddmaster]

everything that we thought could best be controlled by the inhabitants of the localities, and later, during the period of the daks, urged them to further efforts in these directions. When the daks ceased and when later, owing to the rise in prices, they became involved like everybody else in difficulties in carrying on their ordinary administration, we started the opposite policy of relieving them of functions. But we have not done it on any fixed plan and the result is a set of arrangements that are satisfactory neither to the local bodies nor to the Government.

"I should like to refer here to one special instance of a variation in policy which has given rise to a good deal of controversy. At the very institution of local self-governing bodies we made over to them practically all the communications in the Presidency with the exception of the Buckingham Canal and a few very special roads. But we handed over with them in the first instance a grant for the maintenance of trunk roads which at first amounted to 17 lakhs, was reduced in 1871 to 11½ lakhs, then further reduced in 1876-1877 to 2½ lakhs and was finally made an end of in 1884. The resources of the local bodies were not really equal to the maintenance of these roads and some fell into decay, while on others important bridges were washed away which could not be restored. The question of providing further assistance for this important service was long under discussion and was one of those examined by the Decentralization Commission who recommended among other things that local Governments should take over direct charge of roads of general trade and through traffic. We put up proposals accordingly to the Government of India in 1917, suggesting that we should take over 4,500 miles of trunk roads at an average cost of not less than Rs. 100 a mile, and asking for an assignment. The Government of India were unable to give an assignment during the war and told us to wait for the re-adjustment of the finances under the Reforms. We were so much impressed, however, with the necessity for relieving local bodies in this matter that in 1918-1919 we made them a special grant of 20 lakhs to enable them to restore the roads after the wear and tear of the war and in 1919-1920 we gave another grant of 6 lakhs for the same purpose. In the budget for 1920-1921 we went farther and made a definite provision for taking over the trunk roads. But as I have told the Council, that budget was one of many schemes none of which came to fruition owing to the enormous amount of money required for the increase of salaries, and this particular scheme was changed in the course of the budget debate. A non-official member suggested in modification of it that, instead of the work being done by the Public Works Department, the local boards should undertake

[Sir Charles Toddhunter]

[27th February 1924]

it as agents of Government, and the hon. Member then in charge of Local Self-Government, in accepting that proposition, added that the grant should be paid on presentation of accounts after the close of the year. In other words, he postponed the payment to 1921-1922.

"It has been complained of late years that this postponement of the grant amounted to making the boards advance an equivalent amount of their own money for Government works, and that leads me to the discussion of a very tangled financial question. Let me explain in the first instance that when the boards were under the Collectors, the latter, who were responsible at the same time for the expenditure of the boards, for the collection of the land-tax and for the distribution of a good many of the grants, and who were also responsible for keeping the treasury accounts, were able to overdraw from the Government from time to time when expenditure was in excess of receipts and to set everything right when the receipts came in at the close of the year. Nor did it matter to them that the amounts debitable to district boards, taluk boards and union panchayats were not clearly distinguishable in the first instance in the accounts. The position of affairs became, however, very different when the boards were taken under non-official control and their offices entirely separated from the Collectorates. It might have been supposed that the check of bills drawn against the budget, coupled with the operation of section 117 of the Local Boards Act regarding the maintenance of a working balance, would provide a similar guarantee against overdrafts. But among several causes which tended to defeat these checks was the false security afforded by the fact that nearly all the boards had standing to their credit large balances out of the previous grants from the opium surpluses. The facts are not yet very clear, but it may be assumed that in 1920-1921 the expenditure on the trunk roads was met out of these and part of the money previously spent by the boards upon then disbursed to other objects. Towards the close of that year, it was decided to resume grants for works which had not been commenced, and the attempt to give effect to this decision revealed the extent to which the boards had been depending upon these balances of grants, which should have been earmarked. In 1922-1923 they had, like the Government, to incur large expenditure on increase of salaries, and at the same time it would seem that some of them extended their enterprises in a way which pressed, have the boards been very prompt in realizing their dues either from the payers of taxes or from the Government. In fact, I have only within the last few days seen a case in which a number

27th February 1923] [Sir Charles Tedder]]

of boards had failed to recover large sums due to them by Government, some of which had been outstanding since 1918-1919. Accordingly as the year went on it became increasingly evident that there were quite a number of the boards that had drawn sums from the treasury which they had no revenues to cover, while others had overdrawn against sums which they have yet to collect. What the extent of the excess of liabilities over assets is has yet to be ascertained, but the total amount as last reported of the general overdrawal is something over 15 lakhs of rupees. An official committee has now been set to work and we hope will get the matter thrashed out in a few weeks.

"The amount which is thus overdue being practically equal to a year's grant for trunk roads, it would be a very satisfactory way of dealing with the situation that has arisen if we could straight away give the boards an advance grant on account of trunk roads for 1922-1923, in addition to the post-payment grant for 1922-1923, and then cry quits. But I think hon. Members will agree that it is the first duty of a responsible local body to pay its way and that therefore the first thing we must do is to ascertain the exact amount of the excess of liabilities over assets and enable the deficit boards to pay their debts. I sincerely hope that, to a great extent at any rate, we shall be able while doing this to meet the difficulty about the trunk road grants. We may assume that even the deficit boards will, if we include the post-payment for road work done in 1922-1923, have moneys due to them in some shape or another sufficient to cover the great bulk of their liabilities. If so, there will be money to spare out of the 17 lakhs approximately equal to what is due to the boards that are not in debt. I feel sure my hon. colleague, the Chief Minister, will agree that it would be most unfair that the boards which have kept out of debt should come worse off in the matter of this grant than the boards which have not, and I rely therefore with confidence on him so to distribute this grant as to set this longstanding controversy at rest for good and all.

"This temporary settlement, however, will still leave the chief problems unsolved. These are the functions properly to be performed by local boards, the manner in which a regular supply of funds for those which the boards are unable to finance out of their revenues should be ensured, and the conditions, if any, which the Government should impose upon the performance of services for which they pay the whole or part of the cost. As I have intimated, this is a matter in which little help is to be got either from English practice or from the history of local self-government in this Presidency. A great range of activities was laid upon local bodies, while in the early days they had resources sufficient to

[Sir Charles Toddhunter] [27th February 1933]

finance the majority. At the same time, while these resources were often supplemented by large public subscriptions, a great amount of the work was done for them by Government departments. As a consequence, there is little doubt that the advance was much greater in the richer districts than in the poorer, and this tendency was aggravated when the Government of India gave what is now known as the 14 lakhs grant on a percentage basis. It was apparently in an attempt to correct this to some extent that an order was passed in 1915 offering to pay half the initial and recurring cost of hospitals and dispensaries which were newly opened in places which did not then possess them. But the net result of that law, I believe, has been to produce the most alarming anomalies, since now a board that was enterprising and made early provision for medical relief gets no grant while one that lagged behind till 1915 and then opened several dispensaries still secures half the cost of them all. Further anomalies resulted, especially in the case of schools, during the demanding years of the war, some boards opening very many more than they could possibly maintain out of their own funds, while others were more prudent and looked to the future. And now in the last stage of the adjustments under which we have begun to take back the cost of specified services we have created fresh anomalies. Boards which had opened schools which they could not maintain have asked the Government to maintain them on the net cost basis, while those that were more prudent have had to do without schools. Finally, we come to the situation that has led to the present proposal and we have the position that, if it is accepted, boards which are bankrupt are relieved from debt while those which have played the game will have cause to regret their prudence.

There is no doubt that this is all wrong, and it was because of the haphazard manner in which State assistance was given that the Government in 1919 appointed a very strong Committee to place the matter on a better basis. The report of the Committee forms an admirable treatise on the whole subject, but unfortunately, perhaps as a result of the wealth of suggestions contained in it, the Government have not yet succeeded in getting matters on to a satisfactory footing. The Committee divided services into 'national', 'semi-national' and 'parochial'. The 'national' were to be paid for and controlled by the State, the 'parochial' to be paid for by the local bodies and the 'semi-national' to be a joint charge and responsibility. The contribution of Government might be determined in several ways. It should not except in special cases be a general grant-in-aid of the resources of local bodies. It might form a percentage of expenditure or it might take the form of the payment of particular parts of the expenditure. It might be used to improve efficiency by ensuring services being rendered in a particular way.

27th February 1923] [Sir Charles Trevelyan]

It might be used to correct inequalities between districts. All this was very admirable in the abstract, but the difficulty arises in applying it to concrete cases. Let us assume that the Government have a sum of 140 lakhs of rupees to distribute in 1923-1924. What is to be the manner of the distribution of that sum over services first, and among the bodies afterwards? What, in the first instance, are the semi-national services? The Committee tell us that it is difficult as between these and those of a parochial nature to draw anything but an arbitrary line. Is that line horizontal or vertical? Are we to say, for instance, that medical relief is 'semi-national' and roads 'parochial', or are we to say that trunk roads are 'semi-national' and village roads 'parochial'? Then again as regards the method of giving the grants, which of the various ways suggested is the best? Is it better to give a larger grant per mile for roads or to provincialise establishments, and if you provincialise establishments, who is to determine what is the establishment necessary for each district? Supposing, in one district which is better off, there is a much larger establishment in proportion to the work done than in its neighbour, is the Government to stereotype that inequality at the general taxpayer's expense? Or, again, take the question of medical relief. We have taken over all the head-quarter hospitals. Some of them are in old buildings that need early removal, while others are in buildings comparatively recently built by the local bodies out of funds locally raised. Are the bodies which found the money entitled to any credit? Similarly with dispensaries, where we have the anomaly of one taluk getting grants for all its dispensaries, while its neighbour gets none. Is that to be continued? And finally is it not the duty of the Government, supposing that it undertakes, say, a great proportion, or almost the whole, of the cost of medical services, to see that medical institutions and medical officers are distributed throughout the country roughly in proportion to population, or is the function of these institutions to continue as it is? And if these questions present themselves as regards what is past, a similar series of questions will present themselves as regards the future. Who is to determine where new institutions which Government is to pay for are to be placed? Take, for instance, a net-cast school, which is in other words a Government school. Is the initiative to come from the Government or from the local bodies, and if from the latter, how are we to arrive at an arrangement under which, on the one hand the boards will be able to obtain definite subsidies for services rendered, and on the other the Government will be able to ensure that no more than a fair share of the total revenue is devoted to this department? These are some of the questions that seem to me to call for a decision before we can arrive at any satisfactory

[Sir Charles Todhunter] (27th February 1923)

scheme of assistance to local fund finance. On the one hand, we cannot commit ourselves to subsidies in different proportions to a number of different services without knowing what expenditure in those services and so in the demand on the treasury is probable. On the other hand, if we tell local bodies that they will continue to receive a certain proportion of the revenue as a whole, then it is difficult to see how any particular locality can settle what sum it is entitled to expect. The whole question appears to me to be the most difficult of the many difficult ones which surround our post-Reform finance and I venture to think that it deserves a fresh inquiry by some of the best brains the Council can command.

Conclusions.

16.15 p.m. "That, Sir, brings me to the end of my story. To sum up, we anticipate an income of 1,658.45 lakhs of

	LAKHS.	rupees,
(1) Irrigation—Capital Expenditure.	9.33	and if the Council
(2) Loans to local bodies, agriculturists and others.	54.57	swallow their repug-
(3) Housing schemes	5.46	nance to lump grants
(4) Victory Hall	1.30	and pass this lump grant
(5) Water-supply and drainage scheme.	12.00	of 17 lakhs to local
(6) University	1.50	boards, our expenditure
	81.87	will amount to 1,723.49
		lakhs from revenue and
		81.87 lakhs from loans,
		thus leaving a shortage
		under revenue of 40
		lakhs. Now, as I have

said, we shall begin the year with a shortage of 6 lakhs, or to be more exact 5.45 lakhs. We shall pay off in the course of the year an instalment of capital borrowed amounting to 17.22 lakhs, of which 8.42 lakhs represent repayment of short term loans and 9.50 lakhs repayment of the old Provincial Loan Account. As, however, there is no reason why the Provincial Loan Account should be financed from revenue, we may reckon this repayment also as equivalent to

	Total expenditure.	Repayment to.		repayment of
	1922-23.	1922-1923.	1923-1924.	short term loan.
	LAKHS.	LAKHS.	LAKHS.	
1922-23. Water-supply and drainage schemes.	15.61	..	..	Now, our sinking
" Ordinary Public Works	11.00	..	..	fund loan, if the Council
	26.61	1.10	1.17	accept my proposals on the
1923-23. Water-supply and drainage schemes.	6.67	..	38	subject, will amount at the
	33.28	1.10	1.45	end of 1922-1923 to 33.38
		2.65		lakhs, and the

27th February 1923] [Sir Charles Toddhunter]

repayment due in respect of this amount at the end of 1923-1924 is roughly 2-35 lakhs. If we deduct this sum, our repayment of capital will amount to 15-37 lakhs as against our deadweight debt at the end of the year of 45-46 lakhs. In other words, we shall close the year on the basis of the present budget with a national debt of 80 lakhs of rupees in round figures. I leave it to the Council to say whether we are justified in involving ourselves to this extent. On the one hand, all sound finance abhors a deficit, and, as we have so often been told, it is the primary duty of a responsible Government to make the normal revenue cover the normal expenditure. On the other hand, we have a net income of 1,355 lakhs with a hope of a normal increase sufficient to cover the normal increase in expenditure and a further hope of an addition, owing to the removal of the contributions, up to 1,653 lakhs. In addition to this, we have a retrenchment enquiry in progress and, as I have said, I sincerely hope that its results will be sufficient to wipe out the comparatively small amount of debt which the Government propose to incur. I need hardly say how much I regret having to present another deficit budget to this Council, and I leave it to the Council to say whether we should proceed to revise our activities to the extent which the budget allows or should in the course of the debate to come attempt to cut it down again to a figure at which the revenue will cover the expenditure.

"In conclusion, I should like to say a few words about the processes by which this budget has been brought before the House. For our first budget after the Reforms we had no Finance Committee. When we came to the second, the Finance Committee were faced with an almost impossible task. They were very properly anxious to scrutinize every detail, and that meant the scrutiny of something like 500 pages of close print, full of items which offered scope for enquiries at every page. At the same time they were beset by a bewildering number of schemes for increases of salaries on the one hand, for reduction of charges on the other, the result of which it was extraordinarily difficult to foresee, while above all loomed the certainty of a considerable deficit. In dealing with the budget for 1923-1924 they have had a simpler, if no less arduous, task. In the first place, we have been able to divide up the budget into 'standing sanctions,' which means items that have already received the approval of the Council, and 'new schemes,' which have yet to go before it. In the case of the former, while there is much calculation and adjustment of detail to be done, there is no question of policy to be considered, while the latter need consideration of matters of policy, sometimes from quite a number of points of view. Accordingly we were able this year to let the standing sanctions, or Part I of the budget, go through the mill of the Secretariat

(Sir Charles Telford) [37th February 1933]

and Financial scrutiny and come before the Committee only when all the excrescences had been pruned off. The new schemes on the other hand have to be examined in considerable detail, often with the aid of heads of departments and others. That done, there arises the difficult question in these deficit years which of them are to have precedence over the others, and for that purpose the Committee have adopted a fourfold classification—class I being schemes which are in the opinion of the Committee essential to the carrying on of the administration; class II those that are very urgently necessary; class III those that it is advisable to put into effect as soon as funds can be found; and class IV schemes that the Committee do not recommend.

"I have said that this arrangement renders the scrutiny of the budget a simpler matter, but no less arduous, and I think that the Council owe a deep debt of gratitude to the Committee for the way in which they have given up their time and neglected their own affairs to attend during the last few months no less than 20 meetings on Finance and 12 on Retrenchment, or on the average one in every four days. May I add for myself that I think these meetings have been most beneficial in bringing together the official and the non-official points of view? I have learnt to appreciate, if not always wholly to accept, many a point of view that at first seemed opposed to all the traditions of thirty odd years of work. On the other hand, the hon. the non-official Members have shown the greatest tolerance and understanding when officials have put before them the difficulties and inconveniences involved in giving practical effect to particular policies.

"The net result has been greatly to facilitate the consideration of the budget in the Cabinet, as I hope it will in the Council. And in that connexion may I just say one concluding word? In past budget debates hon. Members have sometimes put forward motions which they said they had moved simply for the purpose of eliciting information. The Finance Secretary and I have tried this year to make the budget as clear to every one as we possibly can. If, however, there are points that are still obscure, or if it seems that I have been performing something like a conjuring trick in reducing our accumulation of deficits to a dead-weight debt of six lakhs, which will be repaid next year, may I say that Mr. Lloyd and I will hold ourselves at the disposal of any hon. Member who would like to have any of the figures explained? If by this means we can clear preliminary questions out of the way, we shall then be able to devote the ten days of detailed debate to a full discussion of the major questions of policy that arise."