INDIAN GOVERNMENT

COMMERCIAL FAILURES.

BY

ROBERT BROWN,

AUTHOR OF "BRITISH RULE IN INDIA."

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GLASGOW:
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CHAPTER I.

LOSS BY EXCHANGE.

ON 9th September, 1887, the yearly farce of the Indian Budget discussion was performed at Westminster by a House which at one time numbered 12 members, and narrowly escaped being counted out, although four days later no fewer than 315 took part in a division on the all-absorbing subject of Ireland. Indian affairs are decidedly uninteresting, except in the event of a Russian scare, and Indian Accounts, it must be confessed, have a forbidding aspect of complexity; but if there be any truth in Mr. Gladstone's foreboding that by-and-by the people of these islands may have to take upon their own shoulders the burden of India's debt, it is surely worth making an effort to understand the case. At the very outset the student who desires to compare India's present position with that of a former period is met by the difficulty of a radically unsound system of book-keeping, which necessitates compensating calculations, and which is every year making the confusion worse confounded. These calculations I find it impossible to make, and therefore, although conscious that I am sometimes stating amounts which are more or less fictitious, I am compelled to accept the Government figures as they stand. It is surely unnecessary to insist that income and expenditure must be correctly stated in public as well as in private business, if the business is to be carried on successfully.

The mystification in question arises from the mysterious entry "Loss by Exchange," which has regularly appeared in the

Indian Government accounts ever since the fall in the value of silver began. Over this official heads are gravely shaken, and suggestions are made for averting from the country a dreaded monetary crash. The amount of the item in the Revised Estimates for 1886-87 is £5,252,600, and there is no saying how much higher it may rise. Such an annual loss would, doubtless, be a serious matter, but the truth is that, except to a small extent, the loss is purely a thing of the imagination, and in view of the substantial burdens which India has to bear through the extravagance of our administration, it is difficult to resist the impression that the cry is found useful in withdrawing attention from the real cause of the embarrassment.

The rupee, once worth 2*s.*, is now reduced to about 1*s.* 4*d.*, and, of course, during the period covered by the fall some person or persons who happened to be holders of the coin, or who had debts due to them payable in the coin, lost 8*d.* per rupee; but it is surely a work of supererogation to prove that a fresh loss of 8*d.* is not incurred when the coin subsequently changes hands, or that the holder is not justified in writing off an annual loss of 8*d.* on the same rupee. Yet this is precisely what the Indian Government is doing, and if the same system of book-keeping is to be kept up for the next two or three centuries, India may well groan in prospect of the phantom burden which her children will have to bear.

To be exact, the Indian Government's theory is that so long as the rupee circulates in the country it is as valuable as ever, but that when it is sent out of the country its purchasing power becomes suddenly reduced, and, accordingly, the so-called "loss by exchange" is only entered on money remitted to England. But how does this theory square with facts and with their own practice? Of course if the theory were sound, and if Government were, like a merchant's clerk, receiving a fixed number of rupees wherewith to do the same amount of work as formerly at home and abroad, they would be in the same evil case as the Israelites of old when required to make bricks without straw. But a Government is only a part of the daily economy of a country, supported each year by the current yearly earnings of the people, and therefore, the question of the loss sustained by

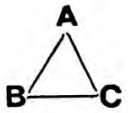
Government resolves itself into the wider question of what is the loss sustained by the country. An extreme case will afford the best illustration. Suppose that the whole stock of silver, coined and uncoined, in the country should take to itself wings and fly away, what would be the consequence? Without doubt the country would be poorer, and that *at once*, (not at some future date) but to what extent? The farmer's crops, the merchant's goods, the houses, ships, land, and cattle would still exist, and whoever possessed property of any kind would be able to procure any other kind of property which he desired in exchange. Even Government would find it possible to collect the taxes and to pay its way. In the days of Solomon silver was nothing accounted of, and in the quite conceivable case of silver again becoming so plentiful as to be nearly valueless (say 1*d.* per rupee), silver plate might be in every working man's house, while in the Government offices there would be mourning and lamentation over the fearful "loss by exchange."

The official theory produces some strange arithmetical anomalies, *e.g.*, £1,000,000 is raised by loan in England for a public work in India, and when remitted becomes ₨.15,000,000 or thereby, but when the work is executed and the accounts sent home they show an expenditure of £1,500,000, as 10 rupees must be held equal to £1 sterling. Or, again, a purchase of goods £100 true value in England appears—

By amount remitted,	₨.1000 =	£100,	- -	£150.
" loss by exchange,	500 =	50,	- -	

and yet the same goods, imported into India by a merchant, might be bought in Calcutta by the Government at the price of ₨.1500, in which case they would not say they had lost anything. Disbursing in both transactions the same number of ₨., they by the one method pay merely the market value of the goods, and in the other they incur a loss of £50. It is scarcely necessary to add that the British manufacturer never fancies he has received £150. Such a parody of book-keeping or financing reflects little credit on men who have passed the Civil Service Examinations. How old Euclid would have laughed at their application of his axiom, that "things which are equal

to the same thing, or to equals, are equal to one another," and yet mathematics stand second highest in value among the examination subjects! With the full concurrence of Adam Smith he would have put the matter in a diagram, thus—Let **A** be the Goods, **B** £100, and **C** ₹1500. If **B** and **C** are each equal to **A**, then **B** and **C** must be equal to one another.



In point of fact the people of India are yearly importing silver at its reduced value, and paying for it with the produce of each successive year's industry. At the same time they are, each year, by the medium of this silver, contributing their annual taxation in the ordinary way. But it may be urged on behalf of the Government that this is just one of the things that make the loss so heavy, viz.—that a large portion of the taxation, such as land tax, is fixed for a long term of years, and that, therefore, the number of rupees cannot be increased in compensation for their reduced value. It is quite true that this involves a loss to the Exchequer, but "exchange" is not the cause of it, and indeed the amount so lost by the Exchequer is gained by the farmer. His crop is worth in the markets of the world just what he can get for it in competition with the produce of other countries; he can take payment in any commodity he pleases, and if he elects to take rupees from a foreign buyer he gets the rupees at their current value. At the present time he gets about three for every two he would have got when silver was at its old value, and if his contract with Government was made so long ago he has one rupee to keep in his pocket for every two he pays to the tax gatherer; but if, other things being equal, he was able to pay two at the date of signing the contract, he is just as able to pay three now.

That the action of the Government is not always consistent with its theory is only what is to be expected, of which we have an illustration in the account of the Mint. On the revenue side there appear two items—

Seignorage on Silver—	Calcutta,	£59,164
Do.,	Bombay,	143,393

which apparently means the difference between the price of the

bar silver purchased and the fictitious value at which the coined rupees were put into circulation. If the bar silver is paid for in rupees of 2*s.* each, intrinsic value, there can be no profit. The account shows no "loss by exchange" on silver purchased, while on general stores it does. Surely if there was a loss incurred on the one purchase the other could not escape. In the matter of salaries the same inconsistency appears. If a clerk who has just received his salary in rupees should express a preference for gold, will the paymaster give him gold? Probably he will, but, if so, he will take back the rupees only at or about the current rate of exchange, although the previous minute he asked the clerk to believe that they were worth 2*s.* each. In the case of the army circumstances have proved too strong for the paymaster, and he has had to abandon the attempt to make 1*s.* 4*d.* pass for 2*s.* He still succeeds with some higher salaries, but to enforce the theory with the soldier's 1*s.* per day would have emptied the barracks, and by Royal Warrant he has to pay the *bona-fide* shilling. Of course he maintains he is losing money in an incomprehensible manner, and calls the extra rupees "loss by exchange."

In the matter of interest on debt inconsisteny approaches very near to dishonesty. If the money was originally borrowed for and judiciously expended on a profitable object, such as a railway, and interest guaranteed in rupees, Government would pay its interest with rupees worth perhaps almost nothing—rupees manufactured from silver which the Mint authorities had bought for next to nothing, and, by the simple process of stamping, converted into round things worth nominally 2*s.* Yet the railway would stand as it did, earning its revenue by carrying goods and passengers at the current value of such service, and paying its working expenses and cost of upkeep at current market rates, precisely as it did all the years it has existed, and precisely as a new railway constructed at the present day would do either in India or any other part of the world. Some of our home railway companies have debenture debts bearing 5 per cent. interest, although now they could borrow at 3½ per cent., and the only reason ever assigned for continuing to pay the higher rate is that they made a bad bargain

and must stick to it. Were these companies of the same mind as the Indian Government they would buy rupees at 1*s.* 4*d.* and pay their creditors 15 rupees for every £1 due. They would further enter these 15 rupees in their books as equal to 30*s.*, and amuse themselves with a lament that "loss by exchange" had increased their 5 per cent. burden to 7½ per cent. Probably public ridicule would soon get them out of their eccentricity. Yet silver is the same price in India as in Britain; it is bought and sold in the same way, and the folly or wisdom of the operation is the same in both cases.

I have gone thus fully into the economic heresy of the "loss by exchange," because, until it is got rid of, there is no hope of our getting a correct statement of India's financial position; and it is an encouraging sign that the absurdity of it is beginning to dawn upon the Indian Finance Rip van Winkles, who are now rubbing their eyes and trying to realise the changes that have developed since they went to sleep over the good old rupee. Their latest idea is that the value of the rupee varies with the nature of the debt to be liquidated by it, the "loss by exchange" thus ranging from nothing to about 8*d.* Is this a new development of the mathematical theory of fluxions? It seems much the same thing as saying that a grocer's weights may be up to legal standard when he is manipulating sugar, but that their specific gravity suddenly changes when they are put against tea or coffee.

Instead of harping upon this imaginary loss the Government would be much better employed in studying how to get over their real losses, losses which constitute heavy burdens upon a poor people, which check the commerce and industry of the country, and prevent the development of a potentially splendid market for British manufactures already within our reach, were we wise enough to let it develope naturally. I believe that the worst possible thing for a commercial or industrial undertaking is to entrust it to Government management, and theoretically the Indian Government admits that it has too much of that kind of work on hand. I have unbounded confidence in the ability and the willingness of private enterprise to do for India whatever man can do. I fear that the only reason why

private British enterprise and capital do not flow so freely to India as to other lands is simply that they are not permitted to do so, and I urge that, *bona-fide*, all impediments be removed. In the following chapters I propose, by an analysis of the Government accounts, to show what results the present system has produced.

CHAPTER II.

RAILWAYS.

First in importance of the Government Public Works stand Railways, and in endeavouring to understand this particular subject the same difficulty meets us as in the general subject of Government book-keeping, viz.—complexity. Railways are constructed partly from money raised by loan expressly for the purpose, partly from ordinary revenue, partly from the so-called "famine insurance fund." These funds are partly "imperial" and partly "provincial," and certain monies are said to be applied in reduction of debt by sinking funds or terminable annuities. The purposes for which they are constructed are various, partly for the ordinary commercial purpose of earning a dividend by serving the public, partly to prevent or mitigate the horrors of famine, partly for the purely military purpose of enabling the Government to throw troops into Afghanistan and Beluchistan whenever a stray Russian shows face there. They are of 5 different gauges—5 ft. 6 in.; 4 ft.; 3 ft. 3⅜in.; 2 ft 6 in.; 2 ft. Lastly, they are constructed on various principles —(1) by Government directly; (2) by private companies with a guaranteed minimum dividend; and (3) by *so-called* private effort. From all these considerations it will readily be seen that there is abundant opportunity for mystification. But, putting aside all minor issues, the point to which an intending investor naturally gives his first care, "What dividend shall I get?" here, as in other undertakings, claims precedence. In ordinary circumstances this question may safely be left to the parties concerned, but India is in the unfortunate position that her tax-

payers have no say whatever in determining the risks to which they shall be exposed, and in this one item of Railways enormous liabilities are being piled upon their shoulders, whether they will or not. The total amount expended upon Indian Railways till 31st March, 1886, is £155,600,309, on which the nett profit to the Government for the year 1885-86 is £588,433 *less than nothing*, surely a disappointing result for the 33d year of a growing system, and even more disappointing when examined in detail:—

Loss on 5 Guaranteed Railways, -	£1,104,757	
Do. 46 State and Subsidised Railways, - - -	874,844	
		£1,979,601
Gain on 1 Guaranteed Railway, -	£121,443	
Do. 5 State Railways, - -	1,269,725	
		1,391,168
Nett loss on working proper, - - -		£588,433

But sundry items not included here are entered in the totals of Railway receipts and expenditure, the abstract of which stands thus—

Revenue total, - - - - - -	£13,684,084
Expenditure total, - - - - -	14,415,797
Nett loss to taxpayers, - - - -	£731,713

and the loss is expected to be even greater in the two years immediately to follow.

Of course, like railway directors at home, the Indian Government put on a cheerful countenance, and by the mouth of the Secretary of State inform us that the railways are paying the handsome dividend of 5¾ per cent. on their capital outlay at the very time that they present this balance sheet! They tell us, moreover, that nothing else can be expected so long as active construction of new lines is going on; and the 1884 Parliamentary Committee, in the same happy frame of mind, thought that the then "deficit was not a loss, but simply the price at which India had purchased the great advantages of some ten or eleven thousand miles of railway traversing the country in all directions, and enabling the people to move their produce and goods with

a facility which was unknown formerly." The Indian Secretary lays the blame of this unfortunate result partly on loss by exchange, and partly on the active construction of new lines presently going on. In the previous chapter I have disposed of the myth "loss by exchange." With regard to the other alleged cause there is a modicum of truth in the plea that the extension of a specific railway burdens *that* line with interest on the amount of capital for the time being unproductive, but the loss on the non-paying lines (nearly £2,000,000) represents, at 4 per cent., the interest on about a third of the whole capital invested since the first section was opened in 1853, all to be made good before any profit can be expected from those lines. Obviously the explanation is unsatisfactory, the more so when we observe that the loss is chronic, that between 1858–59 and the Budget Estimate of 1887–88, the guaranteed lines only once showed a profit, and that the whole railway system has uniformly shown a loss ranging from £23,697 to £2,178,956, the aggregate amounting to £35,048,368. In the recently published "Administrative Report of the Railways in India, 1886–87," from which these figures are taken, we are complacently informed of the gratifying fact that the total nett earnings on all the lines in 1886 yielded a return of £5 14*s.* 8*d.* per cent. per annum, as compared with £5 12*s.* 9*d.* in 1885. The same Report informs us that the capital of the railways bears interest at rates varying from 5 per cent. to 3½ per cent., and yet the nett *loss* on these two years is £508,879 and £1,177,900 respectively.

The following Table, from the "Accounts of 1885–86," gives the percentage of nett traffic receipts to capital outlay for that year on the various lines, and although it says nothing as to the amount of unproductive capital belonging to each, it helps to give us an idea of the comparative merits of the various sections of the railway system. I have taken the liberty of re-arranging them, dividing the lines which yield a surplus upon working expenses into two classes, on the principle laid down by the Secretary of State in 1881 as to what should be considered the standard of remunerativeness. The principle is thus expressed: "No railway should be considered a productive work, *i.e.*, one for which it was legitimate to borrow money, unless it could be fairly

estimated that within a maximum limit of five years from the date of the line being opened for traffic it would pay 4 per cent. on the capital invested, including all arrears of simple interest incurred up to that date, and also the capitalised value of the land revenue and of leave allowances and pensions."

Name of Railway.	Capital Cost.	Per Centage of Nett Traffic Receipts
Bombay, Baroda, and Central India,	£8,458,492	9·16
Great Indian Peninsula, - -	24,651,026	7·32
Scinde, Punjaub, and Delhi, - -	11,068,924	4·22
East India, - - - - -	32,586,150	9·17
Rajpootana Malwa and Holkar, -	11,643,375	6·60
Nagpore Chattisgarh, - - -	1,142,616	4·61
Patna Gya, - - - - -	418,172	5·87
North-Western, - - - -	17,014,042	5·65
	£106,982,797	
Madras, - - - - -	£10,572,599	3·04
Oudh and Rohilcund, - - -	8,661,771	2·39
South Indian, - - - -	4,470,870	3·42
Scindia, - - - - -	920,149	2·17
Wardha Coal, - - - -	698,076	1·89
Burma State, - - - -	2,853,702	2·06
Eastern Bengal, - - - -	4,792,694	3·27
Nalhati, - - - - -	35,489	3·38
Northern Bengal, - - - -	2,277,221	3·72
Tirhoot, &c., - - - -	1,527,070	2·39
Kawnia Dhurla, - - - -	96,077	2·04
Ghazipore Dildarnagar, - -	70,311	3·15
Cawnpore Achneyra, - - -	1,185,173	1·40
Bareilly Pilibbit, - - - -	149,057	1·53
Amritsar Pathancot, - - -	560,740	·86
Dhond and Manmad, - - -	1,092,149	2·02
Southern Mahratta, - - -	3,377,213	·64
	£43,340,361	
Bhopal, - - - - -	£131,057	·83
Umaria Colliery, - - - -	25,599	27·50
Jorhat, - - - - -	53,415	1·13
Dacca, - - - - -	631,656	·91
	£841,727	
16 Sundries (no traffic), - -	£4,435,424	
Total Capital till 31st March, 1886,	£155,600,309	

Of course, for our present purpose, the 4 per cent. dividing line in this arrangement of railways is a purely arbitrary one of no practical value, seeing that, as a matter of fact, much of the capital was raised at 5 per cent., but, as nearly as such a document can, it gives a doubtful value to the excuse that, but for the extensive scale on which new lines are being constructed, there would have been a profit accruing to Government. Even on its own showing the sum of £94,771,257 is earning more than the maximum interest, and therefore cannot be held responsible for any part of the loss. I repeat, however, "as nearly as such a document can," as even in the extended form in which it appears in the Accounts, the only thing clear about it is that it is utterly valueless. Within its own four corners it makes the loss £330,599. Reference to another table gives the amount I have put it at £588,433, and yet other additions are needed to make it tally with the Government's own Revenue Abstract account, which shows £731,713. Further, the capital cost column is a mixture of pounds and rupees, the latter bearing no fixed value proportioned to the pounds, and even now converted into sterling at certain contract rates for the guaranteed lines, and at 2*s*. for all others, interest and other charges, moreover, being included in the former and not in the latter. The stock is mixed up with the general political debt of the country, which again bears interest at various rates, payable partly in gold and partly in silver. Terminable annuities, too, have been granted, some of which again have been commuted by the issue of ordinary India Stock. Lastly, no allowance is made for pensions.

In the absence of reliable official information regarding the loss on railways we are necessarily thrown back on conjecture. Can it be that the original cost of construction was too high? Perhaps so, for a Parliamentary committee in 1871 found that the work on one line had been so scamped that 2000 bridges and other structures had to be rebuilt in a few years, but even with such drawbacks the average cost per mile might excite the envy of our home shareholders. The 1886–87 Report gives the average cost of construction for all the lines as £12,829 per mile, ranging from £22,757 to £1,196 against an average cost of

£42,561 for home lines. Moreover, the East Indian, which cost the highest sum quoted, is the most remunerative. High as was the interest guaranteed on the early lines (5 per cent.), it must be borne in mind that it was not merely 5 per cent., but 5 per cent. plus half surplus profits, which surplus profits must be calculated on a curious principle, seeing that in the case of one line (the Great Indian Peninsula) its share amounts to £281,317, while the Government has a *loss* of £29,922. This same line has, during its whole career, till December, 1886, cost the Government £5,639,603 in guaranteed interest, and yet it has been simultaneously credited with surplus profits, £4,577,854. Another (the Bombay Baroda and Central India) has cost £2,738,902 in guaranteed interest, while it has been credited £1,379,415 surplus profits. As a class the "Guaranteed Lines" have cost the Government £26,197,877, and yet, in addition to the nominal guarantee, they have divided amongst their shareholders £12,693,282 "surplus profits." Whether goods rates and passenger fares are too low home railway directors may be able to say. The 1886–87 Report gives the lowest or fourth-class fares on most of the lines as 2 to 2½ pies per mile (5 or 6 miles for 1*d.*,) and the first-class 12 to 18 pies per mile (1*d.* to 1½*d.*,) while grain and coal rates run from about 3 pies to about 9 pies per ton per mile (¼*d.* to ¾*d.*) according to distance, other goods mostly from about 9 pies to about 30 pies, and in some cases even higher.

Other possible causes might be assigned, all more or less suggested by the Report. There are railways at home running from nowhere to nowhere, with no traffic to pick up by the way; excessive competition sometimes cuts down rates below the remunerative point; or expenses of management may be extravagant. On these points, as regards India, an outsider can only draw inferences from the scanty data at his disposal; but cause there must be, and it is alike the duty of our rulers and the interest of our merchants to find out what it is. Whatever minor causes there may be there is the grand defect of the non-commercial character of the administration, the frequency of the titles "Colonel," "Lieut.-Colonel," "Major," "Captain," &c., in the list of employés, making one almost wonder if it is not a

branch of the war establishment. This non-commercial character is strikingly exemplified in the Indian Government's 1885 letter on the annual Simla migration, in which they naïvely remark that although they charge themselves with travelling expenses, the charge is more apparent than real, inasmuch as the greater part comes back to them in their character of railway proprietors, and that as the trains are being run at any rate, their migrations add very little to the cost. The only cure for the chronic embarrassment of Indian railways is a radical change of policy which will get rid of officialism and leave them to expand naturally. The Government themselves, both at home and abroad, profess an ardent desire to cease from their labours, but, if such be really their desire, why were they, seven years ago, so anxious to absorb the 1500 miles of the East Indian Railway that they gave the shareholders a premium of £6,550,000 to induce them to part with their property, (a premium, by the way, which burdens the line with terminable annuities till after the middle of next century) and why are they continuing to do likewise with other lines? Why do British capitalists fight shy of Indian railways when they have so splendidly developed Indian tea cultivation? Sir John Gorst points to the Bengal and North-Western Company as an example of how unaided private enterprise might take up the work on its own account and risk; but if the terms on which it works be identical with those described by the 1884 Railway Committee, the official mind has peculiar ideas of voluntary bargain-making, "the Company makes the line on its own responsibility and receives the whole profit of the undertaking, with a reservation of right on the part of the Government to purchase it at the end of thirty or fifty years, at the rate of twenty-five years' purchase of the average annual nett earnings of the line for the previous five years." If the system is to be changed at all it must be done thoroughly; private enterprise must be neither bolstered nor trammelled, directly or indirectly, and Government must retire completely from competition with it. Government ought to undertake no fresh railway construction, and lines already in existence should either be sold, or the working of them be leased to private companies, as is done with

many of our home railways, tramways, &c. Meantime the capital cost statement should be revised, so as to show the actual sterling expenditure in each year since the depreciation of the rupee began, and in all accounts of working expenses sent home the amounts must be reduced to sterling.

CHAPTER III.

COLLIERIES AND PETROLEUM WELLS.

There are a number of these under the control of Government, but no separate accounts are kept, or, at all events, none are published; and as the only notice we have of them is contained in a few pages of the Railway Report, it seems as if they were all worked through the agency of one or other of the Railway Companies, or sections of the State railways, and there is nothing to show how the coal raised by one department is transferred to another for the supply of its wants.

The indications of the value of the collieries taken by themselves are very slight. Of the Warora we are informed that by itself it paid 11 per cent., but there are no figures to support the statement, and, if correct, the obvious inference is that the railway with which it is connected is made to show too favourably in its proper work of carrying. The Umaria coal field is said to be a valuable one, but meanwhile limited output makes the working of it abnormally heavy, the cost at pit mouth being 3 rupees per ton for small coal and 5½ rupees for large. At the Dandot Colliery great preparations are being made in the way of driving tunnels and erecting ventilating fans, in making roads and bridges and laying rails, and if the coal can be supplied at 5 rupees per ton a great saving will be effected. At sundry other fields experimental and other works are reported to be in progress, and experiments have been made with a view to the utilisation of petroleum for locomotive working. In Assam the coal, besides being used on the railways, is in demand for river steamers and tea plantations.

Finally, the average cost of Indian coal is said to range from 2·43 rupees per ton for "Bengal," supplied to the East India Railway, to 17·12 rupees for "Makum," supplied to the Jorhat Railway. The total quantity of fuel of all kinds consumed on the whole railway system during 1886, as shown in the following Table, surely calls for further and more detailed information as to both capital and revenue expenditure, without which it is impossible to say whether the collieries are part of the Government's commercial failures or not:—

	Tons.
Coal, English,	240,063
Do., Country,	460,948
Coke,	9,132
Patent Fuel,	26,212
Wood,	259,513
Total,	995,868

CHAPTER IV.

IRRIGATION WORKS.

Of the great commercial undertakings superintended by the Public Works Department the Irrigation and Navigation section ranks next in importance to that of railways. The theory of the Department is a splendid one, viz.—to convert a calamity into a blessing by controlling the caprices of Indian weather, and damming up the otherwise disastrous floods of winter, so that there may be available during the summer the wherewithal to gladden the heart of the husbandman when the heavens above are as brass, and create a smiling garden when otherwise the earth beneath would be as iron. The theory is unexceptionable, and the attempt to give it form has been carried out on a gigantic scale, with what results financially the accounts show, although they say nothing as to the extent to which the original purpose has been realised. The works are divided into two

classes, "major" and "minor," and the summarised results are given thus:—

Revenue, - - -	£1,588,278	Loss, £715,469
Expenditure, - - -	2,303,747	

an adverse balance proportionally heavier than we saw that of the railways to be, and, like it, even more unsatisfactory when examined in detail. In endeavouring to do so, we find in the above summary a little confusion which requires preliminary adjustment. As regards the "major" works the accounts are quite clear, capital and revenue being kept distinct, and each work debited with its own interest; but in the "minor" the distinction is not observed; and while the year's expenditure is unduly swollen by sums which properly belong to capital, the statement also fails to show the proper addition for interest on capital. With these corrections, the summary of the operations for year 1885-86 will appear:—

"Major" Works.		
Loss on 31 Canals, Tanks, &c., -	£506,862	
Gain on 12 Do., - -	376,245	
		£130,617
"Minor" Works.		
Expenditure on 80 Works, - -	£643,409	
Interest on Capital, say 4%, - -	272,539	
	915,948	
Receipts from 80 Works, - - -	160,898	
		£755,050
Total loss to taxpayers, -		£885,667

Proceeding to analyse these totals, we gladly observe that some of the "major" works do pay, and in the following extract from the official tables I give particulars of these remunerative works—where situated, the capital expended upon them, (excluding accumulated interest of former years) and the percentage of profit after paying working expenses and interest, for year 1885-86:—

Where Situated.	Capital Cost.	Per Centage of Profit.
	£	
North-West Provinces,	2,643,285	1·80
	291,801	18·32
Punjaub,	980,917	·18
	1,544,429	2·56
Madras,	1,031,996	8·46
	704,437	8·12
	144,437	4·05
	154,449	38·54
	131,272	3·03
Bombay,	108,522	4·05
	160,091	9·63
	29,549	·60
Total cost of remunerative Works,	£7,925,185	

The next Table similarly shows the "major" works which fail to pay their working expenses (to say nothing of interest), with the percentage of the loss:—

Where Situated.	Capital Cost.	Per Centage of Loss.
Bengal,	£2,207,299	·61
North-West Provinces,	369,759	·05
Punjaub,	2,031,509	·38
	1,186,723	·44
	315,167	·74
Madras,	2,165,934	·48
Bombay,	49,093	1·24
	34,650	·51
	62,080	·09
	122,812	·17
	39,414	·94
	186,503	·16
Total cost,	£8,770,943	

A number of other works occupy an intermediate position, showing a surplus upon working expenses, insufficient, however, to meet interest. Putting aside the fully remunerative ones, the whole of the unremunerative works (including the extra bad

ones detailed above) turn out as follows, the loss in this case being shown including interest on capital:—

	Capital Cost.	Loss for Year.
30 "Major" Works, - -	£16,564,280	£506,862
80 "Minor" Works, - -	6,813,497	755,050
	£23,377,777	£1,261,912

so that the only result of the expenditure of £23,377,777 is a loss of about 5½ per cent. on one year's working. In other words, the Indian Government might abandon these works, cease collecting water rates, make a present of them to the farmers living in their neighbourhood, write off the whole £23,377,777 as a bad debt, and be a gainer by so doing. But while the fact of a loss is clear enough I must add the same qualifying remarks about the statement as a whole that I made at the close of the Railway chapter—it is utterly worthless, being made up on the same principle, or rather want of principle, and the actual financial position is enveloped in the same obscurity.

As no general reports are published, the public can only guess at the reason why the Irrigation business is so disastrous, and why, in the face of such experience, good money is still being thrown after bad; but the history of one or two of the concerns, as told in the 1871 Parliamentary Report, suggests a good and sufficient reason. A company was formed and received a Government guarantee of a fixed minimum dividend; the capital was all expended before the work was in a state to yield anything and further capital was raised on the same principle, after some official hesitation; still there was no outcome, and Government kindly refunded the shareholders all they had advanced, and proceeded on their own account deeper and deeper. Whether or not irrigation works are, on the whole, the blessing they are represented to be is a question somewhat doubtful, and the doubt is not at all lessened by the fact that complaints have been made of farmers, who had good wells of their own digging, being compelled to pay for canal water whether they wished it or not. The Irrigation works, in short, are in the same slough

as the Railways, only much deeper; and yet, when the indebtedness of India is called attention to by any anxious M.P., the stereotyped answer comes glibly from the Indian Secretary: "Look at the great public works which India has constructed with that money, and which form a substantial asset sufficient to allay all anxiety." An asset, however, which yields less than no revenue is as valuable as the proverbial white elephant, and this particular elephant has cost more than the usual price of a whole herd of those animals. The fault of the Irrigation works is the same, and their treatment should be the same as I have recommended for the railways.

CHAPTER V.

TELEGRAPHS.

From Railways and Canals to Telegraphs is a natural transition, and, unfortunately, all the easier that their financial condition is equally unsatisfactory. The Indian Government Telegraph system consists—(1) of the wires in India; and (2) of the wires from India, *via* the Persian Gulf to Teheran, called the Indo-European Telegraph. The accounts for the year stand thus—

India Telegraph Receipts,	-	£507,646	
Do.,	Disbursements,	359,123	
			£148,523 gain.
Indo-European Tel. Receipts,	-	120,767	
Do.,	Disbursements,	190,035	
			£69,268 loss.
			£79,255 nett gain.

In these disbursement items, however, there are charged only working expenses and maintenance, and when we add interest, at say 4 per cent. on the capital outlay of £3,836,840 (£153,473), we have the apparent gain converted into a loss of £74,218. Adding further £20,375, the Telegraph Department's share of a separate account, "Civil and Military Buildings," we

get £94,593 as the nett amount which the poor Indian tax-payers have to provide for one year's enjoyment of the blessings of telegraphy by the classes who do use the wires. It is not quite clear from the accounts what are the relative amounts of Government and private business, but, unless the wires be used to a very large extent for Government messages in addition to those that are charged to the various Departments in the accounts, India would save money by leaving the whole matter to private enterprise, and paying for her official messages at current rates. Of the scanty receipts no less than £141,356 "in India" are entered as from Railways and other Administrations, all simply other names for Government itself, so that apparently the loss of £94,593 is over and above what they charge to themselves for official work. In the Indo-European section revenue statement there is no distinction made whereby we can compare the two classes of receipts. The melancholy result of the latter section's working is the more surprising, when we observe that the Indo-European Telegraph Company —*i.e.*, the private company who work the traffic from Teheran to London—earn handsome dividends, as also do the Eastern Telegraph Company who own a competing line, *via* the Mediterranean and Red Seas; further, that the Eastern Extension Telegraph Company, who carry messages eastward from India to China, &c., are in a flourishing condition.

Is it at all unreasonable to ask an explanation of this anomaly? If in the Railway and Irrigation departments it is difficult to put the finger upon the specific cause of loss, quite as difficult is it in that of the Telegraphs, and, as formerly, we must fall back on conjecture. Whether or not wires are laid where there is little demand for them—a point on which the accounts give no information—it does look as if rates were charged which could hardly be expected to pay. The rate for inland messages within a radius of six miles is 4 annas (about 4*d.*) for 8 words, and beyond that distance for the same number of words 8 annas, or 1 rupee, or 2 rupees, according to the degree of urgency required by the sender: addresses in all cases free. At home we were content till recently to pay a minimum charge of 1*s.* for the shortest message to a friend in a neighbouring street, and

even yet very few messages of 8 words, besides addresses, can be sent for 6*d.* In India you can do this for 4*d.*, a rate which does not pay, and the shortage on which is made up by grinding the faces of the poor starving ryots. If it be alleged that a comparison between India and Britain is misleading we may at least compare India with Ceylon, and ask why a minimum charge of a quarter or half rupee should be made in India when in Ceylon for the same thing the people pay one rupee and two rupees?

The grand cause of commercial failure here, as elsewhere, seems to be the uncommercial character of the administration, and overmanning, both confirmed by a paragraph which, in October, 1887, went the round of the newspapers, to the effect that extra pensions were to be offered to induce employés of the Telegraph Department to retire earlier than is allowed by the present regulations, and that the graded list of officers was to be rearranged with a view to giving immediate relief to the existing block in promotion. To that I would now only add that 16 years ago the same complaint was made regarding the whole Public Works Department to the Parliamentary committee, and that at intervals it has been repeated since then.

CHAPTER VI.

POST OFFICE.

Although our home Post Office contributes a surplus of two or three million pounds a year to the national Exchequer, it is quite in accordance with what we have seen of other departments, that the postal system in our Eastern dependency should yield less than nothing, and such, accordingly, is the fact. For the year 1885-86 the summarised figures are:—

Receipts from the public, - -	£941,109	
Receipts from Government departments, - - - - -	171,977	
		£1,113,086
Disbursements (working expenses only),		1,302,604
Deficit, - - -		£189,518

In addition to above expenditure there is the Departments' share of the "Civil and Military Buildings" account, amounting to £52,906 for new buildings erected and old ones repaired, and there is entirely awanting allowance for interest on capital or depreciation of plant.

It is hard to say definitely what the weak point of the system is, but weakness there must assuredly be when the Government, enjoying a monopoly of the postal business in India, fails by so large an amount to make both ends meet. It does, however, strike us as very strange that a letter in India may be carried 2000 miles for a half-anna (½*d.*), and a post card for a quarter-anna (¼*d.*), while at home, with all the advantages of a highly developed system, and the enormous business of delivering on an average 60 letters or other packets per annum to every man, woman, and child in the country, the Postmaster-General insists upon a minimum charge of 1*d.* for a letter, and 7*d.* per dozen for post cards. It does not affect the comparison that our home weight for a penny is one ounce, and that the Indian for his halfpenny is restricted to half a tola (one-fifth of an ounce), as most letter writers could without difficulty put as much as they wish to say upon that weight of paper. The comparison tells more against India that our home Post Office does the postal work of all the Government departments free, while if the same rule were applied in India the deficit would be swollen by a further sum of £171,977. It surely cannot be urged that postal charges are kept low in consideration of the poverty of the population, for only 1 male in 12 and 1 female in 300 are able to read and write, and the total business of the Department for a year averages barely one letter or packet to each person. A comparison of the number of persons employed in India and Britain respectively, and the wages paid, would be interesting, but as I do not know what value to attach to the numbers, I give the statistics without comment:—

Britain, (1887), persons wholly employed,	-	about 54,800
Do. partially do.,	-	" 47,000
India, (1885), persons employed, (not classified),		" 37,668

In addition to carrying letters the Indian Government do an

extensive trade in what, for want of a better name, I may call hotel-keeping, and cab, carriage, and waggon hiring, *i.e.*, dak bungalows or rest houses, and bullock waggons, pony carts, and coolies. In principle the business is perhaps as defensible as the owning of railways, but, like everything else that we have been examining, it is done at a heavy loss—

Receipts, - - - - - - -	£28,088
Charges, - - - - - - - -	87,909

which figures, however, are included in the totals already given. The Punjaub is the district principally responsible for this loss, and for whose benefit it is incurred seems to be indicated by the following paragraph in an Indian guide book:—"The number of military officers permitted to visit Kashmir at one time is restricted to 200, but many officers visit Kashmir every season without permission." Is there any reason why tourists should have conveyances provided for their pleasure under cost price?

CHAPTER VII.

SCIENTIFIC AND OTHER MINOR DEPARTMENTS.

These embrace a large variety of objects classified as Scientific, Agricultural, Emigration, Statistical, and Miscellaneous, the summarised accounts for which show—

Expenditure, - - - - - -	£475,838
Receipts, - - - - - - -	73,199

Some of these objects must, of course, be judged by a different standard from the arithmetical one applicable to the purely mercantile concerns we have been considering; but what we have seen of the latter, and what is reported of some in this very list, make it extremely doubtful whether the ends of science are any better served than those of commerce.

The Scientific department is subdivided into Survey general and geological, Meteorology, Archaeology, Monuments, Museums, Observatories, Coal Petroleum and Mineral Explorations, and

Donations to Scientific Societies, costing altogether £227,150, besides a small expenditure in England. Without either approving or condemning, I desiderate information as to the benefits which the public derive, or are expected to derive, from this lavish expenditure, the Survey alone, entered partly in this account and partly under the heading of "Revenue," having cost over £250,000 per annum for a number of years.

The Agricultural department comprises a number of minor heads—Model Farms, Experimental Factories, Tea Nurseries and Plantations, Cinchona, Cotton, Public Exhibitions and Fairs, Bull and Stallion charges, Veterinary Class, Botanical and other Public Gardens, Agriculture proper; all requiring an outlay in India of £157,967; less receipts, £43,103. It is difficult to see why the Government should meddle with such matters as Cinchona, Tea, and Experimental Factories, when private enterprise, at least in the latter two, has already so far outstripped them, and certainly the accounts show nothing to justify their meddling. Regarding Model Farming and Cattle Breeding there is a better show of reason in the acknowledged backward state of rural matters generally, and the inferiority of indigenous cattle; but Professor Wallace, of Edinburgh University, after personal observation during a recent visit to India, rudely dispels our hope of improvements by Government patronage. He says: "The efforts which have been made to improve native agricultural practices have mainly been carried out on lines which never had the remotest chance of leading to success. It is positively sickening to read from that reliable and excellent publication, '*The Famine Commission Report*,' of the large sums of money, amounting to many thousands of pounds, that have been lost to the country; of the experimental farms, by the dozen, that have at one time or another been started in many parts, and in a few years been wound up in a bankrupt condition—all due to one blunder . . . . the persistent and universal employment, as farm managers, of men who had no truly agricultural training—either practical or scientific—such men as gardeners (some of them very excellent men in their own department,) or unsuccessful planters, or other officials with equal claims for consideration."

Of the totals given above the Model Farms, Factories, Tea and Cotton experiments cost £17,788 less receipts, £4,079; Bull and Stallion charges £30,814 less receipts, £1,832; Botanical and other Public Gardens £40,178 less receipts, £6,642; while Cinchona growing for the last four years shows as follows:—

	Receipts.	Expenditure.
1882–83,	£26,572	£19,126
1883–84,	24,003	25,529
1884–85,	20,952	20,147
1885–86,	19,254	17,833

Amongst other odds and ends the Government have a mathematical instrument factory, about which there is no information given; and as to how far Professor Wallace's remarks may apply to it or the other non-agricultural departments we can only surmise, and hope that much needed explanations will be vouchsafed.

CHAPTER VIII.

FORESTRY.

In our consideration of the Indian Government's commercial undertakings we have hitherto found them, with the exception of some comparatively trifling sub-sections, to be burdens upon the tax payers instead of sources of revenue, and it is therefore a pleasing variation upon such a monotonous course of failure to find a few accounts which do show credit balances, viz., Forestry, Salt, and Opium. From the tax-gatherer's point of view these credit balances may be satisfactory, but whether the Government is really to be congratulated on securing them is a matter on which there will be difference of opinion.

Taking Forestry first we find it thus summarised:—

Receipts,	£1,086,092
Expenditure,	680,988
	£405,104

There is an essential difference, however, between the Forest and the other departments already discussed. In the latter sowing has to precede reaping, the expenditure of labour and capital are necessary antecedents to the creation of an income; whereas the Forest revenue is to a large extent derived from work which unaided nature has performed, and further, from sales to villagers of produce to which formerly they had the privilege of helping themselves at pleasure, as from a village Common. Under the convenient theory that Government is lord of all, like the king in the old feudal times, and by a free application of the principle euphoniously called "resumption," revenue is drawn in India from subjects which our home Chancellors of the Exchequer dare not touch.

The theories of the Forest department, like other Indian theories, look well on paper. The disforesting of the country, by prejudicially affecting the rainfall, is supposed to increase the risk of drought and consequent famine—calamities which must be guarded against at all hazards—and yet British India has over 150,000 square miles under forest out of a total area of 868,256 square miles, a proportion which surely could be largely reduced to the benefit of all concerned. Again, it is alleged that good full-grown timber cannot be had unless the young trees be preserved from reckless cutting by the natives, and from fires, accidental or intentional, which not infrequently sweep through the forests. Whatever the theory of the matter be, the actual fact is that, in prosecuting it, over £1,000,000 is extracted from the country and spent somehow or other in the general service of the Government. Perhaps this ought to be considered a tax pure and simple, but, if so, it is open to the serious objection that the cost of collection is ruinously high (about 63 per cent.) If, on the other hand, the surplus be regarded as business profit earned in the ordinary way of trade, an examination of the details equally condemns it. Leaving out of account such items as grazing and fodder grass, confiscated drift and waif wood, fines and forfeitures, duty on foreign timber, and sundry other things which have nothing to do with the preservation of mature timber, we find that the whole revenue is about swallowed up by the expenses. Granted that the supply of

good full-grown timber is a thing worthy the attention of Government, we find that to set against their expenditure of £680,988 the revenue from "timber" is only £598,897, while to make good this loss and secure the additional surplus Government is indebted to the miscellaneous items mentioned above for over £250,000, and for the remainder to the sale of firewood, charcoal, bamboos, &c., all things which have quite as little to do with the supply of mature timber. For the running of this business, which, so far as the supply of valuable timber is concerned, involves a loss of over £80,000, what is required?

Salaries of an Inspector-General and his Assistant,	£2,936
Their Establishment and Contingencies, -	1,871
Salaries of Conservators, Superior and Subordinate Officers, and Allowances, - -	229,345
Travelling Allowances, - - - - - -	38,288
Contingencies, - - - - - - -	13,879
	£286,319

All this superintendence is in addition to wages of actual labourers and their plant, and in spite of it all the Government Reports complain of the increasing scarcity of easily accessible wood. The "reckless cutting by natives" and "the ravages of fire" had to be checked, but the Railway Report shows the Government to be the greatest offender, its consumption alone for the year in the shape of firewood being 259,513 tons. Evidently Forestry is conducted on the same principle as the other Government departments, and its chief end seems to be to provide a certain number of comfortable berths for their fortunate holders.

CHAPTER IX.

SALT.

Of all the Government trading accounts this is the one which the Revenue officer can contemplate with most satisfaction. It shows—

Revenue, - - - - - - - -	£6,345,128
Expenditure, - - - - - - -	401,618

but, as usual, we have to look to other accounts for a full statement of the case. Under the heading of "Assignments and Compensations" we find £345,207 paid to sundry parties for consenting to arrangements which Government have found needful for maintaining their monopoly, the expenditure thus really amounting to £746,825. Even this, however, would be an insignificant per centage of working expenses for a trading concern, but indeed it is only by straining the meaning of the words that such a term can be applied. It is quite true that the form of manufacture and trade is gone through in dealing with a portion of the commodity, but in this part, quite as much as in the remainder, the object aimed at is really taxation, and not trade profit. The average value of foreign salt, as imported during 1885–86, was 18 rupees per ton; while the duty over the greater part of India, at 2 rupees per maund, or about 52 rupees per ton, (in Burmah only 3 annas per maund), is equal to a profit of about 300 per cent., and the selling price of locally manufactured salt is made to correspond. Such a profit is a strong temptation to smuggling, which, of course, is an ever present difficulty only overcome by expensive watchfulness, by burdensome arrangements with other Powers, and by a host of prosecutions in the Police courts, all things which an enlightened Government would wish to avoid, and a prudent Government would take steps to render unnecessary. Mr. J. K. Cross, when Indian Secretary, acknowledged that the salt tax in India was as bad as the corn laws in England, and it is quite unnecessary to explain at length the cramping influence which those laws, and the fiscal policy of which they formed a part, had on the business of our country. In the interest of commerce as well as of humanity the tax (or profit) ought to be abolished or greatly reduced.

CHAPTER X.

OPIUM.

THE feeling of satisfaction with which the Financial Secretary contemplates the Salt account is well sustained by that of Opium. Timid statesmen may hint at the imprudence of trusting to a crop the harvesting of which is so dependent on the weather, and the sale of which may be seriously affected by foreign events beyond the control of India's rulers. Moralists may prate about the unseemliness of a Christian Government dealing in so demoralising an agent, and foisting it upon a foreign country at the point of the bayonet. But why heed the croakers? For more than a century the Opium revenue has helped to float the ship of State over financial sandbanks, and why should it not continue to do so?

Nominally the account shows:—

Revenue, - - - - -	£8,942,515
Expenditure, - - - - -	3,057,674
Profit, - - - - -	£5,884,841

to which should be added £721,715 excise duty on opium consumed in India; but, on the other hand, £2,451,896 of the revenue is drawn at Bombay by the so-called "transit duty" on the native grown opium. As is well known, the opium revenue is derived from two perfectly distinct sources, the Bengal revenue being trade profit on the manufacture by the direct agency of Government, while in Bombay the Government does nothing whatever except levy a duty upon the article grown in Malwa as it passes through British territory to the coast. Opinion is much divided as to the relative merits and demerits, financial and moral, of the two systems. Morally I can see no difference between them, but for the information of those who think the other aspect of the question worth debating I give details for the last 14 years, which show the results to Government of the respective systems.

OPIUM "MONOPOLY" AND "TRANSIT DUTY SYSTEMS" COMPARED.

Year.	Chests Bengal Opium Sold.	Gross Value.	Cost of Manufacture, &c.	Price per Chest.	Charges per Chest.	Nett Revenue Per Chest.	Transit Duty on Malwa Opium.
Average 10 Years ending		£	£	Rupees.	Rupees.	Rupees.	Rupees.
1881–82	50,007	6,559,971	2,170,735	1,274	422	852	630
1882–83	56,400	6,904,983	2,119,842	1,222	375	847	650 to 700
1883–84	54,400	6,852,188	1,747,718	1,251	319	932	650 to 675
1884–85	46,698	6,084,854	2,682,225	1,296	571	725	
1885–86	50,994	6,302,559	2,840,874	1,235	557	678	650

Apparently the manufacturing monopoly system is the most remunerative, but, like the other accounts which we have been examining, this one also requires to have allowances made for additional charges appearing elsewhere and not shown here, but which I am unable to specify, such as pensions, interest, &c.

The "transit duty" requires a word of explanation. The poppy farmer in the Native States receives no assistance from our Government, and, *assuming* the correctness of the official theory that China is a perfectly free agent in receiving the opium, the grower finds the market for himself; yet the British Lion stands between seller and buyer and says, "I happen to have control of this road, and you shall not sell without paying me the lion's share of your profits." It is an undisguised levying of black mail, and were not the whole business so disgraceful as to make it difficult to bring oneself to discuss such details, it should, equally with our Chinese policy, be denounced as international robbery. The trade begins and ends with violence, and is filled up with demoralisation, but the millions flowing into the Exchequer conceal the ultimate ruinous cost at which the profit is gained, and the "Department," heedless alike of the moral and material disastrous results, strains every nerve to push what are supposed to be British interests.

CONCLUSION.

In thus endeavouring to show the true condition of the Indian Government's commercial transactions, I have to confess that my success appears, even to myself, very partial. It is not easy to make out from the multiplicity of accounts what—even on the Government's own basis—is the result, and even when that is ascertained, it is often, owing to the fictitious value given to the rupee, so far wide of the mark as to be absolutely worthless. The effect of this fallacy I have shown fully when treating of the Railways, but the remarks then made should have been repeated in every chapter. The Opium profit, for instance, said to be £5,884,841, and the apparent magnitude of which staggers some reformers, is really only about £4,000,000, while the omission of the allowances for interest, pensions, &c., puts the statement still further from the truth. Let us have first rectified true sterling figures, and then we can rectifiy the matters to which they refer. If our merchants would rouse themselves from their slumbers, they would find the matter worth rectifying.

Unfortunately our merchants and manufacturers are somewhat like the fabled dog who dropped his bone into the river in his anxiety to grasp the better bone which he saw reflected in the watery mirror; or, to quote another fable, they are like the man crying piteously to Jove to give his cart a lift up the hill, instead of putting his own shoulder to the wheel. They are straining their eyes in every direction in search of fresh markets, and eagerly reaching out to new countries, all the more eagerly if a little war of annexation has to precede the expected trade development. Let them develope this market within their reach by treating their expected customers rationally, fairly, humanely, and morally, and they will find that here, as elsewhere, honesty and justice are the best policy. If railways and other public conveniences are really being worked under the remunerative point raise the rates, commerce conducted upon eleemosynary principles cannot stand; but, on

the other hand, do not let trade be crushed, and the purchasing power of the community paralysed by grinding taxation and excessive charges, resulting from extravagance and mismanagement. Under the present uncommercial system little or no improvement, I fear, can be expected, and I end by emphasising the remarks with which the first Chapter closed.

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