

ANDHRA UNIVERSITY SERIES No. 1

THE BEGINNINGS OF
LOCAL TAXATION IN THE
MADRAS PRESIDENCY

VENKATARANGAIYA.



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ANDHRA UNIVERSITY SERIES

THE BEGINNINGS
OF
LOCAL TAXATION
IN THE MADRAS PRESIDENCY

A Study in Indian Financial Policy, 1863-71

BY

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WITH AN INTRODUCTION

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TO MY FATHER

PREFACE

STUDENTS of Indian Finance and Administration have all along devoted their attention mainly to the problems of central and provincial government and left practically unexplored the equally important field of local government. But it has always been recognized that in the evolution of the future polity of India, local institutions are bound to play a prominent part and that the first lessons in the art of self-government can be best learnt in working them. There is also the increasing tendency to make local bodies the agencies for working out schemes in the 'Nation-building' departments like education, sanitation, medical relief, etc., and experience has shown that success in this direction is to a great extent dependent on the financial resources placed at their disposal. Controversies have arisen in regard to the extent to which local bodies may be made democratic and the nature of the tax-revenues to be handed over to them. Under these circumstances there is need for a critical study of the institutions of local government from the political and financial stand-point.

With a view to meet this need the author began an investigation into the finances of local boards and municipalities in the Madras Presidency. A preliminary study of the records convinced him that the present-day financial problems could not be understood and explained

except in the light of their earlier history and he was therefore compelled to make a more detailed study than he originally proposed to himself, of the materials dealing with the beginnings of local finance. All this work was undertaken when the author held a research-studentship of the University of Madras in 1925-26. It was not however possible for him to complete the work within a short period of ten months for which alone the studentship was tenable. After its expiry he had to resume his duties as Chief Lecturer in History and Economics in Maharaja's College, Vizianagram (where materials required for further study were not available) and this hardly gave him time to make any rapid progress. As it therefore appeared that there was no prospect of the volume in its completed form being brought out in the near future the author has now ventured to publish the opening chapter in the hope that it will be a modest introduction to the more ambitious study on which he has been engaged.

In the highly centralized form of government that India has had, no legislation could be undertaken by provincial governments unless after a great deal of correspondence with the central government and in some cases with the Secretary of State for India. The original sources therefore for a study of local finance consist of the despatches of the Secretary of State, the resolutions issued by the Government of India, the correspondence that passed between the Secretary of State, the Government of India and the Provincial Government,

the proceedings of the Imperial and the Provincial Legislatures, the opinions expressed by non-official public bodies and individuals, the rules framed under the authority of the Acts of Legislature by the Executive Government and the hundreds of Government orders issued to guide and instruct local bodies. A student engaged in research in a place like Madras finds that these materials are not available in any one library and even if available, are not easily accessible. The despatches or resolutions have not been brought together in the form of a single volume or series of volumes and there is no guide-book to tell him where he has to search for them. All the issues of the *Gazette of India* and the *Fort St. George Gazette* have to be gone through to find out whether on any page there is any material useful to him. Mechanical work of this sort now takes up so much time of the research student and in the end he finds that it is out of all proportion to the fruit it yields. All the same, this kind of work has to be done at some time or other before the efforts of scholars can be made to produce better results. In carrying out this 'spade' work, co-operation between the Universities and Government will be of great service.

In concluding this preface, the author acknowledges his gratitude to the Rajah Saheb of Vizianagram who by his grant of study leave made it possible for the author to stay for about a year in Madras; to the Syndicate of the University of Madras for the award of the research studentship; to Mr. T. K. Dorasamy Iyer, M.A., L.T.,

the then Professor of Indian Economics in the University of Madras, for several hints and suggestions ; to Rao Bahadur V. T. Krishnamachariar Avl., B.A., B.L., C.I.E.—now Dewan of Baroda—for help in getting admission to the Secretariat Library and the Record Office ; to Rao Bahadur A. S. Krishna Rao Pantulu, B.A., B.L., President, Nellore District Board, for giving access to the records in the office of the District Board, to G. V. Subbaramiah, M.A. (Hons.) and M. Hanumantha Rao, M.A., B.L. of Nellore, for help in preparing the manuscript for the press ; and to Mr. W. E. Candy, M.A., the General Manager of Messrs. Longmans for invaluable assistance in correcting the proofs.

Above all the author's thanks are due to Mr. C. R. Reddy, M.A., the enlightened Vice-Chancellor of the Andhra University for the kindness with which he contributed an introduction to the book, and to the Syndicate of the same University for issuing the book as a University publication and thus encouraging the teachers in affiliated colleges to carry on original work.

VENKATAGIRI RAJAH'S
COLLEGE, NELLORE,

THE AUTHOR.

August 13, 1928.

INTRODUCTION

THIS is the first publication of the Andhra University and it deals with a much neglected field of vast public interest. Mr. M. Venkatarangaiya has already established a reputation for accurate, scholarly research, and I am confident that this essay will sustain that reputation. The origins of Local Finance are a dark mystery to many. For the welcome and wholesome light he has shed on it, Mr. M. Venkatarangaiya deserves the gratitude of the public.

I am not competent to pronounce an opinion on the merits of the book as I have made no special study of the matter with which it deals. But I take a personal pride in the successful researches of my colleagues, and pleasure in giving them all the encouragement that lies in my power.

In accepting books for issue under its auspices, a University should display the generous faith and robust confidence of Western Universities, characteristic features of the psychology of free nations—and not the hesitation, nervousness, timidity and jealousy so peculiar to weaker peoples. The books may not embody the last word and final wisdom on the subject, but there are no last words and final wisdoms on any subject unless growth has ceased and stagnation has supervened, and *then* the last word is the meaningless gurgle of death and not the vibrant voice of vitality. Life is a plastic

art, and so is literature. Perfections are gradually evolved and perhaps never reached. Even if our publications serve as but the clay on which future scholars will start work and mould austere shapes, breathing truth and beauty, they would be worth placing in the study. I shall be content if we, here and now, start the process, which is the indispensable but not the sole sufficing condition of a product ever developing.

But I would apply two tests. Is the theme big enough? Trivialities have no place in an academy. To aim high; to search deep; to roam wide, 'voyaging in strange seas of thought alone'; 'to dwell like a star apart' while shedding light on the world; to be immersed in the attraction of his research, deaf and dumb to all else; these are the elemental features of a true professor's life. Any book which is the expression of such a life is worth accepting. Life's rich fabric would become impossible of creation if the colours of high-souled individuality are discarded by some peevish, petty-minded, self-centred dogmatist in authority.

The book should be original in matter or manner, a notable addition to the existing stock of knowledge or style. Originality is not necessarily infallibility. The fear of a theory being disproved in the future is no reason why it should not be advanced now, if it can be supported by grounds that appear to be sufficient or even eminently plausible in the existing state of knowledge.

A University should also get standard books—the

great land marks of our cultural progress—edited properly, and publish them.

The Andhra University Act provides for a Publication Bureau and contemplates the University embarking on publication work. But the enabling clauses of legislative enactments are no more than mockeries if the connected policies and financial assistance necessary for making them effective are not scrupulously forthcoming. There is a special responsibility resting on our Legislatures in relation to the statutory bodies that they bring forth and pompously endow with large potentialities. They must guard their interests and promote their growth. They must see to it that their word is honoured and not discredited, that the hopes held out and promises made are fulfilled by Governments. In the dual absence of innate respect on the part of Governments for the policies decided upon by Legislatures, and of a clear, steady mind, cool, sober judgment, firm, practical will and unceasing vigilance and self-assertion on the part of Legislatures, democratic Acts will be as deceptive as Dead Sea apples, fair to look at but foul to taste, all show and no substance. A spontaneous public conscience in Governments and Parliaments, which is so sublime a feature of the English mind, is the soul without which no constitution can keep healthy and function honourably. India must attain to this virtue in a larger measure than heretofore if her institutions are to be saved from disgrace and decay. Given adequate funds and a genuine University organization as conceived in

the Act, the Andhras, whose emotional gifts and imaginative impulse have already produced a good number of researchers of note in Physics, Chemistry, History, Philosophy and other branches of knowledge, and Artists of striking originality, are sure to make remarkable contributions to the culture of the nation and the world.

Such are the thoughts and hopes that rise in my mind as I sit reflecting on this occasion, peering with the mind's glistening eye at the beckoning glory of future possibilities and looking with forlorn physical eye on the meagre actuality which is all that is possible in our straitened circumstances.

However, herewith our first tiny flower for India's culture-garland.

The author has stipulated for no fee and expects no material return. All that he wants is to offer service at the shrine. And he is by no means alone in wanting to serve without remuneration or reward of any kind. That is the spirit of Young Andhra, idealistic, emotional, impulsive, lost in its devotions whether it be to Science, Art, Literature or Country, lost to worldliness but a gain to heaven.

ANDHRA UNIVERSITY,
BEZWADA,
August 12, 1928.

C. R. REDDY,
Vice-Chancellor.

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THE BEGINNINGS OF LOCAL TAXATION

1. Introductory

IN this essay an attempt is made to sketch briefly the beginnings of Local and Municipal Finance in the Presidency of Madras. The year 1863 is taken as the starting point of the narrative for the reason that prior to that date local taxation was resorted to in an irregular and haphazard manner and it had only a limited sphere of application. Things underwent a complete alteration with the passing of the Indian Councils Act of 1861, and the restoration of legislative power to the Madras Government. The Provincial Legislature was inaugurated in 1862 and local and municipal affairs became one of the important fields of its activity. The long list of the acts passed by it on this subject within a short period of nine years clearly proves the truth of this statement. In

1863 the Madras Education Act was placed on the statute book. It was followed in 1864 by the Village Cess Act, in 1865 by the Towns Improvement Act, in 1866 by the District Road-Cess Act, in 1868 by the Wynaad Cross Roads Act, and in 1871 by the Local Funds Act and the Towns Improvement Act. During this period the City Municipality of Madras was reorganized on three occasions—in 1865, 1867 and 1871. We have therefore to look for the period between 1863 and 1871 for the beginnings and early history of local finance in this presidency.

2. Local Taxation before 1863

A WORD may be said regarding local taxation before 1863. For a proper understanding of the subject a distinction has to be drawn between the finances of the rural districts, those of municipal towns and the finances of the municipality of Madras which stands in a separate class by itself. The Madras municipality goes back to the latter part of the seventeenth century and its affairs were always regulated by a special set of laws. Its size and the economic and social conditions

characteristic of it called forth an organization different from that of the other municipal towns. For similar reasons the rural parts of the province required a legislation which was not applicable to the urban centres. This was the case previous to 1863 and the same is true of the present. It was in 1850 that an act¹ was passed by the Government of India to enable improvements to be made in towns by means of taxes assessed on property and administered by a commission consisting of the magistrate of the town and a few other inhabitants nominated for the purpose by the government. Until 1865 it was only under this act that municipalities could be organized in the province of Madras. It was however put into operation in very few places—Berhampore, Chicacole, Adoni, Kurnool, Mannargudi, Bellary, and Coimbatore being some of them—and even there it did not meet with much success. Its failure was primarily due to the fact that it could not be extended to any town unless the inhabitants wanted it.² This clause which left the initiative entirely in the hands of the people

India Act XXVI of 1850.

² *Ibid.*, sec. 2.

themselves was of course in consonance with the principle of local self-government. The people however were not eager to avail themselves of it. Their apathy was ascribed to their inability to appreciate the benefits which would follow its introduction, to their unwillingness to submit to any fresh taxation even for their own exclusive advantage and to some extent to a feeling of mutual distrust.¹ In 1856 an attempt was made by Government to extend the act to Conjeevaram—the well known place of pilgrimage and this was accompanied by the offer of a contribution from surplus temple funds.² But even such an inducement did not rouse the inhabitants to activity. In the Presidency of Bombay the act did not at first meet with better success and that was ascribed to the want of interest in municipal improvement on the part of the local officers of the Government.³ It is not known if this was true of Madras also. The only outstanding fact is that very few towns took advantage of the act of 1850.

¹ *Madras Administration Report*, 1855-6.

² *Ibid.*, 1855-6.

³ *Bombay Administration Report*, 1855-6, p. 46.

The main objection seems to have been to the compulsory taxation which the extension of the act to any locality involved. It was not so much a lack of desire for municipal improvement. For, there were in those days several places in which voluntary associations were started by the leading public, subscriptions raised and improvements in conservancy and sanitation effected. In 1858 there was one such association at Vizagapatam with a monthly income of Rs. 250 and a funded capital of Rs. 2,500.¹ By 1863-4 similar associations were started in Nellore, Kurnool, Vizianagram and Bimlipatam.² The Government showed its interest in the movement by contributing a grant-in-aid equal to the sum raised by private subscriptions and in 1863-4 that grant amounted to Rs. 22,729.³

In rural areas there was very little of such enterprise. There, the movement of local taxation for local improvements originated with the

¹ *Madras Administration Report*, 1858-9.

² *Ibid.*, 1862-3.

³ *Report of the Madras Local Self-Government Committee of 1882*, p. 5.

government itself. It was in 1853 that on the suggestion of the Collector of South Arcot the government authorized the collection of a special cess of one anna per *cawny* (1.32 acres) of land for the construction and maintenance of district roads as distinguished from the imperial trunk roads.¹ This is the germ of (rural) local taxation or taxation the proceeds of which are spent for the benefit of the locality paying the tax. The cess was gradually extended to some more districts and in 1855 a 'Local Fund' was constituted into which were deposited the receipts from the land cess and certain other receipts like the rent of ferries, tolls, surplus fines levied for cattle-trespass, proceeds of avenue clippings and some grass rents.² Such a fund was in existence in three districts in 1856-7³ and within another year it was created in five more.⁴ In those districts like Godavari where the land revenue assessment was then undergoing revision a cess of two per cent on

¹ *Report of the Madras Local Self-Government Committee of 1882*, p. 64.

² *Ibid.*, p. 64. ³ *Madras Administration Report*, 1856-7.

⁴ *Ibid.*, 1857-8.

the assessment was levied.¹ Everywhere the fund was devoted to the construction of roads. The receipts which amounted to Rs. 106,148 in 1856-7 went up to Rs. 383,113 by 1862-3. The collection and the disposal of the fund was entrusted to the District Collector and no special committees representative of the people were created for the purpose.

It will thus be seen that except in the city of Madras there was very little compulsory taxation for municipal purposes in towns, and that even in the rural areas where there was a compulsory cess it was not collected in all the districts or at a uniform rate. Previous to 1863 therefore there is very little of a noteworthy character relating to local taxation.

3. **The Critical Condition of the Imperial Finances, 1861-71.**

THE growth in the importance of local taxation from 1863 onwards is to be traced to certain fundamental circumstances which revealed themselves to the central and provincial governments in the

¹ *Madras Administration Report*, 1858-9.

decade following the suppression of the Indian mutiny. From this as from so many other stand-points, the mutiny marks the parting line in the history of modern India. The most prominent of these circumstances was the severe strain to which the imperial finances were put between 1860 and 1870. The ordinary expenditure of the Government went up enormously as a consequence of the sepoy-rebellion. The national debt which stood in 1856 (the year preceding the mutiny) at 49·2 crores swelled up in 1861 (the year when stable conditions were restored) to 96·7 crores, and the interest charges rose from two crores in 1856 to 4·7 crores in 1861.¹ Though some reductions were made in the amount of debt in subsequent years they were not of a material character, and in the later years of the decade additional amounts had to be borrowed which resulted in the debt going up by 1870 to 106·3 crores and interest charges to 5·8 crores. The agreement to pay a guaranteed rate of interest on

¹ These and the following figures are taken from the appendices to Prof. Vakil's *Financial Developments in Modern India*.

the capital invested in railways proved to be highly uneconomical and involved the Government in a net loss of 1·5 crores per year on the average. In all departments of administration—Justice, Police, Jails, etc.—there was an incessant demand for the adoption of the more efficient western standards which resulted in additional expenditure. There was during this period a great rise in general wages and prices due in part to the huge expenditure on railways, irrigation and other public works and this necessitated a corresponding rise in the salaries of all ranks of officials.¹ The civil expenditure which amounted to 9·4 crores in 1861 increased to 12·8 crores in 1870. In spite of a considerable reduction in the numerical strength of the army there was no perceptible diminution in military expenditure as a higher ratio came to be maintained between the British and the Indian troops, as more payments were made to the English War office consequent on the army amalgamation scheme, and as nearly

¹ Trevelyan's *Financial Statement for 1864-5*. Imperial Legislative Council Proceedings 1864; also Massey's *F. S. 1868*, *I.L.C.P.*, p. 163-4.

eleven crores were spent on improved barracks. The following figures illustrate the growth of this expenditure of the Government of India.

Year	Total expenditure
1856-7	£31,971,084
1860-1	£48,154,087
1861-2	£43,880,100
1862-3	£43,316,406
1863-4	£44,534,685
1864-5	£45,846,418
1865-6	£46,169,152
1866-7	£44,639,924
1867-8	£50,144,567
1868-9	£53,407,334
1869-70	£53,382,026
1870-1	£51,098,506 ¹

From these figures it is seen that in the pre-mutiny year, 1856-7, the total expenditure was about £32 millions while in 1861-2 when normal conditions were restored after the mutiny it amounted to nearly £44 millions—an increase of about 37½ per cent; and ten years later the expenditure was £51 millions which

¹ Figures for the years 1861-2 to 1870-1 taken from the statement furnished by T. L. Seccombe to the *S. C. on E. I. Finance*, 1872.

meant an increase of nearly 16 per cent over the figures of 1861-2 and of about 60 per cent over those of the pre-mutiny year. Nothing more is required to make clear the strain to which the imperial finances were subjected in the decade after the mutiny.

Government had therefore to look for relief and relief could ordinarily come from two directions alone, viz., reduction of expenditure and increase of revenue. Suggestions were made for reduction in military expenditure,¹ for the discontinuance of the system of railways with guaranteed interest, for decrease in the ever-growing outlay on public works, and for an all-round economy in general administration. These however did not find favour with the authorities either here or in England. So the alternative of imposing additional taxes was decided upon; and between 1860 and 1870¹ there was almost no year without its tax-legislation. Income-tax in its various forms of a general income-tax on the

¹ Trevelyan's minute of 1864 in the *Appendix to the Report of the S. C. on E. I. Finance*, 1873.

English model, of a license-tax and of a certificate-tax, was imposed, removed, and re-imposed. The duty on salt was enhanced so as to bring about an increase of revenue from 2·6 crores—its yield in 1856—to 6·1 crores in 1870. There was also a rise in excise and stamp duties. Though the land-revenue-assessment pressed heavily on the masses of the people, no reduction was found possible in it. So great was the necessity felt for increased revenues that in addition to the levy of new imposts and an increase in the rate of old ones several other possible schemes of taxation—a tobacco-duty, an inheritance-tax, a marriage-tax, etc.—were frequently discussed by responsible officials. The growth of revenue consequent upon enhanced taxation and other devices adopted by the Government is illustrated by the following figures.

Year	Total receipts
1856-7	£31,971,084
1860-1	£42,903,234
1861-2	£43,829,472
1862-3	£45,143,752
1863-4	£44,613,032
1864-5	£45,652,897

Year	Total receipts
1865-6	£48,935,220
1866-7	£42,122,433
1867-8	£48,534,412
1868-9	£49,262,691
1869-70	£50,901,081
1870-1	£51,413,686 ¹

An analysis of these figures shows that between the pre-mutiny year and the year 1861-2 revenues rose by 37½ per cent and between 1861-2 and 1870-1 by about 16 per cent so that on the whole there was a fairly satisfactory amount of elasticity in the growth of revenue.

This is however only a broad generalization. For between 1860 and 1870 there were years when expenditure considerably outstripped revenue and the Government had to face a heavy deficit. There were six such years during this period and the total deficit amounted to £10 millions. And from 1866-7 to 1869-70, every year was one of deficit, and but for the drastic measures adopted by the Viceroy Lord Mayo in 1870-1, that year also would have ended with a deficit. This state

¹ *Supra*. Seccombe's figures. *Appendix to the Report of the S. C. on E. I. Finance, 1872.*

of affairs created a natural alarm. There were three factors which tended to upset the financial equilibrium. One was the uncertain nature of the revenue from opium which varied from year to year and of which the actual yield always differed from the yield estimated in the budget. Another was the influence of the free-trade doctrine which was then in ascendancy in England and which exercised its influence on the outlook and policy of Indian finance ministers. The duties which were enhanced by Wilson in 1860 were gradually lowered even at a sacrifice of revenue during those years of financial crisis. Government had therefore to remain prepared not only for no further increase in the revenue from customs but also for its gradual diminution. A third factor was the fear of rousing political discontent in the country through additional taxation. In the period immediately succeeding the mutiny, this feeling was dominant, and was responsible for the hesitation with which the Government acted, even when on grounds of equity, it felt the justice of imposing a new tax like the income-tax.

The situation was further complicated by the over-centralized system of finance which prevailed in the country in those days. The provincial governments were encouraged to be extravagant, and the budgets they sent up to the central government contained items of growing expenditure which they were under no inclination to reduce, as they were not in any way responsible for raising the funds required. The central government in its turn was not in possession of local knowledge essential for scrutinizing the provincial budgets and enforcing real economy. The system required a thorough overhauling, but as it stood in those days it added very much to the anxiety of the central government and to the strain on its finances.

The Government had therefore to face a situation characterized by constantly growing expenditure, the presence of a number of uncertain elements in the revenue required, heavy deficits, and a disinclination on the part of subordinate provincial governments to sympathize with the difficulties of the central government, combined with a spirit of rivalry with oae

another in making larger inroads on the central revenues. A way of escape had therefore to be found, and 'Local taxation' as distinguished from 'Imperial taxation' was pitched upon as a powerful and effective remedy.

This was the real origin of local taxation in the Madras Presidency as in every other province. The first general statement therefore that may be made regarding the origin and early history of local taxation is that it was devised and welcomed as an efficient instrument of relief to the imperial finances which in the period between 1860 and 1870 lay under an unbearable strain. The true significance of legislation on local and municipal matters which was effected from 1863 can be understood only when looked at in the light of this generalization.

4. Local Taxation as a Means of Relief to Imperial Finances

THERE is a large mass of evidence to show that this was the view taken of local taxation by the responsible officers of Government in the years subsequent to 1860. In 1861 Samuel Laing, the

Finance Minister, had to devise ways and means for meeting a prospective deficit of £6 millions. He proposed to effect a reduction in military expenditure and to get an increased revenue through additional taxation. In spite of these remedies he had to face a deficit of £500,000 and then it was that he pitched upon a scheme of local taxation about which he said in his financial statement, 'I invite your particular attention to this . . . for I consider it to be the most interesting, as it is the most novel feature of the financial scheme of the Government. I want about £500,000 fairly to weather my deficit, and get into smooth water with a small surplus. The obvious resource would be to dock it from public works. The Government have been so far liberal to public works of a useful nature, as to propose to give them £500,000 or upwards more than last year. But if we have not got the money we cannot give it, and therefore we should be driven very reluctantly to curtail roads, canals, and other useful works of this description. . . . Now this would really be most lamentable Such works we are most anxious to encourage.

and accordingly instead of simply curtailing the imperial allotment to local governments we say to them—"Take what we are able to give you, and for the residue take certain powers of local taxation and raise it yourselves."'¹ Here is the idea, expressed in clear and emphatic terms, of the central government seeking relief by throwing on local resources certain charges hitherto met from imperial revenues. The idea gained a firm hold and it was repeated next year in a resolution of the Government of India.² In 1863 the Madras Education Act was passed which provided for the levy of a compulsory education cess in certain areas and the main ground on which it was based was the inability of the central government to bear the expenses of education. The comprehensive circular³ issued by the Government of India in 1864 drew pointed attention to the impending expiry of income-tax, the

¹ *I.L.C. P.*, 1861.

² Dated July 31, 1862. Para 38.

³ Dated August 31, 1864. *Gazette of India Extraordinary*, September 14, 1864.

consequent diminution of the imperial revenue and the greatly increased expenditure in every department of administration which rendered it absolutely necessary to transfer to local funds a portion of the charges then included in the imperial budget. It also suggested the legitimacy of the immediate transfer of the charges of urban police to the residents of towns. It was under these circumstances that the Madras Legislature passed its first Municipal Act—the Towns Improvement Act of 1865. In the financial statement for the year 1866–7, Mr. Massey reviewed the history of the previous five years, deplored the frequent occurrence of deficits or of only nominal surpluses, alluded to the impossibility of reducing expenditure and welcomed the transfer to local funds of many charges debited to imperial revenues. He observed, ‘We might fairly expect that on a redistribution of our burdens, we may look to the local governments to raise by local taxation a sum which will relieve us to a certain extent from charges which properly belong to local revenues and unfairly find a place in the imperial’

accounts.¹ It was under such influence that the District Road Cess Act was passed authorizing the collection of cess not exceeding one anna in the rupee of land-revenue assessment in all the districts. The four years commencing with 1866-7 proved to be years of heavy deficits. By 1869 it became clear that much could not be spared from imperial funds for expenditure on roads, medical relief and education. In a circular² issued in that year the Government announced a reduction in the grant for public works expenditure and proposed that more reliance should be placed on local assessment and local taxation. Speaking on the Income-tax Bill of 1869, Mr. Strachey stated that permanent relief to the central exchequer was possible only when it was recognized that imperial resources should not be expended for purely local purposes.³ It was as the result of such a policy that the Madras Government introduced in 1870 two bills—the Local Funds Bill and the Towns Improvement Bill. In

¹ *I.L.C. P.*, 1866. ² *No. 82, P.W.D.*, October 2, 1869.

³ *I.L.C.P.*, 1869, also *I.L.C.P.*, 1870, p. 292-3.

introducing them Mr. Arbuthnot said, ' Both these bills owe their origin to the necessity which exists and which has long existed for supplementing imperial revenues by local taxation Considering the heavy liabilities imposed upon the general revenues both presently and prospectively, in the payment of the interest on the capital of the guaranteed railway companies and in connection with State railways which are about to be commenced, I cannot but think that the cost of the ordinary roads should at no distant date be entirely met from local funds.'¹ It was with a view to giving relief to the imperial finances that in these bills no provision was made for the continuance of the twenty-five per cent grant-in-aid which under the Act of 1865 the Government made to municipalities. The proposals (which were however given up in the last stages) to make the municipal bodies continue to bear a portion of police expenditure and to throw on local bodies charges for constructing and maintaining minor civil buildings like taluk offices,

¹ *Madras Legislative Council Proceedings*, 1870, p. 21.

sub-jails, etc. were the outcome of the heavy imperial deficit. This aspect of the matter was prominently referred to in the discussions, so much so that Mr. Brown, one of the members of the Legislative Council, wanted to make the objects of the bills more explicit by a statement in the preamble, that it was to relieve the imperial exchequer that the legislation in question was proposed.¹ A similar view was taken by the public outside the legislature.² The despatches of the Secretary of State are equally emphatic in giving expression to this aspect of the subject.³

This idea of local taxation as a means of relief to the central government reached its culmination in the Government of India Resolution of 1870 (popularly known as Mayo's Decentralization Scheme.). It is well known that the principle underlying it was the obtaining of relief by throwing the responsibility for certain departments of

¹ *Madras Legislative Council Proceedings*, 1870, p. 21.

² Petition submitted to the Madras Legislature by the citizens of Madras printed in the volume on '*Papers relating to the Towns Improvement Bill*, 1870.'

³ *Para 4, Despatch of May 12, 1870.*

administration on provincial governments. In no other way was it thought possible to put a stop to that extravagance of provincial authorities which was rightly considered as having been to a great extent the cause of the financial straits to which the Government of India was reduced. The departments handed over to provincial governments were jails, registration, police, education, medical services, printing, roads, miscellaneous public improvements and civil buildings. To administer these services the provincial governments were authorized to utilize the corresponding departmental receipts and were in addition granted a fixed assignment from the imperial revenues. The relief obtained from this scheme by the imperial government was both immediate and prospective. It was immediate because the assignments made to the provincial governments were based on the actual expenditure under the transferred services in the year 1870. But 1870 was not a normal year, and the expenditure incurred in that year was very much below the average; and even from the figures of that year a sum of £330,801 was deducted and the provinces

were called upon to make good that deficit, each in its own way. The immediate savings, therefore, to the central government amounted to at least £330,801. From the standpoint of the future the relief was worth far more as the departments transferred were those which required a growing expenditure.¹ There was no limit practically to the amount of money that could be usefully spent on roads, education, medical relief and other public improvements. Their transfer to the provinces meant that in future the increasing charges on them would be met by provincial governments and the central government would be rid of all the anxiety from which it had suffered during the previous decade.

The mandate that the transferred services should be managed with less than the usual amount of funds meant to the provincial governments that they must enforce rigid economy, or in the alternative, levy local taxes. Economy was tried but local taxation was found to be unavoidable. Relief therefore to imperial finances meant additional local taxation.

¹ *Question 2100, S.C. on E.I. Finance, 1873.*

That this was the effect expected of the decentralization scheme was taken for granted and steps were taken in that direction in almost every province of India including Madras. Two months after the promulgation of Lord Mayo's scheme, Mr. Arbuthnot presented to the Madras Legislative Council the report of the select committee on the Towns Improvement Bill and the Local Funds Bill when he stated, 'the grant which has been assigned to us for the purpose of carrying on the services which are left to our management in future, is less by £55,000 than the grant assigned for the current year; the latter being a reduced grant, not altogether adequate for the purposes for which it was given . . . But in order that the public service may not be prejudiced, it is absolutely necessary that the reduction should be met by additional taxation . . . The great bulk must be recouped by transferring to local funds certain charges hitherto defrayed from imperial funds. Therefore it is necessary that some measure should be passed, and that without delay, for augmenting the funds derived from local taxation; and, under all the circumstances I entertain a sanguine

expectation that the council will agree with me in thinking that the requirements of the case may best be met by passing the two bills which have been so long under consideration.'¹ With certain modifications the two bills were passed into law in 1871. They made education, roads and medical services a charge on local and municipal funds. The process was thus strengthened, of the Imperial Government throwing on provincial governments the responsibility for managing certain services and of the provincial governments in their turn making local and municipal bodies responsible for managing some of them.

Similar legislation was passed in the other provinces. The local taxation in Bombay intended to meet a deficit of £65,965 took the form of a tax on non-agricultural incomes. The deficit in Oudh amounting to £15,500 was met by doubling the land cess. The amount to be made up in the Central Provinces was £19,600. The Chief Commissioner objected to any additional cess on land, and consequently the Pandhari tax

¹ *M.L.C. P.*, 1870.

(a local tax on income) was revised and made applicable to incomes between Rs. 500 and 750 (which had been exempt till then), and the rate of tolls on roads was raised. In Bengal a cess at the rate of $3\frac{1}{8}$ per cent was levied on land to meet the deficit of £87,591. There was a five per cent increase in land-cess in the North-West Provinces whose deficit was £48,030, and in the Panjab a $3\frac{1}{8}$ per cent on land was levied towards the deficit of £39,000. Every province except Burma had thus become subject to additional taxation. The only difference was that it was styled 'Local' and not 'Imperial.'¹

Officials like Sir Richard Temple connected with the Government of India found nothing unnatural or alarming in this growth of local burdens. Sir Richard Temple stated, 'The system of local taxation on which we have entered is not one from which we can turn back or from which we ought to turn back. I concur with my honourable friend, Mr. Strachey, in considering that the institution¹ of provincial appropriations and the

¹ Summarised from the evidence of Mr. Harrison before the *S. C. on E. I. Finance*, 1873.

development of local and municipal taxation which is indisputably linked with that measure, are among the most important and fruitful innovations which we owe to the government of the Earl of Mayo.¹ There were however other officials, like Chapman of Bombay and Robinson of Madras, who thought that Mayo's scheme encouraged additional local taxation which the people could not bear with equanimity.² This was also the view which many of the members of the Select Committee on East India Finance took in 1873.³ They went into the whole question, and the evidence of Mr. Harrison, the Controller-General of Accounts in India, who had to undergo a searching cross-examination, brought out prominently that the effect of the new scheme of finance was that the Governor-General relieved himself of the duty and responsibility of collecting £350,000 of taxes and to accomplish that, he had authorized the provincial governments to subject every

¹ *I.L.C. P.*, 17th April, 1872.

² *Ibid.*, 17th March, 1871.

³ See questions 2098-2100, 2119, 2178.

person almost throughout India to fresh local burdens.¹

5. Local Taxation as a Remedy for the Defects of Imperial Taxation

A SECOND factor which in the period after 1860 stimulated local taxation was the belief entertained by the Government that the then distribution of the burden of imperial taxes was not equitable, that certain classes of people contributed very little to the public revenues, that certain others were unduly burdened, and that local taxation might be utilized as a means for bringing about the desired equity.² There was a certain amount of truth in the first part of this contention and it can be easily illustrated and explained with the help of figures relating to the receipts of the

¹ Reference may be made to Mr. Inglis' speech on N.W. Provinces Municipal Bill of 1871, Temple's *Financial Statement*, 1871, and the evidence of Sir John Wingfield before the *S. C. on E.I. Finance*, 1873.

² For this view see Massey's *F. S.*, 1867. *I. L. C. P.*, 1867, pp. 152, 154, 160 and Strachey's speech, *I. L. C. P.*, 1868, p. 196.

Government of India in any year after 1860.
The figures¹ for 1866-7 are given below :—

			£
Land revenue	...	...	19,986,640
Excise on spirits and drugs	...	...	2,238,931
Assessed taxes	...	...	653,848
Customs	...	...	2,578,632
Salt	...	...	5,726,093
Stamps	...	...	2,186,269
Tributes from Native States	...	...	689,286
Forest	...	...	331,088
Opium	...	...	8,923,568
Mint	...	...	120,252
Post	...	...	659,679
Telegraph	...	...	215,031
Law and Justice	...	...	719,342
Police	...	...	213,972
Marine	...	...	455,090
Education	...	...	73,845
Interest	...	...	211,975
Miscellaneous	...	...	2,639,103
		Total	48,429,644

Of the total receipts as given above, the tax-revenue—in which is included land revenue—formed 61 per cent and the non-tax revenue 39

¹ Taken from the *Appendix to the F. S. for the year 1868-9. I. L. C. P., 1868.*

per cent. The former was contributed mainly by the rural or the agricultural classes. The burden of the land-tax—which came to nearly one-half of the total tax-revenue—was borne entirely by them. It was they that resorted mainly to drink which meant that the burden of excise also fell to a great extent upon them. They were as a class very poor and the duty on salt—a necessary of life—involved a heavier sacrifice to them than to the people living in towns. They contributed a fair share towards customs and stamps. In the aggregate therefore the agricultural classes were subject to a disproportionate share of taxation while the moneyed and the trading interests were little affected by it. An income-tax could have done something to bring about equality; but it was given up in 1865 and though it was revived two years later the Government always regarded it as a temporary item in its resources to be resorted to only in times of crisis. The financial history after 1860 shewed that whenever the need for enhanced revenues was felt, the Government raised the salt-duty, the excise and other indirect taxes and displayed an unjustifiable

sympathy towards the payers of income-tax. Though there were non-agricultural classes in the rural parts they formed a very small minority ; it was mostly in towns that they lived. The statement that there was inequality of taxation between the rural and the urban populations,¹ is, in a general way, correct.

There was also another class of people on whom the tax burden stood very light. They were the proprietors of land in the permanently settled areas. As a class they were prosperous and their incomes were mostly unearned. According to the recognized principles of taxation they should have been subject to a much heavier burden. But under the terms of the permanent settlement the Government was precluded from getting a proper share of the growing incomes of these landlords. Like the feudal nobility in pre-revolutionary France the zamindars in India

¹ In Madras nearly two-thirds. Arbuthnot's speech, *M. L. C. P.*, 1865, p. 32.

For a different view see Mr. A. Seshayya Sastriar's note on the Towns Improvement Bill of 1870, in the *Papers relating to, etc.*

enjoyed an exemption from the payment of taxes proportioned to their ability, while the agricultural classes in the temporarily-settled areas were subject to enhanced assessments even though they could bear them least.

The town populations did not enjoy any exemption in the early days of the British rule or in the pre-British period. The circular of 1864¹ observes,

The inequality between the taxation of the rural and town population did not exist under the former native governments. The land-tax in the rural districts was balanced by duties upon articles of consumption and by house-taxes and cesses upon trades in towns.' Nor can it be said that towns derived less benefit from British rule than villages. On the other hand the establishment of a strong central government and the spread of peace and order encouraged trade from which the urban populations derived substantial benefit. To the zamindars also, British rule meant a blessing. It conferred on them new rights of property, and enabled them to enjoy their wealth without the

¹ Paras 1 and 3.

necessity of fighting in its defence.¹ It therefore looked incongruous that people who owed most to the newly established Government should enjoy an immunity from further taxation.

To remove this glaring injustice a reform in the tax-system was urgently required. But the central government hesitated to adopt the necessary measures directly. The moneyed and the trading interests could be reached by a system of direct taxes like the income-tax; but for various reasons, into a discussion of which this is not the place to enter, the Government was averse to introducing it. Similarly, it felt that the permanent settlement was in the nature of a legal contract which must be kept inviolable under all circumstances; to levy additional imperial taxes on the estates of zamindars was regarded as amounting to a breach of the contract. It was under these circumstances that the device of local taxation was adopted in the hope that it would enable the Imperial Government to escape from

¹ Minchin's (Member, Madras Board of Revenue) note in *Papers relating to, etc.*

the dilemma and to set right the defects of the tax-system, referred to above.

The procedure adopted was to declare certain public charges to be of a purely municipal character and to call upon the inhabitants of towns to bear them. The first service which was so declared was police. Previous to 1865 the expenses of the rural and the urban police in the Madras Presidency were borne from the general revenues of the Imperial Government. A change of policy was announced by the Government of India in 1864, and to give effect to this change the Towns Improvement Act was passed by the Madras Legislature in 1865. As this was the first measure of legislation on municipal matters in this presidency, the circumstances under which it was introduced should not be lost sight of. Speaking on the bill, Mr. Arbuthnot stated, ' At present in this presidency the inhabitants of towns are free from any direct tax but the income-tax which will shortly expire. Up to within a few years ago, there was the *Motūrphā*, a sort of license-tax on trades, which was abolished in anticipation of the introduction of a general

license-tax on trades and professions, applicable to the whole of India. An act for this purpose was actually passed by the Supreme Legislature, but before it had well begun to operate, it was withdrawn. . . . The abolition of the Moturpha, coupled with the withdrawal of the general license-tax, has in fact rendered the inequality (in the taxation of the rural and urban populations) in this presidency at all events greater of late years than it was a few years ago.'¹ He therefore justified the passing of this measure which made the maintenance of the town police the first charge on municipal funds. These, under the act, could be raised in various ways. The urban population was thus subjected to taxation from which the rural inhabitants were free, and this was effective, to some extent, in redressing the tax inequality.

The question of subjecting the proprietors of land in the permanently settled tracts to local taxation was also taken in hand. A fierce controversy raged over this,¹ the parties to it being the Government of Bengal, the Government of India,

¹ *M. L. C. P.*, 1865, p. 32.

and the Secretary of State for India. The point at issue was whether the levy of local cesses from the zamindars would not amount to a breach of the permanent settlement. The question was finally settled by the Secretary of State in his despatch issued in 1870¹ in which it was forcibly argued that the payment of local rates was an obligation under which every proprietor of land lay, that the permanent settlement applied only to the imperial land-tax and that there was nothing illegal or inexpedient in passing measures for the collection of land-cess from the zamindars for effecting local improvements like roads, education and sanitation. There was an echo of this controversy in the presidency of Madras where the inamdars of Vizagapatam submitted a petition to the Madras Legislature, during the discussions in 1866 of the District Road-Cess Bill, contending that the quit-rent for which they were liable was fixed once for all and the proposal to collect an additional cess from them for constructing roads

¹ Dated May 12, 1870. Paras 7 and 17; and Bailey's (Secretary to the Government of India) letter No. 324, dated June 24, 1870.

was contrary to law.¹ Mr. Pycroft, the mover of the bill, took opportunity to state in reply, that 'The Government never declared or intended that the inamdars more than other landholders should be exempt from local cesses imposed for local purposes and locally administered.' It was by emphasizing the distinction between local taxation and imperial taxation that the zamindars were compelled to contribute towards the public revenues of the country. This did not mean much as the holders of land in temporarily settled areas also were called upon to bear the burden of local taxation. But it succeeded in overthrowing the plea that the zamindars were a privileged class of people with a right to enjoy all the rights and advantages of citizenship without bearing corresponding burdens.

6. Local Taxation as better Suited to Realize Certain Sources of Revenue

A THIRD factor which gave prominence to local taxation during the period under review, was the recognition of the principle that certain taxes

¹ *M. L. C. P.*, 1866, p. 12.

could be assessed, collected and administered more economically and successfully as local taxes than as imperial taxes. It was shown above that in those days the Imperial Government was in urgent need of larger and larger revenues. Several expedients were tried, and several others discussed, and as a result the above principle of taxation came to be emphasized. The license-tax on trades and professions, into which the income-tax was modified in 1867, is a case in point. Experience showed that the subordinate officials of the central government found it was impossible to make an accurate assessment of the income of individuals in the country. Accounts were not properly maintained by the Indian public and the inquisitorial methods adopted by officials were disliked. Government servants whose incomes were known and European business men in estimating whose income there was not much difficulty, were not in a position to evade the tax, while evasion was easy in the case of the members of the Indian community. It was also found that the European District Collector had to rely on the reports of low-paid government servants in

estimating the income of the assessees ; and in very many cases bribery and corruption were practised with the result that only a small portion of what the tax-payer lost was credited to the public revenue, the larger portion being pocketed by the low-paid revenue officials.¹ It was therefore the opinion of several financial experts that these drawbacks pertaining to an income-tax or a license-tax would disappear if administered by local bodies as local taxes. Assessment would be easier and more accurate when made by neighbours acquainted with the economic position of the tax-payers. The tax would also be more willingly paid when it was known that the proceeds would be spent on local improvements. That was why, Mr. Massey said in his financial statement for 1867-8 that, ' In our opinion a tax of this nature is better suited to local purposes than to general purposes of the State. We intend therefore in another year to transfer it, modified if experience should suggest such modification, together with a corresponding amount of charges

¹ See the evidence of Trevelyan, Massey and Laing before the *S. C. on E. I. Finance*, 1871-3.

of a local character to the several local governments and administrations. . . . There are many sources of revenue which might be made available for local purposes, but which could not be used for imperial objects without giving rise to just complaints of partial exaction or even of breach of faith.' A similar view was expressed by Sir Charles Trevelyan on several occasions. In a minute written in 1864 he said, 'A license-tax, as an imperial tax, would be very unequal, vexatious, unproductive and expensive to collect. On these grounds Lord Canning shrunk from enforcing it after it had been enacted at a time when the finances were supposed to be in a very uncertain state. It is suited only for municipal taxation where people know each other's means, and willingly contribute to objects in which they are immediately interested.' In his evidence before the Select Committee on East India Finance in 1873 he repeated, that 'The license-tax in the hands of the central government is extremely odious. If the charge for each license is put high, then it becomes unequal and oppressive. If it is put low, then it is unproductive

but nevertheless it is suited to municipal taxation, because there the people have the management of their own affairs in their own hands, and they are not afraid of the tax ; in fact, inequality ceases there ; they make it equal because they are familiar with all the circumstances which have to be considered in assessing the tax.' Views like these were responsible for the hesitation with which Government of India levied the income-tax and abandoned it in the year 1873.

One of the taxes the feasibility of which was discussed, was a duty on tobacco, grown and consumed within the country. A schedule regarding it was included in Wilson's Licensing Act of 1860. It was however abandoned by the Government and one of the reasons assigned for it was, ' At that time it was thought that imperial revenue might be relieved to a considerable extent by establishing a system of local taxation for local purposes, and tobacco was named by the Government of India as one of the sources from which a considerable revenue might be derived by the local governments if they were left to carry out their own system.' Similarly, in the

discussions on the imposition of a succession duty it was pointed out that as conditions in one part of India varied from those in another, the duty might be more successful as a local tax than as an Imperial tax.¹

In its anxiety to obtain financial relief the Imperial Government, as has already been shown, pitched upon the method of transferring to provincial and local authorities some charges hitherto recognized as imperial. The enunciation of the principle that taxes like the license-tax, the tobacco-duty and the inheritance-tax, etc. were better suited for administration by local bodies gave additional impetus to this movement and hastened the organization of local and municipal machinery.

7. Local Taxation as a Positive Instrument for Effecting Local Improvements

THUS far the negative aspect of the movement in favour of local taxation has been dealt with, an aspect which laid emphasis on it as an aid to

¹ See the correspondence and papers on this subject. *Gazette of India Supplement*, February 8, 1868.

imperial finances. There was however a positive side to it which was, in the long run, of greater and more real importance and to which reference is to be made presently. During the rule of the East India Company public revenues were raised for being spent mostly on wars of conquest and on investment in the trade of the Company.¹ It utterly neglected expenditure on 'nation-building' services and the tax-payer got no return for the sacrifices he made. Nothing was done to promote the health, the material comfort and convenience of the people, to spread enlightenment among them and to further the cause of their moral progress. An insignificant sum of a lakh of rupees per year was set apart for the education of more than 150 millions of subjects. The indigenous vernacular schools showed signs of decay. It was only in 1854 that the famous despatch on education was issued by Sir Charles Wood and the Government committed itself to a definite policy. The starting of schools and

¹ Ambedkar, *Evolution of Provincial Finances in India*, chap. i.

colleges directly by the Government and the encouragement of private effort by a system of grant-in-aid were the methods selected. But for want of funds the progress made even after 1854 was slow. The mutiny intervened and the financial crisis which overtook the central government made any rapid progress of education an impossibility. In giving effect to the despatch of 1854 the Madras Government spent Rs. 450,000 a year on an average between 1856-7 and 1859-60.¹ Though the expenditure was slightly increased in the subsequent years, it was incurred mostly on university and higher education, while the spread of primary education was left almost entirely to private agencies. The grant-in-aid system was also not a complete success. The amount allotted for this purpose was Rs. 25,000 in the earlier years and it rose to about a lakh by 1863-4. But the grants had been taken advantage of almost exclusively by foreign mission agencies and very few schools were started from Indian

¹ *Madras Administration Report*, 1856-7 and following years.

funds. Out of 450 schools that received grants in 1862-3, 415 were maintained by missionaries. Even these were not properly distributed among all the districts; they were confined mostly to Tinnevelly and a few other southern districts. The Government found it impossible to provide from the general revenues for a complete system of village schools all over the presidency. There was not adequate voluntary effort. So the principle was emphasized that education—and elementary education in particular—was purely an affair of local interest and importance, that it was not legitimate to spend much on it from the general revenues of the country, and that it should be undertaken by the inhabitants of each locality with funds raised through a special education-rate. A distinction was drawn therefore between affairs of national importance, on which imperial funds might be spent and those of local importance and benefit for which the inhabitants of the locality must be made financially responsible. A compulsory education rate on these lines was suggested by Lord Stanley in one of his despatches;¹ and it

¹ Despatch of 1859.

was in pursuance of it that the Madras Education Act, which provided for the establishment and maintenance of schools out of the proceeds of a special education-rate, was passed in 1863.

What was true of elementary education was equally true of roads, sanitation, water supply, drainage, lighting, etc. It has been shown already that the Act of 1850 passed in the days of the East India Company was put into operation in very few towns of the Madras Presidency. Voluntary associations did better work in promoting sanitation, but they were confined to very few places and the rural parts of the country were not touched by them. Government did not spend money on these purposes during the days of the Company and even after the Crown took over the responsibility of administration, funds could not be spared from the general revenues. The utmost that was done was to help, by small grants, the efforts of voluntary associations. Vaccination was the only subject in which Government took a direct interest. In 1854 a sum of Rs. 28,015 was spent on this and Rs. 30,000 in 1856-7. But the working of the

department was not satisfactory owing to lack of efficient supervision. Successive administration reports deplore the decline in the number of cases of vaccination. Epidemic diseases like cholera were quite common but State provision for medical relief did not go far. There were a few civil hospitals scattered throughout the presidency but they were maintained by voluntary subscriptions paid by the public. In 1860 the Madras Government laid down the definite rule that it would provide civil dispensaries with European medicines, the services of a medical officer in each case and a fixed allowance of Rs. 50 per mensem towards the dieting of pauper patients, and all the other items of expenditure were to be met from funds voluntarily raised by the public.¹ There was of course a great deal of public enterprise ; subscriptions were willingly paid and hospitals endowed permanently. But all this was confined to headquarters of districts and about ten other important urban centres. There is therefore no exaggeration in saying that

¹ *Madras Administration Report, 1860-1.*

people had very little effective medical relief. Schemes for the supply of pure drinking water or for proper drainage were unthought of except in connection with the city of Madras. The rate of mortality from cholera and fever was high and in years of famine it was higher still. People regarded these as visitations of some incensed deity from which there was no way of escape.

The condition of the roads was equally bad. Roads worth the name did not exist in most parts of the country. In the whole of the Madras Presidency there were only $3,110\frac{1}{4}$ miles of 'made' roads in 1846 and even these were of a most deplorable character. 'They admit of carts moving in dry weather with light loads at a very slow pace and by very short stages. But by far the greater portion of these' roads are unbridged and a heavy shower cuts off the communications wherever the stream crosses a line; and they are' in many cases so unfit to stand the effects of the wheels while the surface is wet, that in monsoon months they are out of use except for, cattle or

foot-passengers.'¹ The Indian mutiny revealed the value and the necessity of linking up the country by good means of communication. The Government however attached more importance to railways and it could not therefore spend much on roads. But the construction of railways necessitated the opening up of the interior parts of the country with a view to bring more traffic to the railways and make them yield more profit. A definite policy had therefore to be followed in regard to the construction and maintenance of roads. In 1861 a division of all roads into imperial (trunk) and district (local) roads was made, and it was estimated that a capital expenditure of one crore of rupees under each head was required while the annual maintenance charges would come to ten lakhs.² Owing to a rise in wages and in the price of materials and owing to the general shortage of funds the Imperial Government expressed its inability to

¹ Quoted from the extract given in Gadgil's *Industrial Evolution in India*.

² *M.L.C.P.*, 1866. Speeches on the District Road-Cess Bill.

spend anything on local roads, and on the ground that these roads would be primarily of advantage to the localities concerned, advocated a scheme of local taxation for the purpose. The system of local land cesses informally inaugurated in 1853 was now put on a more organized basis, and the Madras Legislature passed in 1866 the District Road-Cess Act providing for the levy of a cess on owners and occupants of land in each district. Here again the dictum that certain undertakings were primarily of advantage to particular localities and that in consequence local taxes should be collected to promote them found itself justified.

The view was held consistently by officials connected with the Government of India and of Madras that local taxation was the only positive instrument which would be efficacious in promoting works of local utility of which the country was in sore need. Laing said so in his financial statement for 1861-2. Speaking in 1862 he said, 'As regards public works it was intended that £500,000 should be transferred to local budgets; and provided for by local taxation. This intention has not been carried out for a very

obvious reason. I am as strongly as ever in favour of local taxation for local objects. In fact, if this great empire is ever to have the roads, the schools, the local police and other instruments of civilization which a flourishing country ought to possess, it is simply impossible that the Imperial Government can find either the money or the management.’¹ The comprehensive circular of 1864 expressed similar views. In presenting his financial statement² in 1864, Sir Charles Treveleyan stated, ‘But after all it is impossible that all the wants of this great continent according to the continually rising standard of the public requirements, can be provided for out of the imperial revenue. Local agency and local resources, which are as multifarious as they are inexhaustible must be increasingly drawn upon, and the imperial expenditure must be gradually confined to such objects as are of common interest to the whole of India. . . . It is time that people of this country should cease to be helplessly dependent upon the Government, and should learn by the

F.S 1862.

² *I.L.C.P.*, 1864, p. 148.

example and aid of their English fellow-subjects, to raise and spend their own money in maintaining the roads, improving the sanitary state of towns, assisting education, and promoting every other object of local interest.' The growth of this idea can be traced from year to year in the speeches of the other finance ministers and officials. It is prominently referred to in Mr. Brandreth's speech introducing the Panjab Municipal Bill of 1866.¹ Speaking on the District Road-Cess Bill in 1866, Mr. Pycroft said, 'It was known to the members of this council that in England the funds which were required for the health, convenience, internal security and comfort of the people, were obtained by means of local assessment . . . Here, as in England, it was quite impossible that the imperial revenue could suffice for such purposes. If nothing was done for the country, except from the revenues of the State, which, in India, did not amount to more than £45, or 45 millions sterling, all improvements would be hopeless. The people must look to themselves; and help themselves in

¹ *I.L.C.P.*, 1866, p. 234-5.

this respect.¹ It was in the same strain that the despatch of the Secretary of State for India on the question of a local cess on the zamindars of Bengal, was issued in 1870. Thus, the primary object of local taxation, viz., the improvement of the locality, received its due share of emphasis and came more and more to the fore-front in the policy of the Indian Government, here, as well as in England. ' 1

8. Local Taxation as a Means of Training People for Self-government

LOCAL taxation was also regarded as a potent instrument in training the people of the country in the art of self-government, and many statesmen welcomed the scheme as they were firmly convinced of the desirability and the practicability of such a training. To some, local taxation had no meaning unless it was taxation assessed and administered by the people of the locality or their representatives. That was the only standpoint from which it could be understood by an

¹ *M.L.C. P.*, 1866, p. 101.

Englishman with the experience of the English local institutions even of those days. In elaborating his proposal to transfer to local budgets the sum of £500,000, Mr. Laing said, 'I think the scheme would also foster the growth of municipal institutions and of what is still more important of the spirit of local self-help and self-guidance which are at the bottom of a nation's greatness. India is not altogether devoid of that spirit of self-government which characterizes the Anglo-Saxons. In her village communities and the panchayats, we find traces which may remind us that the Hindu as well as the English and Teuton are descended from a common stock of Aryan ancestors.'¹ In charging the cost of the municipal police to towns as proposed by the circular of 1864, it was declared that the people of each town should, as far as possible, determine the manner in which the requisite sum should be raised. Attention was specially drawn to the following statement of the Secretary of State for India that, 'The people of this country are perfectly capable of administering their

¹ *F.S.*, 1861.

own local affairs. The municipal feeling is deeply rooted in them. The village communities, each of which is a little republic, are the most abiding of Indian institutions.¹ The principle of election had already been tried and found to work successfully in the informal raising and spending of local taxes in the Panjab and the North-West Provinces before 1864.² In the correspondence relating to the levy of a local cess on the zamindars of Bengal this point of view was emphasized and in the letter of Mr. Bailey, the Secretary to the Government of India, it is stated, 'The Governor-General-in-Council is of opinion that in this question is involved a matter of higher import than mere financial convenience. Local taxation should as far as possible be accompanied by local administration and local responsibility. His Excellency is most sincerely desirous that every opportunity should be given to the people to participate in the management of their local affairs. . . . In any plan which may be considered this primary object should not

¹ *Gazette of India Extraordinary*, 14th September, 1864.

² Brandreth's speech on the Panjab Municipal Bill, *J.L.C.P.*, 1866.

be lost sight of.’¹ And in the despatch of the Secretary of State on which the above letter was based, the levy of the local cess was justified, among other grounds, on the fact that the assessing and the application of the rates would be entrusted to local bodies containing the leaders of the people.² The decentralization scheme of Lord Mayo which was issued a few months later was equally emphatic on this point.³ It stated that ‘Beyond all this, there is a greater and wider object in view. Local interest, supervision and care are necessary to success in the management of funds devoted to education, sanitation, medical charity and local public works. The operation of this resolution, in its full meaning and integrity, will afford opportunities for the development of self-government, for strengthening municipal institutions, and for the association of natives and Europeans, to a greater extent than heretofore, in the administration of affairs.’ It has been noticed already that the immediate effect of Mayo’s scheme was the enhancement of the

¹ Para 6.

² Para 18 (3).

³ *Ibid.*, 23.

burden of local taxation in every province of India. Many disapproved of the scheme on that ground, but their disapproval was answered by Sir Richard Temple in the course of his speech on the Income-tax Bill of 1872 in the following terms. 'The late Viceroy in instituting or stimulating these methods of taxation, did not only regard them as a way of raising money. Municipal and local funds involve municipal and local bodies by which those funds are administered, and in promoting the creation of such bodies, the late Viceroy sought . . . not only to procure money for good purposes, but to deposit throughout the country the principles of public spirit and local self-government. The project was not only financial, but social and political.'¹ These extracts make it clear that the activity in the sphere of local taxation which was noticed at the beginning of this chapter as a prominent characteristic of the work of the Madras Legislature between 1863 and 1871 was stimulated by a feeling that it was a proper and necessary step in training the people in the art of self-government.

¹ *I. L. C. P.*, 1872.

9. A Criticism of the Policy Leading to Local Taxation

(a) CONFUSION OF PRINCIPLES

AMONG the multifarious motives that influenced the action of the Government, there was a possibility of mutual conflict and a danger that the primary objects of local taxation might be lost sight of. For instance it was not easy to reconcile the desire for relieving imperial finances with that of bringing about improvements of a purely local character or of training people in the direction of self-government. So long as the former desire was dominant, Government would be led to throw many charges on local taxation without bestowing sufficient consideration on how far they were really of a local character. It is well known that certain principles ought to guide any scientific distribution of functions between central and local bodies.¹ There are some subjects which

¹ See the answers to questions 7 and 8 of the Royal Commission on Local Taxation published in the *Memoranda on the Classification of Local and Imperial Taxes*, especially the views of Lord Farrer, L. Courtenay, Sidgwick and Bastable.

are primarily of local concern such as sanitation, water-supply, lighting, drainage, public gardens and parks, and there are others like defence, trade, currency, etc., which must be left in the hands of the central government. There may be some difficulty in allocating quasi-national services like police, poor-relief and education, but in distinguishing between services of a mainly local character and those of a mainly national character, there is not much room for difference of opinion. No one would place lighting in the list of national services or defence in that of local services. It must be recognized that the Government of India was entering, after 1863, into an experiment in the field of local taxation. In order that it might succeed it was necessary that the conditions should have been made as favourable as possible. One such condition ought to have been a strict adherence to the principle of division of functions between central and local bodies, and making local bodies responsible only for expenditure of a purely local character. But this was not possible so long as the dominant factor was the relief of imperial finances. In its anxiety to obtain this

relief the Government of India was likely to throw on local bodies, charges of an imperial or a quasi-imperial character, and this would ultimately lead to many undesirable consequences. The burden of local taxation might become too heavy.¹ It might result in inadequacy of funds for services which were legitimately of a local character. The expected local improvements might not after all be carried out. There was also a danger of people becoming prejudiced against local and municipal institutions as mere devices created by an ingenious Government to extract more money from them without their getting any corresponding return. One reason for resorting to local taxes was that they would be more popular and more willingly paid than imperial taxes.² It was in support of this idea that J. B. Norton observed in the Madras Legislature that, 'if taxation shall fall upon them for imperial purposes, though the money they furnish will be spent for the general welfare of the empire, they must be prepared to

¹ Letter of Mr. Whiteside, Collector of North Arcot, in the *Papers Relating to, etc.*

² Laing's *F.S.*, 1861.

find their contributions spent in portions of the empire at a remote distance from this presidency, and in a manner over which the local government will not exercise any influence or control. . . .

Whereas if they submit to local taxation, they will have it returned to them ten-fold in the shape of local expenditure. They will receive exclusively all the benefit of every rupee that is taken from them.'¹ This ideal however could not be adhered to, owing to the exigencies of the Imperial Government, and local taxes came to be used for purposes of a non-local character and this caused general discontent among the rate-payers. Another evil consequence was that the Government was not prepared to give up its control over some services even though they were maintained out of local taxes. For, by their very nature, these services required central control and a high standard of uniform administration. It meant that the local bodies which raised the taxes were not given any voice in the matter of spending the money thus raised and the idea of self-

¹ *M.L.C.P.*, 1870.

government was relegated into the background in consequence.

That the dangers referred to above were not imaginary is shown by the opinions expressed by several officials and non-officials who worked the municipal institutions organized in the Madras Presidency under the Towns Improvement Act of 1865. It was proposed in the Towns Improvement Bill of 1870 to make municipalities discharge more functions than those for which they were made responsible under the earlier Act, and it was in that connection that the Government invited the opinions of experienced administrators. Almost every one of them was averse to the inclusion of numerous new functions mainly on the ground that many of them were of an imperial character and that it was improper to discharge those functions by using the proceeds of local taxation. It was a view which had the support of the members of the Board of Revenue, of several District Collectors and of several other public men who served as members of Municipal Commissions. As an illustration of the general trend of thought a few sentences may be quoted

from the letter addressed by Mr. Hathaway, the Collector-President of the Municipal Commission of Tanjore.¹ 'With the present prospect of a large addition to this burden of work, there is a general inclination on the part of non-official members to resign altogether. They are the more disposed to it from what they consider the evident tendency towards making municipalities subserve imperial, not local, ends. . . . They see in the law a mere plan for getting public imperial work done by private unpaid individuals under the disguise of an alleged local purpose. So too it is said that the training and education of medical practitioners, though exceedingly useful for the country at large, would give very little benefit to the particular town itself, as the medical appointments in it would be already filled up, and such students would have to seek their fortune in the world at large, though trained in this way at the expense of the town. The growth of such a body of men would be an imperial, but scarcely a local, advantage. . . .

¹ Printed in the *Papers relating to, etc.*

Again the complete exclusion of the town from any voice with regard to the numbers and pay of its own police is viewed with disfavour and it is said that the proposition of municipalities set out with the alleged object of promoting, non-official, independent action and local self-government, but is becoming a mere Government plan for saving money, with an utter hopelessness of independent power. . . . Whereas with a necessity of first meeting the requirements of the Government as detailed in the twenty-ninth section, it would be hopeless to expect that there would be any fund remaining for the particular thing that the town itself wanted, and to secure which the townspeople might be willing to undergo the somewhat heavy taxation imposed on it. . . .

There was also another danger lurking in the policy of the Government. Under the Act of 1865 the Governor-in-Council was empowered to define the limits of any town and extend the operation of the Act to it, which meant that immediately, the town would have to bear the cost of the police. It was not the size, the density of population, the

total number of inhabitants or the nature of their occupations that determined whether a particular locality should be styled a town but the mere fiat of the Governor. It was therefore possible that to save the cost of the police to the imperial treasury the Governor might declare merely bigger villages to be towns and subject the inhabitants thereof to additional taxation.¹ Every addition to the number of towns coming under the Act meant an advantage to the Government. This policy was fraught with evil as the number of real towns was very small and, as in the case of many of the so-called towns, the character of the occupations was mainly rural. The inhabitants in them were already assessed to land-tax and the extension of the Act to them would result in new taxes which it would be impossible for the people to bear. The danger of a too rapid extension of the Act became all the greater after it was amended in 1871, as the amendment resulted in Government withdrawing

¹ See the letter from the Secretary to the Board of Revenue, Madras, and the Minutes of Messrs. Robinson, Thornhill and Minchin on the Towns Improvement Bill, 1870, in the *Papers relating to, etc.*

all the grants-in-aid that it was under a statutory obligation to make to all municipal towns. As a matter of fact the Madras Government proposed in 1875 a very large increase in the number of Municipalities and to constitute any place of 5,000 inhabitants or upwards a municipality.¹ But it roused a great amount of popular opposition and naturally also as many villages with nominally 5,000 inhabitants were, in point of fact, collections of hamlets separate from each other and often scattered over several square miles of country and as the extension of the Act to them would have meant an unjust taxation of simple agricultural communities. To prevent hasty action like this it was suggested during the course of the discussions on the Bill of 1870 that a clause should be included in it defining precisely the population and area of localities to which the Act should be applied; but it was not accepted by the Government. Thus the desire to get relief for imperial finances made the Government anxious to extend the Municipal

¹ *M. L. C. P.* 1884. T. Rama Rao's speech on the District Municipalities Bill, *G.O.*, No. 2233 of November 19, 1875.

Act even to places which were not fitted to become municipalities and bear the so-called 'municipal' (but really imperial) burdens.

A few examples may now be given of the imperial or quasi-imperial services which during the period under review the Government threw or tried to throw on local bodies. The most important of them—and the one round which the fiercest controversy raged—was 'police'. Some of the grounds on the basis of which the cost of police was transferred to municipal towns have already been mentioned. When that was objected to, other arguments were brought forward by the Government. It said that in the pre-British period of Indian History, police forces were raised and maintained by local potentates and poligars, that that was the practice in other parts of India and in other countries like England, and that it was in conformity with the political principle that the watch and ward of every place must be looked after by the inhabitants of the place. But these arguments were not conclusive, and their unsoundness was demonstrated by many able officials and non-officials. They pointed out that history

did not support the position taken up by the Government. For, though in the days of Indian rule the control of the police was vested in local potentates like poligars, *kavalgars* and *menkavalgars*, the cost of the service was really met from imperial funds.¹ These officers were rewarded by a direct alienation of State revenues in the form of grants of land free of tax or taxed on favourable terms—revenues which but for the cost of the police would have flowed into the imperial treasury. While under the new scheme of local taxation, Government decided to retain control over the police and transfer its cost to municipal bodies, the practice under native rule was quite contrary in so far as it consisted in local control of the police combined with expenditure from State revenues. There was also another flaw in the arguments put forward by the Government. It was distinctly laid down in Regulation xxv of 1802² that, "The Government having charged itself generally with the maintenance and support of such establishments as

¹ Thornhill's *Minute supra*.

² Sec. 5.

may be requisite in the several provinces, *cities and towns for the better keeping of the police*, no lands shall be considered as heretofore, to be holden on the condition of performing police duties, unless the same was specially provided for in the *Sanad-i-Milkiyat-istimirar* (agreement entered into with the zamindars); and all lands and *roosms* heretofore appointed to the support of police establishments shall be disposed of in such manner as the Government may think fit.' This was a distinct recognition by the Government that it had taken upon itself the duty of providing a police force adequate to the needs of the people not only in the rural parts but also in cities and towns. It was in pursuance of this obligation that it incorporated into the general revenues of the country the fees that were formerly paid by the inhabitants of the several districts towards the cost of the police.¹ As was pointed out by the Hon'ble Mr. V. Rama Iyengar, 'To lay the people under contribution again, whether in towns or rural districts, for the same purpose, will

¹ Regulation I of 1816.

be regarded as a breach of faith.'¹ Finally, the appeal made by Government to political principle was equally unsound. Protection of life and property has always been regarded as the primary duty of the State. People living in towns had as much claim to it as those in the rural areas. They paid a large amount of money in the shape of indirect taxes and they were also occasionally called upon to pay an income-tax or a license-tax. Police protection was the minimum return that they were entitled to expect. The argument that towns required a larger police force was not conclusive as there were some rural areas also which required more police protection than others, but which were not on that score called upon to make a special contribution; and moreover the distinction between a town and a village was not very rigid—most of the so-called towns being merely bigger villages. The practice in England had no bearing on the question. In alluding to it the

¹ *Minute* appended to the report of the Select Committee on 'Towns Improvements Bill,' 1870.

Government displayed a considerable lack of consistency. In England it was not only the cost of urban police, but also that of the rural police, that was met from the proceeds of local taxation. This was the result of ancient custom and the people bore the charges willingly; they were even averse to transfer it to the State. Whereas, here, the Government proposed an unjust distinction between the town police and the rural police. In the second place, local bodies in England exercised complete control over the police in the locality; it was this that made the rate-payers cheerfully bear the charges. Here no such control was given to the Municipal Commissions of towns. Under the Towns Improvement Act of 1865, 'The Governor-in-Council shall determine and direct the number and discipline of police to be maintained in any town; the rates at which they are to be paid; and the buildings which are to be provided for their use. All such police shall form part of the General Police Force of the Presidency, and shall be appointed in the same manner, and shall be, in all respects, governed by the same rules as the police

enrolled under Act xxiv of 1859,¹ and, 'It shall be the duty of the President (of the Municipal Commission in a town) to pay on or before the first day of each month, from the municipal fund, into the district treasury, on account of the Government of Fort St. George, one-twelfth of the amount annually fixed by Government for the maintenance of the police in such town.'² Thus the duty of the Municipal Commission consisted merely in paying the cost. It had no voice in determining it. How different is the position in England! The truth is that, as in Ireland before it became a Free State, it was not possible or desirable that in India the Government should hand over the control of the police to the people themselves.³ The work of the police has to be partly political. Under these circumstances, it would have been a more logical course if the Government, while retaining control in its own hands, had not transferred the cost to municipalities.

That the policy promulgated by the Imperial

¹ Section 26.

² Section 35.

³ Letter of Gopalakrishnamma Chetty of Kurnool in the *Papers relating to, etc.*

Government was not quite reasonable was also shown by the halting attitude of the Madras Government on this subject. In the Towns Improvement Act of 1865 while providing for the municipal towns bearing the cost of their police, the Government agreed to contribute from imperial funds a grant-in-aid amounting to twenty-five per cent of the total expenditure incurred under all heads—police, sanitation, etc.—by each town.¹ That was because the Madras Government was not quite convinced of the legitimacy of throwing the police charges on towns. In the draft Towns Improvement Bill of 1870 the Government withdrew the twenty-five per cent grant while maintaining that towns should pay the cost of the police. There was much opposition to this and even the Governor-President of the Madras Legislature was forced to state that, 'If the true principles of local taxation are anywhere violated in this bill, it is perhaps rather with reference to the police than with reference to any other purpose.'² Expression was given to a similar opinion by Mr. A. J.

¹ Sec. 27.

² *M. L. C. P.*, 1870.

Arbuthnot when he said that, 'The Madras Government hold that the police is essentially an imperial charge. . . . The protection of life and property is one of the first objects for which Government exists, and although I am aware that a different practice obtains in England and in some other countries, I cannot but think that to defray a considerable portion of the ordinary cost of the police out of local funds is wrong in principle, illogical and indefensible.'¹ Holding views like these it is no wonder that the Madras Government did not persist in its original policy. In the Act of 1871 all clauses making police expenditure obligatory on towns were struck out.

But this relief was enjoyed by the municipalities only for seven years. In 1871 the Police Municipal Contribution Bill was introduced into the legislature, its sponsor being Mr. Robinson who was for a long time the Inspector-General of Police and who was the first to suggest (as early as 1858) a special police levy on towns.²

¹ *M. L. C. P.*, 1870.

² Arbuthnot's speech *M. L. C. P.*, 1865, introducing the Towns Improvement Bill.

The measure was very ably opposed by Sir A. Seshayya Sastry, but without effect. It was hurriedly passed into law and once more the municipal towns were called upon to defray the expenditure on police. This however proved to be very burdensome and in consequence, some municipalities were in danger of being reduced to bankruptcy. The Government therefore put the law into abeyance in 1881. This brief sketch of the attitude of the Madras Government proves quite conclusively how unreasonable and futile was the contention that the police should be a charge on municipal funds.

Similar disputes arose regarding the legitimacy of local taxation being used for expenditure on education—especially of the higher grade, on the training of teachers and medical practitioners, on the maintenance of civil dispensaries in towns which were largely resorted to by the residents of the neighbouring villages and on the construction and maintenance of imperial or trunk roads. It was already pointed out that in 1861 a distinction had been instituted between imperial roads and district roads, the former to be maintained from

imperial funds and the latter from local funds. It was in pursuance of this policy that the District Road-Cess Act was passed in 1866. This was however repealed in 1871 when the more comprehensive Local Funds Act was passed, in which provision was made for local funds being spent on the construction and maintenance of roads. Shortly after, the Government issued a resolution¹ stating that, 'Up to the present year the cost of constructing and maintaining trunk roads, which were designated as imperial roads, were met from imperial funds, the charges on district roads falling on local funds, of which the most productive latterly was the district road-cess, which cess was superseded by the cess on land provided for in the Local Funds Act. The sum which was likely to be available from the general revenues having been diminished by the reduction of the grants assigned for the services now classed as provincial, the Government deemed it expedient at the beginning of the present year to abolish the distinction between imperial and district roads

¹ *Fort St. George Gazette Supplement*, March 26, 1872.

as regards the source from which the expense of constructing and maintaining them is defrayed, and to constitute the communications a charge on local funds.' Thus, even the maintenance of imperial roads was made a charge on local taxation. At first however the Government gave a grant-in-aid towards this purpose which amounted to Rs. 15 lakhs in 1872-3; but it slowly dwindled to Rs. 3 lakhs in 1876-7 and Rs. 47,500 in 1881 out of which Rs. 33,300 was allotted to the Nilgiri district alone. The result was that with the object of obtaining relief for imperial finances the Government threw on local bodies a charge which everyone recognized to be a legitimate item of imperial expenditure. The absurd lengths to which the Government was prepared to make inroads on local taxation for imperial purposes was shown by its attempts in 1870 to construct sub-jails and taluk *cutcherries* from the proceeds of local cesses,¹ though in no sense could it be said that these buildings served a local purpose.

¹ Rama Iyengar's Opposition, *M.L.C.P.*, 1870. Arbutnot and the Governor speaking in support.

From the above comment follows the conclusion that it would have been far better and more statesmanlike, if, in early days when the Government was making the first experiments in local taxation, subjects like sanitation, drainage, water-supply, lighting, etc., had been given prominence and all those other purposes about which there was controversy had been completely shut out from the sphere of local government. The resources of local and municipal bodies were after all very limited; the only way in which they could have been best utilized was by devoting them entirely to objects of purely local interest. Such a policy would have established local and municipal finance on more popular, and therefore stronger, foundations. It may be interesting to note in this connection that the attempt made in the period after the civil war in the United States to establish State control over municipal police without State contribution towards the expenditure, did not meet with success, and that it was only by means of State subventions that in England the National Government acquired the right of inspecting the

municipal police and enforcing to some extent its own standards of efficiency.¹

(b) NEGLECT OF THE ELEMENT OF 'SELF-GOVERNMENT'

IT now remains to see how far the training of the people in the art of self-government which was regarded as one of the merits of the policy of local taxation was carried into effect in the various legislative measures passed after 1863. In this connection the expression 'self-government' is understood—as it is ordinarily done—as government by the elected representatives of the people who feel a sense of responsibility to the electorate in so far as the latter are given opportunities of pronouncing, during the oft-recurring general elections, their judgment on the work of those in authority. This is the sense in which England, the United States of America, France, etc., are said to enjoy self-government. Any system where those in power are not elected to their position by

¹ Munro, *Principles and Methods of Municipal Administration*, p. 269-72.

the people—whatever its other merits may be—has no title to be regarded as self-government. There is nothing to show that the term was used in a quite different sense either by the Government of India or by the Secretary of State. But when we examine the nature of the local and municipal machinery actually created, we find that there was a wide departure from the recognized meaning of the term, and the institutions were not all in conformity with the principle of self-government.

The constitution of the mofussil municipal bodies may be taken first. They were organized by the Towns Improvement Act of 1865. Each town to which the Act was extended was placed under a municipal commission consisting of (a) the magistrate of the district in which the town lay and the officer in charge of the Public Works Department in the division, as ex-officio members¹ and (b) not less than five other inhabitants appointed by the Governor-in-Council and removable by him though their ordinary term of office was fixed as one year.² The magistrate was the

¹ Section 7.

² *Ibid.*, 6.

ex-officio president of the commission and he was further empowered to nominate from among the commissioners a Vice-President.¹ This mixed body of officials and nominated non-officials may be regarded as the characteristic product of British political genius in India; and it was with that that municipal organization started in the Madras Presidency. Six years later a new Towns Improvement Act was passed which did not introduce any fundamental changes in municipal constitutions. The Collector continued to be an ex-officio Member and President.² Instead of the Public Works Department Officer, the Revenue Divisional Officer was made the second ex-officio member.³ The number of other commissioners was to be not less than three. The Governor-in-Council was to appoint them, and he was also empowered to remove them from office, though ordinarily they might hold office for three years.⁴ The Vice-President was to be nominated by the Governor instead of

¹ Section 8.

² *Ibid.*, 8 and 10.

³ *Ibid.*, 8.

⁴ *Ibid.*, 7.

by the Collector.¹ There were however two important provisions of a noteworthy character. One was that the total number of the ex-officio and nominated officers of the Government should not exceed one half of the total strength of the commission.² The other was the power given to the Governor-in-Council to permit the election of a certain number of commissioners by rate-payers and the election of the Vice-President by the Commissioners.³ The Act of 1865 did not fix the proportion between the official and the non-official element; moreover the object of the Government then was to keep low the number of officials. This was due to two considerations. The Act of 1865 divided the functions of the municipal commissions into (a) obligatory and (b) optional. The expenses under the first head, for each town, were fixed by the Governor-in-Council, and the duty of the municipal commission consisted merely in raising the necessary funds. Consequently the low official strength was not a matter of great consequence

¹ Section 10.

² *Ibid.*, 10.

³ *Ibid.*, 9 and 10.

from the standpoint of the Government. How much money the Commission had to raise for maintaining the police and the other obligatory departments was settled not by its vote but by the will of the Governor. Under the Act of 1871 this division of functions was discarded, and all functions were made obligatory in character. At the same time the clause empowering the Governor to fix the expenditure was removed, specially because under the new Act the Police ceased to be a charge on municipal funds. Government therefore did not like to have a preponderating non-official element as it might lead to difficulties in raising the necessary funds. The power of initiative in determining expenditure being transferred to the municipal commission it was thought desirable that the official element must be strong enough to influence and dominate that body. A second reason for the low proportion of officials under the Act of 1865 was the fact that the Government had not much interest at that time in the so-called optional functions, and it did not therefore want to bear the odium of raising taxes to be spent on them—odium which

it could not have escaped if a large proportion of members on the town commissions consisted of its own officers. With regard to the provision for election, no action was taken until 1877-8. In that year orders were issued permitting the election of half the number of Commissioners in ten out of forty-eight municipalities;¹ but as the rules for the conduct of elections were even then under consideration the permission could not be taken advantage of till September 1, 1879.² As it was decided that election should apply only in regard to vacancies occurring from that date it could be put into effect only in four municipalities during the year 1880-1³—so slow to move was the Government in the matter. As a new Act was introduced in 1884, consequent upon the change in the angle of vision due to the famous resolution of Lord Ripon, it may be said that under the first two municipal acts the elective system was not given any chance of showing its applicability to Indian conditions and its usefulness. There was therefore no element of self-government

¹ *Madras Administration Report*, 1877-8.

² *Ibid.*, 1878-9.

³ *Ibid.*, 1880-1.

in the municipal constitutions of the first period.

The constitution of the city municipality of Madras was not better. Until 1865 its affairs were managed by three Commissioners appointed by the Governor-in-Council and holding their office at his pleasure. This administration of the metropolis by a nominated body was felt to be anomalous, and in the very first year of the restoration of the Madras Legislature, a bill to substitute a popularly elected body in the place of the then Municipal Board was introduced by a private member—Mr. Sadagopacharlu—and referred to a select committee.¹ The latter presented its report in 1863.² But owing to the death of the author of the bill and the unfavourable view expressed by the Secretary of State on the system of election, no action was taken on the report.³ In 1865 the Government introduced a measure primarily to make the municipality

¹ *Fort St. George Gazette Supplement*, 1862.

² *M.L.C.P.*, 1863.

³ Speech of Mr. Philips, the mover of the Madras Municipal Bill, *M.L.C.P.*, 1865.

contribute towards police expenditure and enable the Commissioners to raise the necessary funds. No change in the constitution was at first contemplated. The provision for the appointment of the three Commissioners was discussed and passed. But at a late stage, a petition was submitted by some influential citizens of Madras asking for a representative element to be introduced. Either the petitioners did not make their meaning clear, or their spokesman in the council—G. Lakshminarasu Chetty—had confused ideas regarding the meaning of representation. A compromise was arrived at by which in addition to the three paid Commissioners, for whom provision had already been made, the Governor was empowered to appoint from among the residents of the city three more unpaid Commissioners. Thus a nominated non-official element was introduced into the city municipality. The president of the municipality was to be appointed from among the paid Commissioners by the Governor-in-Council. From this it is clear that there was nothing in the nature of self-government in the re-organized body. The agitation for a

representative element grew in strength, but the only change that the Government introduced in the Act of 1867 was to divide the city into eight wards and nominate four members from each. Instead of three nominated non-official Commissioners there were hence-forward thirty-two. The President, the Assistant President and the other high paid officers like the Engineer, were all appointed by the Government. It was only in the Act of 1871 that, on the analogy of the Towns Improvement Act of the same date, provision was made with the previous sanction of the Governor for the election of a certain number of Commissioners. Finally by the Act of 1878 it was laid down that sixteen out of the thirty-two non-official Commissioners should be elected by the rate-payers. Thus even in Madras city, the elective system was slow in asserting itself.

With regard to rural areas the policy of the Government was not different ; in the earliest days it was even worse. The land-cess which was in force in some of the districts was assessed, collected and spent by the revenue officials of the

Government from 1853 to 1866. No committees with at least a nominated non-official element were formed during this period. The District Road-Cess Act was passed in 1866 and the obligation to pay a land-cess of six pies in every rupee of land assessment was extended to all districts and to the zamindari as well as the ryotwari lands in each district. Even then the Collector of the District was the sole authority entrusted with the collection and expenditure of the amount. This continued till 1871 when the Local Funds Act was passed. The amounts collected and spent under the District Road-Cess Act were not insignificant. They came to about Rs. 30 lakhs on the average per year. In the corresponding period the revenues raised by all the municipal towns averaged about Rs. 10 lakhs per year. While in raising and spending the smaller municipal revenues Government thought it necessary to obtain the co-operation of non-official Indians, such a thing was not even thought of in connection with the larger local funds of the rural areas. Under the Act of 1871 provision was made for constituting local fund circles—either one or more for each district,—

and for the appointment of a Board in each circle.¹ The Board was to consist of (a) three or more residents of the circle appointed for the purpose by the Governor-in-Council ordinarily for a period of three years² and (b) the Collector of the District as an ex-officio member along with other officers nominated by the Governor-in-Council provided that not more than half the total number of members of the Board were officials.³ The Collector was to be the ex-officio President, and the Vice-President was appointed from among the members by the Governor. There was no provision whatever for the introduction into any of the boards an elective element even at a later date, as was provided for in the Towns Improvement Act and the City Municipal Act of 1871.

It will be interesting to note why the Government was unwilling in those days to institute elective bodies in local and municipal government. It was recognized by several eminent observers that there was no dearth of self-governing institutions in the past in India,⁴ not in the remote past,

¹ Section 3.

² Section 4.

³ Section 5.

⁴ Laing's *F. S.* 1861 *supra*.

but during the early days of British rule. It was also known that the voluntary contributions raised for municipal purposes in some of the towns of the presidency were managed by representative committees. It was committees elected according to the indigenous traditional fashion by the different classes of people that raised large funds in the Panjab, and administered them successfully in improving the health and comfort of towns before a regular municipal act for that province was passed in 1866.¹ In the Madras Presidency again it was the practice for large classes of people to combine together for the support of charities by subscriptions and the subscribers did not fail to show their wisdom in choosing the managers required to supervise the administration of these funds. There was therefore no reason to suppose that the rate-payers would be less wise in electing proper men to sit on the local bodies.² Everywhere a sufficient number of persons possessing the requisite knowledge and ability

¹ Brandreth's Speech, *I. L. C. P.*, 1866, p. 234.

² Letter of Mr. Happell, Vice-President of the Ellore M. C. in *Papers relating to, etc.*

could have been found willing to serve the public, though it might be that they had not had a regular school education. Conditions were not therefore unfavourable for the introduction of the elective element at least on a partial scale to start with.

But responsible men connected with the government of the country had not real faith in the professions they made. For example, the Governor of the Madras Presidency, conducting the deliberations of the Legislature during the discussions on the Madras Municipal Bill of 1865, observed that he did not believe in the possibility of transplanting to a country, such as India, institutions which had grown up in England. 'Representative institutions had been slowly developed in England and some centuries of practical political education had fitted the English people for self-government. The histories and the circumstances of the two countries were entirely dissimilar, and he should, therefore, *prima facie*, be inclined to regard with suspicion, any scheme which sought to import the representative system into the administration of Indian affairs. Such an attempt would be especially objectionable in

the case of municipalities.'¹ The great jurist Mr. Maine speaking on the North-West Provinces Municipal Committees Bill in regard to which an amendment in favour of election was proposed by a non-official (European) member stated, 'Speaking as an English member of council he must say that it was surprising that the natives of India should be fit for Municipal government at all. . . . As, however, gentlemen of great local experience assured him that it was possible here to have municipal institutions with no more than a reasonable amount of corruption and mismanagement, he of course bowed to their opinion. But if it was surprising that municipal institutions should flourish at all in this country, still more wonderful was it that they should, in any case, be based on a system of popular representation . . . Considering how native society was divided into castes and sects and religions and races, it was surprising that there should be practicable anywhere a system of municipal election at once fair and free. . . .'²

¹ *M.L.C. P.*, 1865.

² *I.L.C. P.*, 1868

The stock arguments against election which were very often repeated in the debates were (1) that the system met with a sad failure when it was introduced into the Calcutta Municipality, and that it could not be a success in other towns of India if it failed in the metropolis with its large proportion of educated people. To the officials this was a conclusive argument.¹ (2) It was also argued that respectable Indians would think it beneath their dignity to go about canvassing for votes, that election would result in unworthy people getting into the councils and that the system of nomination was a better guarantee of the worthiest men available being placed in authority. This was the reason why the mover of the bills of 1871 spoke in an apologetic tone while referring to the clauses bearing on the question of election. He said, 'The council may trust to the Government not doing anything rash and that the plan of appointment by election will not be generally adopted before there is

¹ Speeches of Mr. Philips, and Mr. Ellis on the Madras Municipal Bill, 1865, *M.L.C. P.*, 1865.

satisfactory reason for thinking that it will work.'¹

(3) A more powerful argument was that the Indians were quite ignorant of the principles of sanitation and hygiene, that they had in respect of these matters peculiar prejudices and superstitions and that consequently it would not be safe to give them the right to elect representatives lest the latter should not act courageously in imposing taxes on their constituents required for conservancy purposes. The elective system, it was declared, would result in the utter defeat of some of the most important objects of municipal legislation. All this was a matter of opinion. It was not based on any experiments conducted in the past and on the data furnished by actual experience. For it was observed by Mr. G. Lakshminarasu Chetty,² 'As far as the natives however are concerned, I may confidently say that they have not the great objection to being properly taxed and controlled in matters of conservancy supposed by Mr. Ellis to exist. They are getting daily more and more alive to the importance of sanitary

¹ *M.L.C. P.*, 1870.

² *Ibid.*

measures. All that they require is (and this is a sign of the times, a feature in the growth of age), that they should have a voice in the carrying out of those measures. Whatever may have been the failures in Calcutta of any representative or quasi-representative system, it is hard upon Madras, that she should be denied a trial of them. If we are not fit for a representative system in municipal matters when are we likely to be so? And are we ever likely to be so, if even a small instalment of the system is now to be withheld from us?' In the legislature constituted as it was in those days, the spokesmen in favour of self-government were few and far between; and, as has already been shown, the local and municipal bodies that were created at the start were not of the type advocated by Mr. Lakshminarasu Chetty but belonged to an entirely different model without any of the features of self-government in them.

Leaving contemporary opinion apart, in the light of subsequent history it may be confidently asserted that the introduction of the representative system, at least in towns, would not have

affected the safety or the efficiency of administration. The conditions that were favourable for its success have already been referred to. There was no danger of ignorant people being called upon to administer affairs beyond their knowledge ; for the electors as well as the elected had in reality more and better knowledge of the locality and its wants than the itinerant officials and as much knowledge at least as the nominated councillors. Moreover it was not a question of defence, foreign policy, law and order where even a slight mistake committed by those in power might imperil the very existence of the State. Municipal affairs are on a far lower plane, and mistakes, if any, may be tolerated with equanimity and patience. Municipal administration was also a field where it was not possible to secure results at a rapid pace, as very much depended on financial resources. Nominated bodies were not able to collect more than Rs. 10 lakhs on the average per year from all the forty-seven municipal towns before 1871 ; and elected representatives could have done at least as much. Even if less had been collected and spent, it

would not have made the condition of towns worse than what it was before 1865, but it would have meant a slower but steadier rate of progress. And if, after all, people had to be trained in the art of self-government, it cannot be said that there was any other field in which a beginning might have been made with less risk and fewer chances of failure.

The hesitation of the Government in this respect is all the more deplorable as on all matters of local and municipal administration the real control lay with the Government itself, and the municipal bodies could not have abused their power in any way. Under the Towns Improvement Act of 1865 the Governor determined the total expenditure to be incurred by each town commission in connection with the police, conservancy and roads.¹ His sanction was necessary for raising any sums to be spent upon the optional functions.² The annual statement of receipts and expenditure had to be approved by him.³ The rate at which the taxes provided

¹ Section 26.

² *Ibid.*, 29.

³ *Ibid.*, 31.

for in the Act, could be levied was settled only with his sanction. If necessary funds were not raised by the Commissioners, the Governor could direct the President (who was the Collector of the District) to do so.¹ And all bye-laws passed by the Commission had to receive his approval.² Except the determination of the expenditure for obligatory functions all the other features referred to were repeated in the Act of 1871. The power that the Government reserved under the Local Funds Act of 1871 was even greater. Nothing was left to the local board in the matter of levying rates.³ That was done by the Government itself on its own initiative. The ministerial officers required, as well as their salaries, were fixed by the Government.⁴ For all practical purposes the Board was only a department of the State carrying out the orders communicated to it by the Government. Even the city municipality of Madras did not receive better treatment. The Governor determined the salaries of the President and the other paid Commissioners. His approval

¹ Section 28. ² *Ibid.*, 145. ³ *Ibid.*, 36. ⁴ *Ibid.*, 23.

was necessary in regard to the budget which he could pass, modify or reject. There was the penal clause in the Act of 1867 under which he could direct the President to levy all or any of the taxes in case of the Commissioners' failure to raise the necessary funds. Thus centralization was the guiding principle of action and the power actually delegated to the local bodies was insignificant. It is therefore all the more surprising why the Government refused to make them representative. It could have controlled them effectively and prevented them from falling into inefficiency.

The Village Cess Act of 1864 deprived the people of even those relics of self-government which they had enjoyed in the villages in former times. Previous to that year the village establishment consisting of the *Karnam*, the *Kapu*, etc., were paid in kind by the villagers. This was a custom coming down from times immemorial. It bound the inhabitants of the village into a sort of community and made the members of the village establishment feel that they were its servants and bound as such to

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carry out its wishes. Somehow or other, the collection of fees payable to them became irregular and difficult. To some extent it was the result of a feeling on the part of the inhabitants that the *Karnam*, etc. regarded themselves more as the servants of the Government than of the community and that they were growing remiss in the performance of the communal services. Under these circumstances the Government thought it necessary to interfere so that the village servants might get their fees regularly paid to them. But the measures adopted by the Government for this purpose proved detrimental to communal interests. A law was passed abrogating the fees in kind and introducing in its place a money cess not exceeding one anna per rupee of assessment. The cess was collected by the Government along with land-revenue and was constituted into a fund from which such of the village servants as had dealings with the Government—and that meant the more important servants—were remunerated. Instead of the village community being the pay-master, the Government occupied that position. The community consequently lost all hold over them.

They began thenceforward to regard themselves as the representatives of Government and therefore as the official masters of the village. The bond between the leaders of the village and its inhabitants was thus severed and that disintegration of the communal life which had, during the last half a century, overtaken almost every part of the Presidency set in as a consequence. The danger was perceived by the Collector of Ganjam who addressed a communication on the subject to the Government in which he stated that, 'The old system of leaving village officials to look to the ryot for their fee is the most efficient means of securing fidelity to the interests of individual ryots. . . . It is well-known that in the village-system we have the germs of municipal organization, or rather, to speak correctly the relics of a complete though simple form of municipality. . . (It is better) to keep the village functionaries in the relation of paid servants to the community as well as to the Government, than to constitute them the extremities of an unmixed centralization.'¹

¹ *Fort St. George Gazette*, 1864, January 19.

This Act was doubly injurious as it meant the raising of a local tax for expenditure on a department which had become purely imperial in character from 1864. The only duties of the village officials who were paid from the new fund were to collect the revenues due to the Government and carry out in the locality all the orders issued by superior officials. They did no work of a local character. It would have been more logical if the Government had done away with contributions by the villagers and paid the officials from State funds. Here again the motive of obtaining financial relief irrespective of its other consequences played its part. The Act applied to a few districts at first; it was in course of time extended to the whole Presidency; and it was only after it worked out its evil consequences that it was repealed and the villagers exempted from the payment of the cess.

The only measure of this period in which were combined to some extent the principles of local taxation and of local self-government was the Education Act of 1863, which may be regarded as the first statute on the subject of local

self-government in this Presidency. Some of the circumstances under which it was enacted have already been referred to. The immediate cause of its passing was the danger that threatened a large number of 'rate' schools in the district of Godavari. In the delta tracts of that district a number of schools were maintained for some years from the proceeds of a voluntary education rate to which the inhabitants of the locality originally subjected themselves. The rate was collected and administered by the revenue authorities and nearly one hundred schools were established on its basis. But, as there was no legal means of enforcing the payment of the rate, there was the risk of subscriptions falling into arrears, necessitating perhaps the closing of a previously flourishing school. The danger of such a contingency was all the greater as the rate-payers had no share in the management of the schools (which was in the hands of revenue officials) and as the burden of the rate was not equitably distributed.¹ There were several

¹ Statement of objects and reasons: speech of Mr. Arbuthnot, *M.L.C.P.*, 1863.

localities without a school, the inhabitants of which however were originally persuaded to pay subscriptions; and even in places having a school the rate was collected only from holders of land—which was an easy task for the revenue officials—whether they had, or had not, any children attending the school, while artisans and traders were exempt from it. So, this quasi-voluntary system was in danger of collapsing. The prospect was disquieting to the Government which had set its attention on a progressive educational policy since the despatch of 1854. It decided to carry out some measure which would ensure the continuance of at least a few of the Godavari schools and with that object passed the Education Act of 1863.

Under this Act the Collector of the District was empowered to constitute, in every locality which had a 'rate' school, a committee consisting of the Inspector and the Deputy Inspector of Schools and a number of respectable persons *chosen in consultation with the inhabitants therein* unless within two months of the passing of the Act the people petitioned against the continuance of the school.

The Committee was authorized to levy a property rate on *all* the residents according to bye-laws approved by the Government and manage the institution themselves. The Collector and the other revenue officers were purposely excluded from the Committee as the intention was to give it as much freedom and independence as possible. The Act also contained a provision in accordance with which it could be extended to localities in any other district at the wish of the inhabitants in them.

The Act had however one serious flaw which led to its failure and ultimate repeal in 1871. It was the section which empowered the inhabitants of a locality with a rate-school to say once in five years whether they desired the continuance or not of the school. The people were, as it were, given an opportunity of reviewing their conduct once in five years. The result was that as enthusiasm cooled down and as the burden of the rate came more and more to be felt, petitions could be submitted for the closing of schools. That was exactly what happened. It was also found that in smaller villages there were not many

competent men to be chosen as members of the committees. Though the Act was extended by 1871 to nine districts there were in all only one hundred and four schools maintained from the education rate. In Godavari itself out of the original one hundred schools, forty-eight alone remained in working order.

This failure of the Act of 1863 is not a condemnation of either the representative local committees or the compulsory education rate. It only reveals the defective nature of the Act and in particular of the section dealing with the review once in five years. This was in a way going back to the voluntary system which experience showed to be a thorough failure. With such experience behind it the Legislature ought not to have mixed together the voluntary and the compulsory system. Though the consent of the people might have been deemed necessary for the introduction of the Act in a given area, the consent once given should have been regarded as irrevocable. How many municipalities and local boards can thrive if the statutes regulating them contain a similar clause?

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