

*Monday,  
9th September, 1918*

ABSTRACT OF THE PROCEEDINGS  
OF THE  
Council of the Governor General of India,  
**LAWS AND REGULATIONS**

**Vol. LVII**

**April 1919 - March 1920**

**ABSTRACT OF PROCEEDINGS**  
**OF**  
**THE COUNCIL OF THE GOVERNOR GENERAL OF INDIA**  
**ASSEMBLED FOR THE PURPOSE OF MAKING**  
**LAWS AND REGULATIONS,**

April 1919 - March 1920

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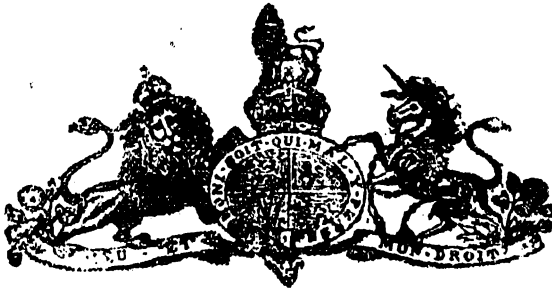


**& Debates Section**

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**1918**



GOVERNMENT OF INDIA.

LEGISLATIVE DEPARTMENT.

PROCEEDINGS OF THE INDIAN LEGISLATIVE COUNCIL ASSEMBLED UNDER  
THE PROVISIONS OF THE GOVERNMENT OF INDIA ACT, 1915.  
(5 & 6 Geo. V, Ch. 81.)

The Council met at the Council Chamber, Viceregal Lodge, Simla, on Monday,  
the 9th September, 1918.

PRESENT :

His Excellency BARON CHELMSFORD, P.C., G.M.S.I., G.M.I.E., G.O.M.G., G.C.B.E.,  
Viceroy and Governor General, *presiding*, and 55 Members of whom 47  
were Additional Members.

OATH OF OFFICE.

The following Additional Member made the prescribed oath or affirmation  
of allegiance to the Crown :—

**The Hon'ble Mr. Robert Erskine Holland, C.I.E.**

11 A.M.

QUESTIONS AND ANSWERS.

11-1 A.M.

**The Hon'ble Rao Bahadur B. N. Sarma** asked :—

1. “(a) Will Government be pleased to state the reasons which led to the recent coinage in India of gold mohurs in preference to sovereigns ?”

Coinage of  
Gold  
Mohurs.

(b) If such coinage is to be for a temporary period, how long is it intended to be in force ?

(c) Has any arrangement been arrived at with Indian or foreign gold mining companies for the supply of gold in connection with such coinage ?”

**The Hon'ble Sir William Meyer** replied :—

“(a) The reasons for the coinage of gold mohurs were explained fully in a Press Communiqué issued on 14th June last, a copy\* of which is placed on the table for the Hon'ble Member's information.

(b) As mentioned in a Communiqué issued on 24th August the coinage of sovereigns, for which that of gold mohurs was only a provisional substitute,

\*Not included in these Proceedings.

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*Sir William Vincent; Mr. V. J. Patel.*]

was started at Bombay on the 16th August. The Government are unable to say whether future circumstances may or may not require the further coinage and issue of gold mohurs.

As regards clause (c), the answer is in the negative. The coinage was made from the large stock of gold bullion already in the hands of the Government of India."

**The Hon'ble Mr. Surendra Nath Banerjea** asked :—

**The Indian Arms Act.**

2. "With reference to the following statement regarding the Arms Act made by His Excellency the Viceroy at the meeting of the Imperial Legislative Council held on 5th September 1917, namely :—

'The question of the administration of the Arms Act is one which requires considerable and detailed examination. We have had it under examination now for some time, and we are still awaiting the views of Local Governments on our proposals, but this much I can say, that we, as the Government of India, will not accept any solution of the question which continues to base exemption on racial distinctions.'

will Government be pleased to state—

- (a) what progress has been made to give effect to these views of His Excellency, and
- (b) the approximate time within which they will be given effect to and the necessary modifications made in the regulations ?"

**The Hon'ble Sir William Vincent** replied :—

"I will explain the present position of this case in the course of the debate on the Resolution by the Hon'ble Mr. G. S. Khaparde that the Indian Arms Act should be so modified as to bring it into line with the English law."

**The Hon'ble Mr. V. J. Patel** asked :—

**The Arms Act.**

3. "Will Government be pleased to lay on the table the opinions of the Local Governments as also all the correspondence that may have passed between the Government of India on the one hand and the Local Governments or the Secretary of State on the other, regarding the proposed amendment of the Arms Act ? Is an amending Bill on the subject likely to be introduced ? If so, when ?"

**The Hon'ble Sir William Vincent** replied :—

"The Hon'ble Member is referred to the reply which I have given to-day to the Hon'ble Mr. Surendra Nath Banerjea's question on the same subject."

**The Hon'ble Mr. V. J. Patel** asked :—

**Prohibition orders against certain newspapers and magazines entering certain Provinces.**

4. "Is it a fact that several newspapers and magazines have been of late prohibited entry into certain provinces, and, if so will Government be pleased :—

- (a) to give the names of the provincial administrations which have issued such prohibitive notices, together with a list of newspapers and magazines so prohibited, and the dates on which such orders were enforced ;
- (b) to give reasons for such orders of prohibition ;
- (c) to state whether the printers and publishers of such prohibited newspapers and magazines were previously called upon to state why such orders should not be issued, or otherwise given an opportunity to explain themselves ?"

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[*Sir William Vincent; Mr. V. J. Patel; Maharaja Sir Manindra Chandra Nandi; Sir George Barnes.*]

**The Hon'ble Sir William Vincent** replied :—

“The information is being collected and will be laid on the table when complete.”

**The Hon'ble Mr. V. J. Patel** asked :—

5. “Will Government be pleased to state which, if any, of the High Courts have thrown open the Original Side to High Court Pleaders, and since when?”

High Courts and High Court Pleaders.

**The Hon'ble Sir William Vincent** replied :—

“It is only in the Madras High Court that vakils are permitted to appear on the Original Side. The rule authorising their appearance was, it is believed, in existence in 1866, and was probably made not later than 1863.”

**The Hon'ble Maharaja Sir Manindra Chandra Nandi** asked:—

6. “(a) Has the attention of Government been drawn to an editorial article in the ‘Amrita Bazar Patrika’ of 17th August, 1918, on ‘Higher appointments in the Post Offices,’ commenting on the injustice of appointing a comparatively junior Superintendent of Post Offices in the second grade to act as an Assistant Director General, in supersession of all Superintendents of the first grade and about twenty of the second grade, of whom as many as eleven had previous experience of secretariat work?”

Appointment of a Junior Superintendent of Post Offices to act as an Assistant Director General.

(b) Will Government be pleased to state if no Indian officer could be found qualified for the post in question among the Indian officers who are senior to the gentleman who has been recently selected to fill it?

**The Hon'ble Sir George Barnes** replied :—

“(a) The answer to the first part of the Hon'ble Member's question is ‘Yes.’

(b) With regard to the general question of selection of officers for the Directorate, I would refer the Hon'ble Member to the answer given to the Hon'ble Mr. Rangaswamy Ayyangar on the 22nd March last. It is essential that any officer appointed to be an Assistant Director General of the Post Office should have had Secretariat experience, and these acting appointments are used as a means of testing an officer's fitness. Superintendents of Post Offices are Executive Officers, and only some of them have had Secretariat experience. When the acting vacancy in the Directorate occurred, an Indian was selected from among the Superintendents to fill it on probation, but though a good Superintendent he was not successful as an Assistant Director General, and has since been given a further trial as an officiating Deputy Postmaster General in the same grade, namely Rs. 800. The next Superintendent then selected to fill the acting vacancy in the Directorate was, in the opinion of the Director General, the most suitable man in the Department whose services were available.

I can assure the Hon'ble Member that the only object is to choose the best men for the Directorate, and would further point out to him that of the Superintendents said to be passed over five are already officiating in higher appointments, nine are over fifty years of age and two are on field service.”

[*Sir Gangadhar Chitnavis ; Sir William Meyer.*] [9TH SEPTEMBER, 1918.]

**The Hon'ble Sir Gangadhar Chitnavis asked :—**

One rupee notes.

7. "(a) Are Government aware that one-rupee paper notes are found very inconvenient to handle by people among whom they are most used ?

(b) Is it not the fact that representations have been made by several people through newspapers and publicity boards that it would be far more convenient if these paper notes be substituted by some sort of metallic note or a nickel coin ?

(c) Is it not the fact that complaints have been made by several correspondents through newspapers regarding the difficulty experienced in many places about exchange of these and some higher notes into money ?

(d) Will Government be pleased to say if these difficulties have been considered by them, and if anything can be done to remove them ?"

**The Hon'ble Sir William Meyer replied :—**

"(a) The Government of India are aware that among the cultivating and labouring classes, whose pocket accommodation is limited, one-rupee notes are to some extent inconvenient to handle, though this inconvenience can be greatly minimised if use be made of a simple note case, and Government are considering the question of putting on to the market such a case at a low price.

As regards (b), no such representations have been brought to the notice of the Government of India. They have no intention of issuing a metallic rupee coined of some metal other than silver, or one of any lower silver content than the present rupee.

As regards parts (c) and (d) of his question the Hon'ble Member is referred to my reply given to question No. 4, asked by the Hon'ble Sir Dinshaw Wacha on the 4th September. I presume that when the Hon'ble Member refers, in part (c) of his question, to the exchange of notes into 'money,' he means 'coin,' and does not mean to imply that currency notes are not money."

**The Hon'ble Sir Gangadhar Chitnavis asked :—**

Income-tax.

8. "(a) Do Government expect the assessment of income-tax under the provisions of the new Income-tax Act to result in a large increase in the amounts realised ?

(b) Do Government propose to consider the desirability of realising the tax from assesses, not in one lump sum but in two or three reasonable instalments ?"

**The Hon'ble Sir William Meyer replied :—**

"(a) The Government do not expect a large increase in the amounts realised from income-tax as a result of the provisions of the Income-tax Act, 1918, though the improvements introduced by the Act in the machinery of assessment, and the removal of previous inequalities in the burden of the tax on individual assesses should result in some additional revenue.

(b) The rules under the Income-tax Act framed by certain Local Governments provide for the payment of income-tax by instalments, and the Government of India would have no objection to the adoption of this procedure in the provinces in which it does not exist. It is, however, a matter for the discretion of the Local Governments, since the detailed administration of the Income-tax Act rests with them."

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**RESOLUTION *re* FINANCIAL ASSISTANCE IN RESPECT OF THE COST OF THE MILITARY FORCES RAISED, OR TO BE RAISED, IN INDIA.**

**The Hon'ble Sir William Meyer** :—“ My Lord, I rise, with your 11.10 A.M.  
Excellency's permission, to move the following Resolution :—

‘ That this Council recognises that the prolongation of the war justifies India's taking a larger share than she does at present in respect of the cost of the military forces raised, or to be raised, in this country.’

As the speech deals with very important matters involving many financial statistics, I may unhappily have to exceed the usual time limit, and I hope your Lordship will be pleased to grant me this concession.

“ My Lord, the moving of Resolutions is ordinarily left to non-official Members of this Council, but the circumstances which warrant the present one are so important and special that we have adopted the abnormal course of having the Resolution put forward by a Member of the Government, the Member specially responsible for the finances of India. And this course also justifies the abnormal form—seeing that it contains no recommendation to the Governor General in Council—in which your Excellency has specially permitted the Resolution to be put. At the same time, we have no desire to use our Government majority in order to force this Resolution through the Council. We want to leave the decision thereon to the non-official Members on behalf of the much larger public in India to whom we desire to appeal; and if the bulk of our non-official colleagues should feel themselves unable to support the Resolution, which as I shall presently explain, involves, in its ultimate application, the imposition of fresh taxes, the Resolution will be withdrawn, and on them will rest the responsibility for withholding the further aid which we desire to tender to His Majesty's Government at this crisis of the war.

“ I do not think that it can be said that the Resolution comes, in any way, as a surprise to the Council and to the country. It has already been foreshadowed in your Excellency's speech at the commencement of this Session, and before that in your speeches at the War Conference held in Delhi last April. I will, in the first instance, recall the following words from His Majesty the King-Emperor's gracious message to that Conference :—

‘ The need of the Empire is India's opportunity, and I am confident that under the sure guidance of my Viceroy her people will not fail in their endeavours. Recent events have made the struggle on the Western front more bitter and more intense. At the same time the position in the East is menaced by disturbances in Asia instigated by the enemy. It is of ever increasing importance that the operations of our armies in Egypt, Palestine and Mesopotamia should be largely sustained from India. I look confidently to the deliberations of the Conference to promote a spirit of unity, a concentration of purpose and activity, and a cheerful acceptance of sacrifices without which no high object, no lasting victory can be achieved.’

“ Your Excellency again, in your opening speech at the Conference referred to the fact that ‘ the terrible revolution which has hurled Russia into anarchy has opened another door for Germany through Southern Russia to the confines of Eastern Persia and Afghanistan,’ and you indicated how from this vantage ground she could threaten India. You went on to say that we must be ready to guard our own possessions with the whole man-power and resources of India ready behind us, ready also, as you likewise indicated, to defend India, if necessary, beyond Indian soil. In this connection, the War Conference at Delhi concerned itself, through the sub-committees it appointed, mainly with the provision of

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increased man-power and the development of India's material resources in matters connected with the war.

"As regards man-power, it is fairly well known, I think, that prior to the war, the normal recruitment of combatants for the Indian Army was only about 15,000-men a year. In the year ending with May 1917, this had been raised to 121,000, and in the following year, that ending on 31st May 1918, to over 300,000. We did not, however, think that even that figure was sufficient, and during the present recruiting year, which commenced on 1st June 1918, we have, after considering the advice offered to us by the Man-power Sub-committee at Delhi, fixed the quota of combatant recruitment which we hope to obtain from India at about half a million men to be raised by voluntary endeavour. The returns so far have been quite encouraging, and further stimuli are now afforded by the sanction of His Majesty's Government to proposals submitted to them in two directions which the Man-power Sub-committee had emphasised as desirable -- the larger grant of King's Commissions to Indians and a material improvement in the emoluments of all ranks of the Indian Army, especially the sepoy's.

"But it is not enough in the present crisis for India to raise large numbers of additional soldiers, valuable as this assistance is, if she leaves His Majesty's Government to bear the entire burden of paying for them. And it was perfectly clear, therefore, to us of the Government of India and, I think, after your Excellency's remarks at Delhi, to many other people besides, that the recruitment effort we were making, which was prominently before the Conference, would have to be supplemented by further financial assistance. Your Excellency, in opening the Delhi Conference said, in this connection:—

'How India can best render further financial assistance is a matter which must engage our earnest attention. Later on, when the position is clearer than at present, we propose to consider, in conjunction with the Legislative Council, for this is a matter essentially in its sphere, how far it will be feasible for India to increase the direct financial contribution she has already made to His Majesty's Government, or in what other way she can assist financially. If additional taxation should be necessary, we shall not shrink from proposing it, and I am sure that you will gladly bear it.'

And in closing the Conference, you said:—

'There is one matter in which, I am sure, we shall receive support. In this Conference we have not dealt through a committee of the Conference with the large question of finance. Now, I am very jealous of the position of the Imperial Legislative Council. The question of finance is essentially one in which we have to consult and carry with us the Members of our Imperial Legislative Council. We have endeavoured, through the informal Meeting which has been held by the Hon'ble the Finance Member, to do something towards enlightening certain Members with regard to our financial efforts, but I am of the decided opinion that the matter is one which can only properly be discussed in our Imperial Legislative Council. In September we shall be in a position, I trust and hope, to discuss matters with the Imperial Legislative Council. There can be no direction in which India or the Government of India can fail to respond to the call from Great Britain when that call is made, whether it is for men, whether it is for materials or whether it is for money. I feel confident that it will be the wish of India that we should try and see what response we can adequately make in that matter of finance, which is essentially a matter for the Imperial Legislative Council.'

"The question of additional financial assistance was thus definitely mooted, but it was held that constitutionally we should defer discussion of definite plans in pursuance thereof till this Council assembled for its autumn Session.

"Finally, your Excellency said in your message to the people of India on the 4th August last—'I feel then that I have a right to-day to call, in the name of our beloved King-Emperor, for India's fullest and most ungrudging help through the final stages of the great War, so that when victory is achieved India's name may stand in the world's history linked for all time with the noble ideals for which the British Empire is to-day so desperately fighting—not an India the giver of a doubting and half-hearted support, but an India who read the issues aright and gave freely and generously. And as I remarked just now



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further free and generous help implies not merely the raising of men, for which His Majesty's Government will pay, but financial support also, to the measure of India's abilities.

"Let me now turn to what India has already done financially in connection with the war, apart from the generous help that has been given for specific war objects and war funds by the Indian Princes and private individuals. At the outset of the war we decided to forego the claim, which we would admittedly have had under ordinary conditions, for the full cost of troops employed outside India in connection with the various expeditionary forces, and we decided, with the full approval of the Legislative Council, that we ought to bear the normal cost of such troops. This offer was appreciatively accepted by His Majesty's Government, and was embodied, as the law required, in a Resolution passed by both Houses of Parliament in November 1914, which I will cite *in extenso* as it has an important bearing on the proposals I shall subsequently make.

'That His Majesty having directed military forces charged upon the revenues of India to be despatched out of India for service in the war in which this country is engaged, this House consents that the ordinary pay and other ordinary charges of any troops so despatched, or that may be so despatched during the continuance of the war, as well as the ordinary charges of any vessels belonging to the Government of India that may be employed in these expeditions, which would have been charged upon the revenues of India if such troops or vessels had remained in that country or seas adjacent, shall continue to be so chargeable, provided that, if it shall be necessary to replace the troops or vessels so withdrawn by other vessels or forces, then the expense of raising, maintaining and providing such vessels and forces shall be repaid out of any moneys which may be provided by Parliament for the purposes of the said expedition.'

"As I said in my speech introducing the Financial Statement for 1917-18 (paragraph 40)—'So long as this Resolution is in force, His Majesty's Government and we are equally bound by it, and we can neither increase nor decrease the amount of financial assistance which we render in accordance with its terms.'

"Under the strict application of the terms of the Resolution, India's contribution—in respect of (a) the cost of the military forces despatched out of this country, (b) the vessels placed at the disposal of the Admiralty, (c) the difference between the normal cost to India of the trooping service and the smaller amount that is payable in present circumstances—will amount, roughly, to about £23 million to the end of 1917-18 and £30 million to the end of the current year.

"We have also to take into account the fact that, in order to be prepared for eventualities on our own frontiers, we have had to expand our military budget very considerably in connection with re-armament and military supplies generally, the development of road communication and so forth; as also by the cost of certain additional units which were required to meet eventualities in India and not the actual or potential demands of the expeditionary forces, and by outlay on port and coast defences. We also, of course, pay the actual cost of military operations on our frontiers. The result has been that, as I explained to the Council in connection with the Financial Statement of the current year, whereas our normal net military expenditure before the war was £20 million, the Budget provision now stands at £29 million, with the probability that this will be somewhat exceeded in respect of the current year's actuals. But taking the Budget figure, we shall, up to the end of the current year, have spent owing to the war, about £25½ million more under military charges in India than we should have done otherwise. We have likewise, in connection with the war, had to bear a share of expenditure in Persia which is classed as 'Political,' as also charges similarly classed in respect of militia on the North-West Frontier, which may be put collectively at £2¼ million up to 31st March 1919, taking the Budget estimates for the current year.

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"I have explained on previous occasions how it was that financial circumstances in India precluded us from doing more at the outset in the way of pecuniary assistance to His Majesty's Government, apart from the demands on our own purse than the foregoing of the normal charges in respect of our troops employed abroad. But in 1917 the position justified us in going much beyond this, and with the general assent of this Council, we offered His Majesty's Government a lump sum of £100 million as a special war contribution by India. This contribution was in the shape of a capital sum, involving an additional recurring contribution on Indian revenues of £6 million which, besides paying the interest charges, provided for a sinking fund calculated on present data to extinguish the debt in about 30 years.

"We raised in India about £85 million of the £100 million required by last year's war loan, and taking a cautious estimate, I thought that we might count on getting £20 million more in respect of the war loan of the current year. The balance not thus provided for was to be met by our taking over an equivalent portion of the Home War Debt. I may say here that the results of this year's war loan have already exceeded the £20 million put forward in the Budget, though not by any means to the extent that I had hoped might be the case. So far as our figures at present go, we have as yet obtained a sum of over £25 million, and I hope this may yet be considerably exceeded ere the main section of the loan closes.

"The offer of the lump sum contribution of £100 million made was gratefully accepted by His Majesty's Government. We met the additional liabilities which it imposed upon us partly by fresh taxation imposed in the year 1917-18, and partly from the proceeds of our existing revenues which had been swelled by taxation in the year previous. Taking the Budget figures for the current year, as I explained in my speech introducing the Financial Statement for that year (paragraph 125), the war charges of 1918-19, including the burden of the £100 million contribution, which is shown separately under 'interests, and outlay' under 'Political' with reference to special expenditure in Persia and the cost of militia employed on the North-West Frontier, exceed the figures of 1913-14 by £16 million, of which £9½ million has been met by taxation, while the balance has been found from other expansion of revenue.

"I may add, too, that, as explained in my speech on the current Financial Statement (paragraphs 34 and 35), we have also in effect lent a sum amounting to £83 million to His Majesty's Government by investments from the Paper Currency and Gold Standard Reserves, and through the special reserve for future capital requirements which we established in connection with the transactions of 1917-18.

"When we framed the current year's Budget, it was felt—and our views on this point were endorsed at Home—that it was not expedient at that time for India to add to her taxation with reference to further war contribution, and we felt that the currency difficulties with which we were confronted could be best met in this country by a generous response to the new war loan, which would be primarily at our disposal although it would eventually be credited to His Majesty's Government.

"Subsequently, however, the war situation changed materially for the worse owing to the *sequelæ* of the Treaty of Brest-Litovsk, which enabled the Germans, not merely to transfer to their Western front the troops they had previously to maintain on the Eastern, but, by breaking up Russia into fragments and controlling large areas of these by armed force, to threaten an advance which might eventually lead them to the borders of India. Towards the end of March and subsequently, Germany was able, by re-constitution of her troops following on the Russian situation, to start most

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serious and menacing attacks on the Allies' French front, which is and must remain the main theatre of war, and in these attacks she attained material successes. The result was a double menace—to the British Empire and to the Allies generally by reason of the situation in France; to India specially by reason of the altered situation in Central Asia; and I need hardly remind the Council that, apart from this latter situation, anything which broke the force of the British Empire in France would necessarily re-act on India, and open the way to Germany for what Mr. Montagu, in a recent speech, described as her policy of subjugation, domination, spoliation, and theft. This was the atmosphere in which we met at the War Conference in Delhi, while at the same time India was faced, owing to shortage of silver, which was not in any way our fault, with the possibilities of a grave financial crisis. We therefore felt, as your Excellency said, that we should have to ask the Council to supplement the increased recruitment now in operation by further financial sacrifices, which we can more readily make now that the financial crisis has happily abated owing to the generous supplies of silver we have obtained from the United States. And let no one think that the fact that victory has recently and happily shone upon the arms of the Allies in the West calls for a reconsideration of the assistance India should offer. We rejoice in these victories, and regard them as a good omen for the future. But the fact remains that in all human probability the war will last for a long time yet—if we are to conclude it, as we all wish, by a peace that shall secure tranquillity to the world including India, and shall not be a mere prelude to a further Armageddon. We have to remember, as Mr. Lloyd George said in a recent speech, that the military caste are still predominant in Germany—and that a satisfactory peace is unprocurable so long as they remain so. We must remember, too, the vigour and staying-power which Germany, under the dictation of that caste, has shown on previous occasions when the odds seemed heavy against her, as for instance in the early part of 1917.

“It will be seen, however, from what I shall say presently that, if this Resolution be accepted, the financial assistance which will be offered in connection therewith will be proportioned to the duration of the war, so that if, contrary to expectation, peace should come speedily India will have to pay less than would be the case if the war should still last for long. I also wish the Council to understand that, as we have already represented to His Majesty's Government, the contribution proposed from India, which is largely to assist in keeping war off her borders, must be liable to reconsideration if, by unhappy chance, we should have to fight on our own frontiers and to incur large expenditure in that connection. I may say, however, that in that event additional taxation would be still more necessary than in the present hypothesis of India's lending further help to the Empire to win the war outside her own borders. It should also be understood that the contribution would similarly require reconsideration if we were faced with grave financial burdens in other respects, as for instance by a worse agricultural situation than that which we have at present to look to, or if, though I trust this is unlikely, we should be attacked by another grave currency crisis.

“I now turn to the ways in which we propose to apply the Resolution I am speaking to. We do not desire to make any fresh lump contribution such as was thought appropriate in 1917. We propose that the help India is to give should be earmarked for specific war items in regard to which she is deeply concerned, and that our further contributions should therefore be in the shape of taking over current charges in respect of these matters, so that the burden which would fall upon us, and the relief afforded to His Majesty's Government will be automatically regulated by the length of the war.

“The most important proposal we have to make under this method, and as a practical outcome of the Resolution, is that we should now take a much larger

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share in respect of the normal charges of troops in India than was assigned to us by the Parliamentary Resolutions of November 1914. The ordinary peace strength of the Indian portion of the Army in India may be taken roughly at 160,000 men, and in respect of these the Parliamentary Resolutions place the normal cost upon us even though the men may be employed with Expeditionary Forces outside India, in which case however the additional charges consequent on such employment fall on His Majesty's Government.

"To give effect to the settlement, estimates have been worked out, and approved by his Majesty's Government, showing in respect of each type of combatant unit, as well as of the various classes of auxiliary services, that is Supply and Transport, Medical (including Army Bearer Corps and Army Hospital Corps) and Veterinary, the 'normal cost' which would have fallen on Indian revenues if no expeditionary forces had been sent out of India. This 'normal cost' includes all pay charges, food charges and cost of maintenance of clothing, equipment, stores and animals. When a combatant unit is sent from India to a theatre of war, all its expenditure from the date of leaving India is met by His Majesty's Government; but Indian revenues pay a contribution equal to the 'normal cost', as above calculated. A similar arrangement is followed as regards auxiliary services.

"I may mention that the initial cost of equipment, stores and animals which are required in connection with the additional troops which we are raising in India is debited in the accounts to a suspense head. At the end of the war, if we find that we require a portion of these additional stores, etc., to meet our ordinary requirements in the next few years, the cost will be met from Indian revenues. The value of all surplus stores, animals, etc., will be charged to His Majesty's Government, at whose disposal they will then be placed.

"To replace the combatant units and the members of the auxiliary services that have been sent for service in various theatres of war, a number of additional units have been raised in India, and the auxiliary services also have been expanded. The cost of these units, and of the additional officers and men of the auxiliary services, is chargeable to His Majesty's Government. Further, to supply drafts to, and to meet the requirements of, the Indian Expeditionary Forces, (*e.g.*, in the shape of additional units) the strength of the units in India has been largely increased and additional units have been raised, while the auxiliary services have been further expanded. The cost of these expansions and additional units is also debitable to His Majesty's Government. To put it shortly, our liability is limited to the normal cost of 160,000 men, and to the additional expenses caused by military operations on our own frontiers and measures taken for the safeguarding of these frontiers and of our ports.

"But, as I have already indicated, in cases where it has been necessary to raise additional combatant units, or to create additional appointments in the auxiliary services, to meet requirements *in India* which have proved to be in excess of our pre-war complement, and not to meet the actual or potential demands of the Indian Expeditionary Forces, the cost of such additional units, etc., has been charged wholly to Indian revenues.

"While the general formula which governs our method of making a contribution to His Majesty's Government, in pursuance of the Parliamentary Resolutions, is superficially simple, its working out has involved much labour. Accordingly, whatever further contribution we may decide to make, it is essential that we should adhere to our present method of determining the incidence of cost between ourselves and His Majesty's Government and merely alter certain factors to their advantage. That method has, after the most careful examination at the India Office and the War Office, been accepted *in toto* by the Home Government,

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and it would be productive of much labour and correspondence to suggest any change therein at the present stage.

"I have mentioned that the normal strength of the Indian Army before the war was about 160,000, roughly equivalent to 11 divisions, namely, 9 in India proper, 1 in Burma, and 3 Independent brigades on the North-West Frontier. On the 1st April 1918, the number of Indian troops, both in India and overseas, was about 490,000, or an increase of some 330,000. Of these, about 230,000 represent recruits under training and men at depôts who are required to maintain at their proper strength the units in the field and to replace wastage in India. The remaining 100,000 may be taken as representing fresh formations equivalent in all to 7 infantry divisions, though all the troops were not actually raised on a divisional basis.

"We are also, as I have already explained, expanding our recruitment during the year commencing with the 1st June last to obtain, if possible, about 500,000 additional combatants, and out of these we shall, besides supplying wastage in India and the field, raise a number of additional Indian Infantry divisions.

"Before setting out our views as to the extent to which we might offer to bear the normal cost charges of additional Indian troops, at present debitable to His Majesty's Government, I will refer briefly to an alternative idea that India should bear the full cost of the Expeditionary Forces overseas. I have already explained to what extent Indian revenues bear the normal cost charges of the Indian Army, and shown that His Majesty's Government bear in any case all extraordinary charges, such as *batta*, special field allowances, etc., of troops serving overseas. We are not in favour of the idea that we should take over the whole burden of the Indian Expeditionary Forces overseas, because—

- (1) The cost of these forces, especially those in Mesopotamia, includes expenditure of a *quasi*-civil character, arising out of the necessity for developing the country, *e. g.*, expenditure on railways, river transport, wharves, docks, agricultural development, semi-permanent buildings, etc. It would be inequitable to saddle Indian revenues with expenditure of this nature.
- (2) This would necessitate constant re-adjustment of accounts and Budget forecasts with reference to fluctuations in the strength of the forces overseas.

"Reverting now to the question of offering to pay for an additional number of Indian troops, a possible course would be to take over, with effect from 1st April 1918, the entire normal cost charges of all additional Indian troops for whatever purposes raised, *i.e.*, all troops that had been raised by the 1st April 1918 and may hereafter be raised, in excess of the normal peace strength of 160,000 men. There are, however, objections to this course, in that it would lay on India, which has already made a lump contribution of £100 million towards the war, further and indefinite liabilities, which would involve commitments that we could not ask the people of India to assume. We feel that the statesmanlike course is to assume definite liabilities and apply ourselves to financing these.

"It is clear, therefore, that, in deciding the extent to which we can offer further financial assistance to His Majesty's Government, we must take a

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definite and at the same time large number of troops of whose normal cost charges we are prepared to relieve them.

"I have already said that though we are at present bearing the normal cost of about 160,000 men only, the number of Indian troops in this country and in the field amounted on 1st April last to 490,000, and this number will be materially added to by the increased recruitment quotas introduced last June. We propose, therefore, to take over as from 1st April last the normal cost, calculated on a divisional basis of 200,000 additional men, raising what may be called our normal-cost Army to 360,000 men. And from 1st April 1919, having regard to the additional recruitment now going on, and to the consequent growth in the strength of the Army, we propose to take over the normal cost, again calculated on a divisional basis, of 100,000 men more.

"In roughly estimating the eventual cost of this proposal, it is of course necessary to make an arbitrary assumption regarding the probable duration of the war. The assumption I make for this purpose is that the war will continue until the 31st March 1920, and that the year 1920-21 will be a year of gradual demobilization. It is obvious that it will take a considerable period after the close of hostilities to disband additional troops and to reduce the strength of the army to its pre-war figure.

"It will, of course, be understood that in making this assumption I am not, in any way, posing as a military prophet. I earnestly hope that the war may be over before the date here assigned to it, but in making calculations which affect the Indian taxpayer, we must necessarily avoid optimistic assumptions.

"Taking figures on this basis, in the year 1918-19, we shall have to meet an additional expenditure of about £8·8 million in respect of 200,000 men whose cost we propose to take over from 1st April.

"In 1919-20, on the assumption above made that the war is still continuing throughout that year, the additional cost in respect of normal charges *quod* the 300,000 men above mentioned—200,000 whom we take over from the 1st April last and 100,000 more whom we propose to take over from the 1st April 1919—is estimated at £13·5 million, and in 1920-21, the year of assumed demobilization, at £6·8 million.

"I now turn to a subsidiary proposal. The Council is aware that His Majesty's Government have sanctioned our recent proposals for addition to the emoluments of Indian troops, and the cost of these has been included in the estimates above given. It operates more largely in 1919-20 than in the current year when it started its effect on 1st June; hence the figure above cited for 300,000 men in 1919-20 is somewhat larger proportionately than the estimate for 200,000 men made in the current year. We have, however, to take into account the incidence of this extra charge in respect of the 160,000 men whose normal cost we already bear, and it has been ruled that as the addition to emoluments was made as a war measure in order to stimulate additional recruitment, the cost must, under the Parliamentary Resolutions of 1914, fall upon His Majesty's Government. We desire, however, to relieve them of this charge, which would entail on us an extra outlay of £900,000, namely, £200,000 in the current year, £500,000 in 1919-20, when the increased emoluments will be in operation for a full year, and £200,000 in 1920-21, the year of assumed demobilization.

"The next proposal I have to put forward relates to non-effective charges. The position with regard to these is, briefly stated, as follows. Under the Parliamentary Resolutions above cited, the net cost of all extraordinary pensions (*i.e.*, wound, injury and family pensions) relating to Indian troops and British officers

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of the Indian Army which may result from the war, is debitable to His Majesty's Government. By net cost is meant that His Majesty's Government will be credited, at the expense of Indian revenues, with the cost, calculated on an actuarial basis, of the ordinary service pensions which Indian revenues would have had to bear had the men in question completed their service for ordinary pension. The exact method of calculating the amount to be credited to His Majesty's Government has, however, not yet been decided.

"With regard to British troops belonging to the Indian establishment, the position is that Indian revenues have no liability for the 'extraordinary' pensionary charges arising out of the war. They have to pay to His Majesty's Government the service share of ordinary pensions in respect of the normal British garrison of India. I may explain that the 'service share' of a pensionary charge means the share debitable in the case of the ordinary pension of a long-service British soldier to Indian revenues. This share bears the same proportion to the full pension as the soldier's period of service in India bears to his total army service.

"We consider that, in present circumstances, we might offer to bear the extraordinary pension charges on account of Indian troops and followers, and British officers of the Indian Army; and the 'service share' of similar charges relating to British troops, including both those who belonged to the Indian establishment at the outbreak of the war and those who have at some previous time served in India. The total eventual amount of these non-effective charges is at present roughly estimated at £11½ million. The expenditure would be spread over a term of years, and would not probably exceed £500,000 in the current year and a like amount next.

"A further proposal we have to make is this. At present, under the incidence situation set up by the Parliamentary Resolutions of 1914, all expenditure on temporary lines for the accommodation of the additional Indian troops whom we have raised and are raising is debitable to His Majesty's Government, to whom will be credited after the war any sums which may be realised by the sale of material. (This amount, however, is likely to be so small as to be practically negligible.) We now propose that we should take over all expenditure which has been incurred from 1st April 1917 and which may hereafter be incurred on the provision of temporary accommodation for additional Indian troops. I estimate the cost roughly at £3 million, all of which could practically be adjusted during the current financial year.

"Lastly, we think that we might suitably offer to relieve His Majesty's Government, with effect from the 1st of April last, of the relatively small cost of the European section of the Indian Defence Force which is, at present, debitable to them and which amounts to about £200,000 a year.

"It will be convenient here to summarise the financial aspects of the various proposals I have now explained as regards the additional outlay on Indian revenues.

"In 1918-19, we shall have to defray £500,000 additional for pension charges; £9,000,000 in connection with our liabilities for a larger normal-cost Army, as it may be called, including the increased emoluments sanctioned for Indian troops; £3 million in respect of Indian troops lines, and £200,000 in respect of the European section of the Indian Defence Force; working to a total of £12½ million.

"After this year the charge in respect of Indian troops lines will disappear, save as a practically negligible item, but in 1919-20, assuming this to be a

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a full year of war, the continuance of the remaining charges on a somewhat larger scale, and the addition to these in respect of the further 100,000 men whose additional cost we should be taking over, may be put at £14·7 million. Consequently, our total figures are—for the current year £12·7 million, for 1919-20 £14·7 million and for 1920-21, allowing for the results of gradual demobilization, £7·7 million, making a total of about £35·1 million. Adding to this £10 million further liabilities in respect of additional pension charges we work up, roughly, to a grand total of £45 million.

“It will of course be realised that these estimates are necessarily rough, since some of the factors are still indeterminate. One great advantage of our proposals is, however, that if the war comes to an end sooner than I have assumed, the burden falling upon Indian revenues will be proportionately diminished, but at the same time the necessity for giving further assistance to His Majesty's Government will also decrease. If, on the other hand, the war lasts longer than anticipated, India's contribution will be proportionately increased, but *ex hypothesi* the need for rendering assistance will also be greater.

“As regards the financing of these contributions, I think, having regard to the quotations I have made previously from your Excellency's speeches, to various references I have seen in the newspapers, and to the Bill I introduced a few days ago allowing a provisional and temporary levy of enhanced customs and excise duties prior to the law enforcing them coming into actual effect—though this measure was really intended to help procedure on some future occasion on which we might have to raise the duties in question—that there has been expectation that we should propose additional taxation this Session. That indeed was the idea which we had ourselves formed. But on further consideration and discussion of the matter with the Secretary of State, we have come to the conclusion that additional taxation will not be required this year. The reasons for this are twofold :—

*First.*—We have come to the conclusion that we can meet the £12½ million which I have indicated as the approximate charge this year of the programme of contributions outlined, from our existing resources, having regard to the fact that, notwithstanding the poor agricultural situation in some parts of India and the probability that our military charges will be somewhat in excess of the Budget provision, our actual surplus is likely to be much larger than the £2½ million which we took in the Budget. This is due in the main to large receipts from the gain by Exchange we are making on the present exchange rates (and it will be remembered that the normal exchange basis has been raised to 1s. 6d. since April) which were excluded from our Budget calculations for the reasons stated in paragraph 56 of my speech introducing the current year's Financial Statement. Briefly, the reason given was that we did not wish to gamble on the uncertainties of exchange.

*Second.*—We desire that any additional taxation we may have to impose should be adjusted so as to fall largely on the well-to-do, and especially upon those who have made large profits from circumstances arising out of the war.

“A substantial excess profits tax, in respect of which we should be following the example of Great Britain and other parts of the Empire, stood in the forefront of our programme. But on further consideration we thought, having regard to the administrative difficulties involved in fixing a fair basis for a tax of this character, and in applying it adequately with the scanty machinery at our disposal—as likewise to the desirability of giving the interests affected due opportunity for considering our proposals and putting forward any legitimate criticisms they might have to offer—that it would be very undesirable to rush through this Session a taxation programme, the principal portion of which would be an excess profit tax.



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“ We propose, therefore, as I have said, to finance the burden which will fall on us this year without resort to fresh taxation, and I may say that in holding this view we are in absolute accord with His Majesty’s Government, who consider that it would be much more satisfactory to bring our additional taxation proposals forward next year as a part of the Budget programme. We shall, however, publish a draft Bill embodying our excess profits proposals well in advance of the Delhi Session in order to afford the information and opportunity for criticism which I have already mentioned as desirable. How far this tax may require to be supplemented by other methods of raising revenue, and what these shall be, is a question which will have to be considered and discussed in connection with the Budget. I think it will be evident on consideration that we can not commit ourselves now. We must follow the usual course of seeing what the position at the time of the Budget is, what expenditure we shall have to bear, how far that expenditure can be met from the expansion of our existing sources of revenue, and from what I may call wind-falls such as the gain by exchange. But I will repeat now; what I have already said, that we depart from the normal policy of silence in respect of the Budget by stating that an excess profits tax will stand in the forefront of our programme. I will add another pledge. I will say now that the Council may rest assured that any such proposals will be framed, so as to avoid placing undue burdens upon the poorer classes.

“ It will of course be understood that the carrying out of this programme of further financial assistance in connection with the war will involve modification of the Parliamentary Resolutions which at present govern the incidence of war charges as between England and India; and it will be necessary for His Majesty’s Government to take steps to that end.

“ I should like to say a few words more about our contemplated excess profits tax. We considered the desirability of imposing such a tax in connection with the increased taxation of 1917-18, but rejected it in favour of a super-tax for the reasons stated in paragraph 61 of my speech introducing the Financial Statement for that year. I then said :—

‘ Another method which would *prima facie* be appropriate to present conditions is the levying of a large excess profits tax on industrial and commercial profits which have been specially enhanced by reason of the war. On full consideration, however, we have decided that this would not be advisable. In the first place, as we know from the experience obtained in England, the fixing of what are normal profits and what consequently may be considered excess gains, which must vary with reference to particular trades and even in respect of the circumstances of individual firms or companies, is a very difficult matter; and it has only been found possible to apply it with a fair amount of equity at home—though even there there has been much trouble and criticism in particular cases—by reason of the very efficient and elaborate income-tax machinery already existing and by the appointment of special expert boards of reference to deal with disputable cases. In India, we lack both the elaborate administrative machinery and the material for impartial and authoritative boards. Secondly, an excess profits tax is obviously only a temporary measure, which cannot be continued when the war is over, whereas what we need is a more permanent source of revenue.’

“ But the present conditions are different. We are not proposing permanent taxation, but what may be called a special temporary war levy, and *prima facie*, as I said in 1917, it is most desirable that the additional funds we need in connection with the prosecution of the war should be largely provided by those who have made special profits under war conditions.

“ As regards the difficulties of adequate assessment, though these are still very considerable, they are not so great as they were in 1917, since we have lately increased the efficiency of our income-tax machinery, through which the excess profits tax will be worked, and added to the establishments. We think, therefore, after confidential consultation with Local Governments, that we ought to be able

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to tackle an excess profits tax satisfactorily, provided we leave out individuals and concerns whose profits have been less than a given amount, which will receive further consideration, and concentrate ourselves on those who have made larger profits than this. The general method we propose to apply in respect of this latter category is to make a liberal allowance for normal expectation of profits and to obtain non-official assistance, where possible, in dealing with difficult cases. It will be necessary, as in the case of the super-tax, to make matters more simple by levying the taxation for next year on the profits of this, and so on ; and that is a further reason for the course we have determined on of publishing the Bill well in advance. Further information as to methods will be found in that Bill, but I may say now that our present idea, though I must not be deemed to commit the Government to this absolutely, is that the excess profits tax should be levied at (say) 50 per cent of the assessable profits after making the allowance already mentioned for normal expectations.

“ Now, my Lord, I need not detain the Council much longer. The fate of the Resolution which I move rests with the non-official Members, for though officials may take part in the discussion, we propose to instruct them not to vote. We have also thought it right that having regard to the necessarily general terms of the Resolution, I should, on behalf of the Government, explain how, if it is carried, we propose to apply it so that there should be no idea that we are asking the Council for a blank cheque. In this connection I may emphasise the fact that the disbursements to which these proposals apply are being, or will be, made in any case, and that they fall primarily on Indian funds, though in present incidence conditions the Home Government would repay the cost to the Secretary of State in London. I have already explained to the Council more than once, in connection with financial arrangements, how this state of things, which the war has conditioned, often puts a great strain on us in India from the ways and means point of view, while the Secretary of State has large balances. The upshot of the present proposals will be not an increase of outlay in India, but the foregoing of a portion of the amounts recoverable from the Home Government on the ground that such expenditure is so emphatically in the direct interests of India that India ought to pay finally as well as provisionally. The scheme will not therefore add to our ways and means difficulties in this country, though it will reduce the Secretary of State's redundant balances. I may add, too, that the outlay by the individual recipients will be almost entirely in India, for even in the case of Indian soldiers fighting and paid abroad, whose normal pay charges we bear, they make considerable family remittances to this country. I have also explained that though we do not consider increased taxation called for this year, it is proposed to apply it next in connection with the Budget arrangements, and that in the forefront of such taxation will be a substantial excess profits tax. But—and this is fully understood by His Majesty's Government—if this Resolution should fail to pass, the proposals for an additional war contribution and for future additional taxation will lapse also. The responsibility for rejecting the course which, after full consideration, we have proposed, will then fall on the non-official Members of this Council. But we do not believe that our Hon'ble friends will take such a course. We are confident that they will rise to the situation ; that they will feel that the prolongation of the war and the effects this may have on India justify further assistance ; that they will also feel that when India is legitimately claiming larger political freedom and a higher Imperial status, she must likewise be prepared to assume a larger share of the burdens required by the safety and interests of the Empire, with which her own safety and welfare are so closely intertwined.”

**The Hon'ble Rao Bahadur B. N. Sarma :—**“ My Lord, we have listened with keen and absorbing interest to the clear explanation which:

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the Hon'ble the Finance Member has given us of the present situation and what it is likely to be under the proposals which he would carry out if the Resolution should be carried. The principle of the Resolution I, in moving my amendment, do accept in a modified form, and I shall proceed to show why I think that it is absolutely necessary, in the interests of India, that our contribution to the United Kingdom should be limited in the manner I have suggested. The amendment which I have the honour to move runs as follows. At the end of the Resolution moved by the Hon'ble Sir William Meyer, the following words should be added :—

' Provided that no further taxation is imposed, except in respect of excess profits derived during the war.'

" My Lord, we have listened to the impassioned appeal which was made by the Hon'ble the Finance Minister at the conclusion of his remarks, and not unmoved. But, at the same, time we realise the immense responsibility resting upon us in defending the finances and the economic prosperity of the Indian people. There are one or two considerations which are generally brought into this question which I feel are not altogether pertinent or relevant, but inasmuch as they generally influence the final consideration I am forced to allude to them. One consideration which is generally appealed to and which was partly referred to in the final remarks of the Hon'ble Member was that, if India wishes to be treated as a partner in the Empire, she would have to assume higher responsibilities than might otherwise be needed. I may state, my Lord, that we are not proceeding, in substance, on a consideration of the grounds based upon the partnership theory in finally determining our attitude with reference to this Resolution. What our liabilities would have to be in respect of this war, treating India exactly as a partner in the Empire, is a question with which we are not concerned at the present moment. Ours is a partnership of a peculiar complexion. We are divided into houses which, on the present theory, would have to be defended by their respective inhabitants. The inhabitants of one house have no right to set foot in the house of another, and the rights of citizenship which have to be equal in respect of all essential matters on the partnership theory have not been accepted by any, and consequently it is not necessary for me to pursue that subject at the present moment.

" Another question which is generally brought into this matter is the analogy of the policy which has been pursued by the self-governing Dominions. It has been stated in the Press and outside that the self-governing Dominions have been undergoing various sacrifices in the defence of the Empire, and that, when compared with the self-governing Dominions, India's share has not been proportionate. My Lord, this is a very large question and it cannot be gone into here; but it would not be impertinent to say that the self-governing Dominions have vast potential resources at their command, that a very small population is in possession of vast areas which they can develop and which they propose to develop unaided, and by themselves, and that it is in the defence of those interests that they are undergoing these sacrifices. It may also be said, my Lord, that, relatively, the populations are very rich. What with greater relevancy may be said is also this. They are in command of their armies to a very large extent and have got the financial control to adjust their resources to their needs. There being, therefore, a vast difference between the position of the self-governing Dominions and India, I do not think any one can justify the relative contribution of India on the basis of what the self-governing Dominions have been doing. A stronger argument, indirectly alluded to in the speech of the Hon'ble the Finance Member, was that in practice and in substance these 500,000 troops which are to be raised in future may be looked upon as being raised really for the defence of India, and, consequently, though not technically, yet in fairness, India ought to bear the cost of those troops. The Resolution does not rest upon any such legal foundation. It assumes that on

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the present, theory and under present conditions, the United Kingdom has to bear that cost. We are asked only to make a contribution and, consequently, having regard to the remote connection of India with the particular circumstances which led to the war, whether it cannot be fairly argued on behalf of India that India may debar to undertaking that financial responsibility, is a question which does not directly concern us at the present moment, and, therefore, that may also be dismissed. The contribution is asked for particularly on one ground, namely, that India is a part of the Empire, that her interests are vitally connected with those of the Empire, and that it is but fair, therefore, that, when the Empire undertakes a particular task, India should, to the best of her ability, contribute to the successful fulfilment of that task. No one can take exception to that principle, and we shall have to consider whether on that principle India has done enough, whether India is in a position to do more, and whether India can be found fault with if she is, owing to her peculiarly unfortunate financial and economic position unable to do more. The question resolves itself purely and simply into one of ability. But I have not chosen to rest my amendment on the question of ability. If I were to rest it purely and solely upon the question of ability, I would have had emphatically to say that India is unfortunately not in a position to undertake any further financial burdens. But, my Lord, I really think that there is such a thing as sentiment, that there is such a thing as attachment, that there is such a thing as policy, and that when the Empire is undergoing such great sacrifices, it would not be fair for us to say 'no' when we are called on to do what little we can, and it is on that foundation, on the foundation of sentiment, on the foundation of attachment, on the foundation of policy and on the foundation of loyalty, that I have based my amendment. But before I do so I may be permitted, my Lord, to make one or two remarks with reference to the question, as to whether India is really in a position to bear further financial burdens. In 1917-18, when the question of India's contribution was under discussion in the House of Commons, the Secretary of State, while defending his position, stated distinctly that the additional taxation, including the enhanced duty on cotton goods imported into India, was undertaken wholly for the purpose of enabling India to bear this cost of £100,000,000, that it was not necessary for her normal needs and that she felt that she could not assist to the extent of £100,000,000 if those duties were not enhanced. The cotton merchants of Lancashire said that the Government might have reduced that £100,000,000 by the amount which would have been found impossible if those duties had not been levied, and that was the position that was taken by Mr. Asquith also. And it was further moved that India may be thanked, but that the contribution should not be accepted inasmuch as it was coupled with this enhanced duty on cotton goods. I am mentioning this for two purposes, firstly, to show that the Government of India, as well as the Secretary of State, felt that there were no additional resources that they could fall back upon in order to enable them to meet the additional annual cost necessary for making this £100,000,000 gift, that the margin of taxation had been reached and that it was necessary to raise the duty on cotton goods to meet that cost. There is also the danger in accordance with that Resolution that the whole thing might be revised at the end of the war, and if we are to say to-day 'It is true we are in a position to enhance our taxation and the people are in a position to bear it,' we lay ourselves open to the attack of Lancashire that what was said in 1917-18 was not accurate, and they would be perfectly justified in asking for the reduction of the cotton duties. But that is a separate question. Well, the authors of the Report which has been under discussion have themselves admitted in paragraphs 135 and 132 the peculiarly unfortunate pecuniary position of India. In paragraph 135 they say:—

'The Indian Government compiles no statistics showing the distribution of wealth, but such incomplete figures as we have obtained show that the number of persons enjoying a

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substantial income is very small. In one province the total number of persons who enjoyed an income of £66 a year derived from other sources than land was 30,000, in another province 20,000. The revenue and rent returns also show how small the average agricultural holding is. According to one estimate, the number of landlords whose income derived from their proprietary holdings exceeds £20 a year in the United Provinces is about 1,26,000 out of a population of 48 millions.

“ They go on to say :—

‘ It is evident that the curve of wealth descends very steeply, and that enormous masses of the population have little to spare for more than the necessities of life.’

“ And in paragraph 332—I shall not read the whole of it because it will take up too much time—there is just this sentence :—

‘ Moreover, though as recent inquiries have shown the standard of living among the peasant classes has improved perceptibly of late years, there is still no great margin of taxable capacity. The people are poor ; and their poverty raises the question whether the general level of well-being could not be materially raised by the development of industries.’

We have raised during the last three years the taxation from £80 millions to £113 millions.....

**His Excellency the President** :—“ I would like to warn the Hon'ble Member that he has one minute more, and it would therefore be advisable if he would concentrate his arguments on his amendment in that one minute.”

**The Hon'ble Pandit Madan Mohan Malaviya** :—“ My Lord, may I rise to a point of order. In view of the fact that the question raised by the Resolution practically amounts to a Money Bill, may I request your Lordship to suspend the Rules of Business so that the discussion may be free and long.”

**His Excellency the President** :—“ I think that will be quite impossible, but I am quite prepared to show indulgence to the Hon'ble Member who is moving the amendment. I will give him five minutes more than his time, or I will give him six minutes, as we have wasted a minute in discussion.”

**The Hon'ble Rao Bahadur B. N. Sarma** :—“ And under those circumstances, my Lord, I submit that it would not be possible to look forward to any very large margin of taxation to reach this extra sum of 45 millions, which is but a rough estimate and may be largely increased, by the operation of various causes.

“ Then, if we analyse the heads of revenue, inasmuch as there is a practical guarantee that the poorer classes will not be touched, I take it that the salt revenue cannot be increased. Then Opium you cannot get much from, nor from Customs ; the cost of cotton cloth has already risen considerably, and consequently we cannot fall back on any of those heads. The only thing we can fall back on is the imposition of death duties or the increase of income-tax, and I submit that though it will be possible to get a little larger sum under the head of income-tax by enhancing the rates or bringing in the landlords, I submit that it would not be possible to raise the sums that are needed during the next two years—i.e., 14½ millions and 7 millions—unless the rate of exchange be as favourable as it has been in the past. There is another argument also, and that is, that in view of the economic war which we have to meet, would it be wise to bleed further the few men who have a little which they can devote to the improvement and development of industries ? It may be that a few people have benefited by the war. It may be that a few people have become rich. But have not the poor people—the very poorest—to look

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to them for the money which is needed for primary education, sanitation, and the development of industries? I submit therefore that it would be a short-sighted policy completely to bleed them for this purpose and leave us beggars at the end of the war, unable to hold our own against other countries which are sure to wage a cruel economic war against us with our open door tariff policy.

“ My amendment would substitute another method of carrying out the object which the Hon'ble Sir William Meyer has at heart. He does not want any taxation for this end this year. If the rate of exchange is favourable, as it has been in the past, and if the war continues, there is no reason why it should not be possible to raise the money without resorting to fresh taxation. He will get his 9½ or 10½ millions, as usual, which can be supplemented by a tax on excess profits. The amount needed for the third year is 7 millions and I think the same argument will apply to that. But if unfortunately it should so happen that the necessary amount could not be raised in that way, and it should follow that we were not able to undertake the financing of an additional 200,000 and 300,000 troops with our present resources, there would be no harm done. Nobody would find fault with India for a grudging or miserly response to the call of the Empire. There is besides great danger in accepting indefinitely the financing of these troops. A new policy is involved therein; and there is also the risk that once the financial machinery is completed for the purpose of meeting from the revenue the cost of these additional troops, they will remain permanently.

“ My Lord, the words used by the Hon'ble Sir William Meyer were that no undue burdens should be placed upon the poorer classes. The phrase is very elastic, and I do not find fault with it, because no Government of India could say more, if you accept the principle of this Resolution. But what may not be 'undue burdens' from the official point of view, may be 'undue burdens' from the people's point of view, and it does not afford any relief to be told that they will not be 'undue burdens.' Then I have already dealt with the question of the well-to-do being taxed, leaving nothing for the industrial and educational development of the country. I therefore think that in all the circumstances if my amendment is carried, we shall not be guilty of a rude or ungracious reply to His Majesty's Government which has asked for help. We appreciate and understand our duty and state that to the extent we are in a position to do it, whatever may be the legal liability we will meet our friends in the spirit in which we ought to meet them and place all our available resources at their disposal. We will go further and are prepared to tax the excess profits, which should legitimately be employed in improving the industrial condition of the country, for the exigencies of the war, because that must be the first object. But to go further than that seems to me, my Lord, to be unjustified by the circumstances of this country. After all, England has raised 7,000 million pounds. What is this 40 millions to her? It will not help her materially, and that was the position taken in the House of Commons debate. It is only a token of our loyalty to offer this to her: it does not enable her to discharge her liabilities to any material extent while it would cripple and ruin us. I hope the Government of India will bear that view in mind and will be in a position to accept my amendment.”

**The Hon'ble Sir William Meyer** :—“ My Lord, it may perhaps help my Hon'ble friends in their discussion if I indicate what the views of the Government on this amendment are. To a large extent, the Hon'ble Mr. Sarma's views and mine are in agreement, but in some important respects they diverge. I could not, for example, agree with my Hon'ble friend that India should adjust her war contribution on a strictly limited liability principle. We have tried to define and limit the liability of India as much as we reasonably can. My Hon'ble friend goes further, however, and says :—

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'The poor cannot pay because they are too poor: the well-to-do should not pay because it would diminish the subsequent development of the country.'

Well, who is going to pay? The officials, I presume!

"I also of course reject the plea that it does not matter if we cut down the contribution, because in any case England can and will pay. If this Resolution is rejected, it will make a great difference to the feelings with which India is regarded in England. I say, even though your contribution is small as compared with England's outlay, still it is a proof of love and loyalty. It is like the gifts which children make out of their little savings, valuable for the self-denial and love which have called them forth.

"Now the fate of the Hon'ble Member's amendment I must leave to my Hon'ble friends the non-official Members; but I would appeal to them against passing the amendment as it stands. Those who have done me the honour to follow my exposition on the main Resolution will have seen that I have gone as far as any Government can in regard to the question of future finance. We have said that we will put an excess profits tax in the fore-front of any taxation programme that we may have to introduce next year, and that we will not do anything which will press unduly upon the poor. I think that is a very material pledge. But we cannot say yet—it is really a matter for my successor and his colleagues—we cannot say yet what the exact financial position will be next year. We have got to take into account the military expenditure which will follow as a consequence of accepting the Resolution; we have got to take into account other expenditure; we have got to take into account the growth of our normal sources of revenue, and what we may get by a favourable rate of exchange. On these factors, it may be that an excess profits tax will be sufficient. On the other hand, it may not, and some other tax may have to be imposed, some tax which will not press unduly upon the poor. Therefore, I say that no Government can accept a tying of its hands in this way. Further, though I am sure my Hon'ble friend did not intend it, the literal application of his amendment is this. 'We do not mind a large amount of extra Indian recruitment; men may have to die for India, men of the agricultural classes largely; we do not mind paying an extra contribution, provided it falls on the commercial classes who have made money out of the war, but when it comes to us of the professional classes we do object very much to giving anything.' I am sure, as I have said, that my Hon'ble friend did not really mean that, and that he would be quite willing to be taxed further if necessary, but that is the literal impression his amendment would give if carried. However, I want to make things easy for him and for my non-official colleagues, and I would ask him whether some such formula as this would meet the case, a formula which embodies the declarations I have made in my speech, and perhaps the Council may think that its embodiment in the Resolution will give it greater sanctity. The Resolution would then stand as it does at present but with a proviso:

'That this Council recognises that the prolongation of the war justifies India's taking a larger share than she does at present in respect of the cost of the military forces raised, or to be raised, in this country:

'Provided that such additional taxation as may result from the application of the Resolution is so adjusted as not to press unduly upon the poor, and shall be levied primarily on those who have made large commercial profits during the continuance of the war.'

"I think that is reasonable and meets the objects which the Hon'ble member's amendment has in view. I would ask him whether he accepts it."

**The Hon'ble Rao Bahadur B. N. Sarma:**—"My Lord, I regret that I cannot accept it for this reason, that I would like to limit the

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amount also in the way I have done. The wording is vague and would enable the Government to levy any tax whatever.....

**The Hon'ble Mr. Srinivasa Sastri:**—"May I rise to a point of order? I have a small amendment to move, and I should like to know whether the Council would deal with my amendment first and....."

**The Hon'ble Mr. A. P. Muddiman:**—"The Hon'ble Member has given no notice of his amendment."

**The Hon'ble Mr. Srinivasa Sastri:**—"I have not given notice, but it will be clear from the terms of the amendment that it was impossible to have given notice of it."

**His Excellency the President:**—"I have received Mr. Sastri's amendment now, and it is to this effect:—"

..... and recommends that such larger share be to the extent and under the conditions and safeguards indicated in the speech of the Hon'ble the Finance Member in moving the Resolution."

That is an amendment to the amendment, and therefore I should take it in precedence to Mr. Sarma's amendment, and Mr. Sastri will move it now."

**The Hon'ble Mr. M. A. Jinnah:**—"My Lord, I rise to a point of order. Can Mr. Sastri move an amendment without giving proper notice?"

**His Excellency the President:**—"By permission at present he can, and I give it."

**The Hon'ble Mr. M. A. Jinnah:**—"My Lord, I rise to a point of order. Is Mr. Sastri's amendment an amendment of the Resolution?"

**His Excellency the President:**—"Certainly it is. The prolongation of the war justifies India taking a larger share than she does at present and then come details as to how that larger share is to be determined. That is an amendment to the Resolution."

**The Hon'ble Mr. Srinivasa Sastri:**—"My Lord, in moving this amendment I am fortified by the thought that the Hon'ble the Finance Member has made the point perfectly clear in his speech. I am only making assurance doubly sure, remembering, as no doubt several of my Hon'ble friends here remember, that sometimes the exuberant language of a Resolution may commit us further than we intend. In speaking to the Resolution as I propose to amend it, I wish at the outset to say that Government in bringing this Resolution forward have placed non-official Members on the horns of a cruel dilemma. If we accept the Resolution, while we shall be declaring our loyalty to the Empire, we shall at the same time be handicapping the responsible government which is to be inaugurated and which is to undertake the expansion of education and sanitation and other things on a large scale. If, on the other hand, we reject the Resolution we shall, I fear, be causing an aspersion on our own loyalty which will be entirely unjustified and unfounded, and at the same time inviting risks to the political future of India which we have so much at heart. It is, therefore, in the nature somewhat of a test vote that we are asked to give at the present moment, but I am fully prepared to ask my Hon'ble non-official colleagues to rise equal to the test and, however hard it might pinch the people of this country, to give the vote that is demanded at the present moment. There are other considerations, my Lord, which I would urge on the attention of our Members. In the first place, this



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burden is to be only temporary ; it is to last during the period of the war, and not longer. Then we have been assured that the taxation will not press unduly hard on the poor, and there are also other safeguards. Three of them have been mentioned prominently by the Hon'ble the Finance Member. In the first place, if we had our own frontier troubles and had to incur additional expenditure, the question of this payment would be reconsidered. Also if either famine or other financial or currency stringency presses the Government and the Finance Member's resources, a reconsideration would likewise come. Then also I am disposed to place some importance on the consideration that a good deal of this money is being already spent in India, and a financial expert has assured me that out of this amount, which we are now asked to sanction, between 70 and 80 per cent will really come back to India in one form or another."

**The Hon'ble Khan Bahadur Mian Muhammad Shafi:**—“ My Lord, in leaving the fate of this Resolution in the hands of the non-official Members alone, the Government have adopted a procedure which, at first sight, does appear to be somewhat uncommon. But on a very careful and anxious consideration of the position, both Indian and international, I am convinced that the procedure thus adopted is commendable on many grounds. As I said on Friday last the non-official section of this Council is thoroughly representative of the Indian peoples, constituting three-fourths of the entire population of the glorious Empire, of which India is proud to be an integral part. We have here present to-day the representatives of the great Hindu community the predominant nature of whose interests in the future welfare of the country is self-evident. We have also the representatives of the 70 millions of His Majesty's Mussalman subjects whose traditional loyalty has been vindicated in this war, under circumstances unparalleled in history. We have the acknowledged representative of the great Sikh race who have added to their martial glory in this unparalleled world conflagration. We have also the representative of the intellectual Parsi community which plays such an important part in the public life of this country. And last but not least we have the representatives of the great non-official European community whose interests, we Indians readily recognise, are as permanent in the future welfare of this country as ours. It will be seen, therefore, that a decision given on this Resolution by the non-official Members will obviously carry with it a tremendous significance both for our foes as well as for our friends. 12-40 P. M

“ My Lord, towards the end of July 1914 when negotiations between Russia and Austria, owing to the mediation of the British Foreign Secretary, had already taken a somewhat favourable turn, Germany, fired by an unrighteous ambition for world dominion, at once accelerated the crisis by declaring war upon Russia. One of the miscalculations which at that time influenced the mind of the German autocracy in declaring this war was that England would either not intervene, or if she did intervene, then in India, in South Africa and in Ireland she would be involved in domestic troubles which would cripple her efforts in successfully carrying on this war. The manner in which India took up the challenge and falsified the calculations of Germany, will ever remain an outstanding fact not only in the history of the British Empire but of the world. But what I wish to invite the attention of my Hon'ble friends in particular to-day is a telegram which was sent out to India by Reuter on the 27th of August last.

“ This is what the telegram said :—

‘ A correspondent of the ‘ Morning Post ‘ quotes extracts from German newspapers showing that great efforts are being made in order to prevent the public's losing heart. The alluring prospect is painted of adding India to Germany's vassal States. The Conservative *Sueddeutsche Zeitung* declares that the fact cannot be too insistently proclaimed that this is the psychological moment which will perhaps never return for Germany to hold out her hands to India.’

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“ My Lord, by unanimously adopting the Resolution which has been placed before us to-day we will emphatically declare that we spurn the hand which German militarism thus holds out to us, a hand which is covered with the blood of innocent children and women.

“ My Lord, immediately after the declaration of war by England on the 3rd August, 1914, here in India as in England, and Ireland all domestic political controversies were hushed. For two years the whole of the Empire in a single-hearted manner combined to resist German aggression. But the war itself having been prolonged and having given birth to world-forces which could not but produce their effect, last year in England as well as in Ireland and also in India, voices were heard on behalf of constitutional progress. On your Excellency's insistence His Majesty's Government on the 20th of August last year made a memorable declaration as to the ultimate goal of British policy in India, and in compliance with the pledge then given, on your Excellency's invitation again the Right Hon'ble the Secretary of State came out to India, and as a result of your joint devoted labours we have had placed before the country the Scheme of Constitutional Reforms which was discussed in this Council, in its general principles, last week. My Lord, it must be evident to every sincere well-wisher of India that the British Parliament is about to place on the Indian subjects of His Majesty the King-Emperor an amount of confidence which shows that the British Parliament is convinced of the loyalty of the Indian people. Let us by adopting this Resolution to-day, I appeal to my non-official friends, give one more proof that we are fully worthy of the confidence which the British Parliament and the British public are about to place in us.

“ My Lord, three years ago, I had the honour of moving in this Council a Resolution on behalf of my country advocating India's right to be placed on an equal status with the rest of His Majesty's Dominions in the Councils of the Empire. His Majesty's Government were pleased to accept that Resolution. The British Colonies freely and gladly admitted India into the Councils of the Empire. They are now paying in full the expenses of their own respective Expeditionary Forces which are fighting side by side with other allied troops on the battle-fields of three Continents. Will it be said of us in these British Colonies that although we claimed to occupy an equal status with them, yet nevertheless we were unwilling to pay in full the expenses of the Indian Expeditionary Force ?

“ I appeal to my Hon'ble friends present here in Council to-day not to allow our country to be subjected to attack like that, but to show to our Colonial fellow-subjects that in claiming equal status with them, India is ready also to bear gladly and willingly the Imperial responsibilities resulting from the acquisition of that status.

“ My Lord, nothing has come out in greater prominence as a result of this war than the solidarity of the British Empire. Although composed of countries situated in the East, South, West and North, in all parts of the world, yet the different parts of the Empire have by their conduct in this war proved to the rest of the world that the solidarity of the British Empire is absolutely unshakable. Let us here in India give one more proof by accepting this Resolution that the solidarity of this Empire is unshakable for ever. On Imperial grounds as well as on grounds connected with our own constitutional development, I appeal to my Hon'ble friends to accept this Resolution, and to my Hon'ble friend Mr. Sarma to withdraw his amendment. Surely, the Hon'ble the Finance Member has met him more than half way by proposing a modification of the original Resolution. He complains that the partnership between the British Colonies and India is in the nature of two houses exclusive of each

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other. Should our friend take a few shares in a private Railway Company, would he admit that, by his taking those few shares, his co-sharers in the partnership would be entitled to interfere in his domestic affairs? Surely not. The partnership extends only to the purpose for which it is formed. Similarly, our partnership with the rest of the Empire is in the Imperial affairs of the Empire, and not in the domestic affairs of any part of the Colonies. Only recently in the Imperial War Conference it has been decided that India shall in future have the same liberty of restricting immigration as the Colonies enjoy in respect of India. Surely that decision of the Imperial Cabinet meets the situation.

"I would therefore appeal to my Hon'ble friend Mr. Sarma to withdraw his amendment, to meet the Hon'ble the Finance Member half way as the Finance Member has met him more than half way and let the Resolution as now amended by the Hon'ble the Finance Member himself be accepted unanimously by all the non-official Members of this Council."

**The Hon'ble Sir Fazulbhoy Currimbhoy** :—"My Lord, the statement made here in full and in detail by the Hon'ble mover of this Resolution has satisfied me, and I have no hesitation in supporting the Resolution. I feel indebted to the Hon'ble Sir William Meyer for the admirable manner in which he has dealt with India's services in the war, and also for the scrupulous care and courage with which he has safeguarded our financial interests. Therefore, both on public and private grounds, I support the Resolution with the addition made by my Hon'ble friend Mr. Sastri who has made it more explicit.

12-33 P.M.

"My Lord, in the beginning of the war, my Hon'ble friend Sir Gangadhar Chitnavis moved a Resolution in this Council which expressed an opinion that the people of India, in addition to the military assistance now being afforded by India to the Empire, would wish to share in the heavy financial burden, now imposed' by the war on the United Kingdom.

"My Lord, in addition to the cost of the Expeditionary Force, we have consented to give 100 millions as a gift on the Resolution that was brought before the Council. We have willingly borne the extra income and super-tax, and we have been asked to-day to give our consent to a fresh taxation to support the military forces raised in India. India has never grudged to bear her share of the hardships and sacrifices that this war has entailed. We have freely given of our men, material and money to the best of our means, in full confidence that your Lordship's Government will not burden the country more than she is able to bear.

"My Lord, when the war is over it is our proud wish that it shall not be said that India did not bear her share equal and in proportion to that of the other Dominions of the British Empire.

"We all appreciate the peace and tranquillity that we have so far enjoyed during these four years of war. The new Army is nothing else but an insurance against the invasion of this country. The enemy though yet nowhere near our frontier is threatening at some distance, and these new forces are necessary to guard against this.

"Coming to the analysis of the grant, I find the Hon'ble Sir William Meyer proposes to allot 12,700,000 for the present year. This amount, we understand, will be mainly devoted to the new army of two hundred thousand men which has been raised in India, making the total to 360. In the third year it will be 460.

"The allotment will involve no new taxation this year as the money required will be found from the surpluses, undoubtedly due, to exchange and the

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rise of the price of silver caused by the war. In all fairness therefore the war can claim this amount.

“As regards the next year's 1919-20 contribution which I gather will be 14,700,000, it will require taxation, and an imposition of an excess profits tax is the means which the Finance Member has in view. In the last year 1920-21, I find the total allotment required is 7,700,000 million, and this is based on the assumption that the war will be over in the spring of 1920 and that demobilization will begin. But 1920 is a far cry. Many things might happen between then and now. The war and economic conditions may improve and it is idle to forecast for 1920. The total estimated contribution is 45 million required for the war.

“My Lord, with regard to the war profits tax that is proposed, it will affect materially the commercial and industrial classes to which I belong, but it will be unfair for me to take exception to the principle of this taxation. This class has borne the burden of the previous taxation willingly, and they have also voluntarily subscribed and have made both the 1st and 2nd War Loans a great success. I am glad to know from the Hon'ble mover that the Government will afford ample opportunity to those who will be affected by this impost, and I must fully reserve to myself the right of detailed criticism when the Bill comes off before us next spring.

“As regards the poorer classes, the Finance Member has assured us that they will not be pressed hard. The agricultural and economic outlook is anything but bright at present, and the condition of the poor people, owing to the high prices, is already serious, and I am sure that no addition can be possible to the salt tax or other necessaries of life. Also, I trust, that the taxation will be distributed in such fair proportion as not to unnecessarily burden the industries which in this country need great nourishing. I hope that the fresh taxation will be levied in such a way that all those that have made extra war profit and those that are rich enough will be able to give their quota in the defence of their safety, peace and order, which they enjoy. I am not one of those who want to support this Resolution in the spirit of bargaining, but what we want to give we must give freely and gracefully. With these few words, I support the Resolution.”

12-23 P.M.

**The Hon'ble Maharaja Sir Manindra Chandra Nandi:—**

“My Lord, the war in Europe, which has now entered into its fifth year, has inflicted untold miseries and sufferings and no end of troubles upon men in every part of the world, India not excepted. But, like all other peoples, we have tried to face the situation bravely and manfully in view of the very large issues involved in it. It is for the highest cause of justice and freedom, of international rights and obligations, for which England, America and France are pouring their blood and treasures in a way to which the history of the world affords no parallel; and we, as an humble partner in the fortunes of the British Empire, have put ourselves also heart and soul into the fight. We are prepared to see the war to the finish, no matter what it would cost us in men, time and money. The prolongation of the war to such an unconscionable length is, therefore, not a matter to be regretted very much. It has to be: there is no escape out of it, no alternative to think of.

“As for the consequences involved in the prolongation of the war, I quite realise, my Lord, that my country is a very poor one and that she can hardly afford to pay the bill of a very costly modern war. But, at the same time, I recognise that we have to do our little bit in helping the war to be brought to an honourable close, if not for the great issues involved in it, at least for the sake of our best material interests. If England wins the war, we swim with her: if she loses, we go down with her. The best prospects of the peace and

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prosperity of my motherland, together with the best chances of the realisation of our political individuality and national self-consciousness, hang on the success of the Allied Cause. It is, therefore, our highest duty in the best interests of the country that we should pay for the bill of the war as much and so far as we can.

“Then there is another aspect of the question to consider. We must not forget that, in no distant future, the German menace may materialize itself in our Western frontier. \* If and when it does, we shall almost be in a death-grip. We must, therefore, prepare ourselves to anticipate that situation and save India from a German invasion. That is certainly a question of more military forces to be raised in the country and more money to meet the cost. I have, therefore, very great pleasure in supporting the motion of the Hon'ble the Finance Member, but I hope he will take into his very kind consideration the poor finances of India and the hard conditions of her people and avoid imposing any fresh taxation on this very unfortunate country. Nothing will give us greater pleasure than to see the bill paid for out of the profits made by the Government of India in her silver purchases and coinage, and supplemented, if necessary, by an extra tax on profiteering in the country. But in whatever way the money may be found or raised, I have no doubt whatever that the time has come when we should take a larger share in respect of the cost of the military forces raised, or to be raised, in this country.”

**The Hon'ble Mr. G. S. Khaparde** :—“The Resolution submitted 1 P.M.  
this morning by the Hon'ble the Finance Minister is really so good that my heart turns to him and I should like to support him, but unfortunately the head turns the otherway. I should like to contribute but I find myself unable to do so, and that is why my position is one of some difficulty. I agree that we ought to bear all the expenses and contribute as much as we can, and in fact more than we can, but the trouble is this, as your Excellency and the Members of the Council will remember there is that Act 21 and 22, Vict. which in section 25 lays down that Indian revenues cannot be spent on any military operations beyond the frontiers of India without the special permission of Parliament. This provision has been reproduced in section 22 of the Government of India Act of 1915, so it is a technical question, not of much importance and to it I also do not attach much importance, but there is the technical difficulty and it would have been well if we had approached Parliament and obtained their permission for power to contribute to the military operations carried on beyond the frontiers of India. But as I said I do not lay stress on this, but mention it as a technical difficulty, and under the special circumstances I believe Parliament may grant us that power.....

**The Hon'ble Sir William Meyer** :—“May I point out that in my introductory speech—it had to be a long one and perhaps the Hon'ble Member missed one passage towards the end—I said that if this Resolution was carried we should move His Majesty's Government to get the existing Parliamentary Resolutions modified.”

**The Hon'ble Mr. G. S. Khaparde** :—“Then I withdraw these remarks of mine, as they have no application. I did not know.

“The next matter I wish to bring to your Excellency's notice is that, as has been mentioned by nearly every speaker, India is a very poor country. The earnings of each individual are much smaller than in other countries, not to mention England, but even in the Colonies also. I do not think there is any place in the British Empire where the individual earns less than he does in India. Then unfortunately we have been told that we are in the middle of the war. The last few years were good years and we had good crops, but this year

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[*Mr. G. S. Khaparde, Raja of Kanika.*]

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there has been a failure of rain and the latest news I get from my province is that they have rather a gloomy prospect before them, and they speak of the difficulty there may be of food and also of fodder. Whatever we could possibly do I believe we have done, and it has been generously acknowledged, and the Hon'ble the Finance Minister has also mentioned it, so I do not wish to dwell upon that question. But there is one matter to which I wish to draw attention, that by the grace of God this year the exchange has been good and we have got some amount of money, and this year's difficulties we can tide over anyhow without any trouble at all. But the trouble is with regard to future years. I do not like to anticipate difficulties; my motto is, 'sufficient for the day is the evil thereof.' If we can get on this year, why should we anticipate the need for further contribution next year. Our armies are driving the Germans back, we are winning the war, we shall be able to get the enemy to pay compensation. So I will take that optimistic view and say that we are very willing that whatever we have made this year on this exchange and whatever we make in other ways on the income-tax, etc., certainly ought to go towards the maintenance of the expenses of this war. As to the next year we shall see how things stand, and if my prognostications come true, if we win and get an indemnity from the enemy, I hope our Finance Minister will be glad to drop this suggestion. This being the state of things there is only one way by which, if it is necessary, we can increase our power to collect money. What I mean is, that we can tax goods that come into India. Japan is sending a large amount of goods here which are selling and capturing our markets, and if the Council had the power to tax those goods that are coming in, and other nations that are trying to make profits out of our difficulties here, then I suppose we should soon see our way to raising as much money as is necessary. If this power is taken, if we can get what is called fiscal autonomy—which are rather long words—we could certainly raise as much money as is necessary and we would certainly do so.

"Under these circumstances what I humbly submit is, that we do really give all that we get by exchange over and above anything that we get by our improved income-tax machinery and so on, and for the next year, when the difficulties do arise we shall see. In the meantime I accept the principle that we are willing to contribute, and we shall always contribute whatever it is in our power to contribute. At present we are too poor to provide for what is going to happen next year; let us mind this year, that is all."

1-6 P.M.

**The Hon'ble Raja of Kanika :—**"My Lord, I confess when I first read the Resolution which has just been moved by the Hon'ble Sir William Meyer, I felt some hesitation about it. To me, it seemed, at first that the Resolution, as it stands, amounts practically to giving the Government of India a blank cheque and I felt, as I am sure most of my Hon'ble friends here also felt, that it was highly desirable to have greater details about our military necessities on the one hand and the ways and means of the Government of India on the other than could be found in the text of the Resolution itself before we could discuss the Resolution with advantage.

"I am glad, my Lord, Sir William Meyer has given us in his speech this morning enough information upon which it is now possible for us to proceed to an useful discussion of the Resolution.

"The titanic war which is literally shaking the world from end to end for the last four years and more has got to be won, and any sacrifice that might be necessary, in this crisis of the Empire, to achieve that supreme end, must be borne and cheerfully borne. The millions that are being freely spent in this war for the supreme task of winning it are really the insurance premia which every civilised country is being called upon to pay in order to make the world safe for liberty and justice and to save humanity and civilisation in all future

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times from another rehearsal of a brutal military despotism. The British Empire, my Lord, is out in the war on the noblest task of crowning liberty in all parts of the world and for all time to come, and in this supreme crisis of the Empire, it is our duty as well as our interest to be a real partner and comrade in arms.

"To have a hand in such a work is the highest of privileges, and India will be cheerfully ready to pull her weight and bear her share in this supreme crisis in the history of the British Empire.

"The pledge that has been given by the Hon'ble Sir William Meyer on behalf of the Government that the poorer classes will not be unduly pressed by any new taxation will go a long way to satisfy the vast majority of the people in this country.

"My Lord, I have very great pleasure in supporting the Resolution."

**The Hon'ble Sir Gangadhar Chitnavis:**—"My Lord, I think I am not mistaken when I take this Resolution to be only a sequel to the Resolution which was moved and unanimously adopted by this Council almost at the beginning of the war, in the year 1914. And in offering an elaborate explanation in support of his Resolution the Finance Minister has, I am glad to find, taken the attitude of sympathy towards the people which will be appreciated, particularly in view of impending famine in some parts of the country. My Lord, I am sure that the Government will lose no opportunity of bringing relief to those who may be stricken by the famine. In my opinion the Resolution before the Council is pressed on our attention on principles of loyalty and patriotism. For over a century England and India have been so situated in bonds of sympathy on one hand, and of gratitude on the other, that I feel confident that my Hon'ble colleagues in this Council will agree to the contribution asked for being made in view of the prolongation of the war and its consequent results. The pressure of the contribution will not weigh on those who are least able to bear it, but on those who are best able, and especially on those who are so fortunately situated owing to the enormous war profits they are making. It must be stated that the urgency of the maintenance of our army on the frontier has been the result of German activities in Persia and perhaps nearer home. As loyal subjects of the Empire it is our bounden duty to help the Government to ward off all troubles on the frontier. But for it the harrowing situation we all should be in, can better be imagined than described.

1-10 P.M.

"My Lord, we are all happy to find that during the four years that the war has been going on, enough voluntary and cheerful efforts have been made, both honorable to individuals and the country generally to help the prosecution of the war to a successful conclusion. My Lord, in doing so and continuing to do so, the honour of the nation has been and will be fully vindicated, and in every part of the country the patriotic spirit has been displayed and will further display worthy of the relations by which the country is connected with the great Empire. My Lord, the country feels grateful that in your speech on Wednesday last you have shown, on behalf of the Government, your high appreciation of the services that have been hitherto rendered. I assure your Excellency that these services will go on increasing in proportion to the needs of the hour, and if in this Council there are being heard some notes of caution, they may be taken to be the result of apprehensions of impending troubles in the country due to deficient rainfall and the condition of the people due to the abnormal rise in the prices of all necessaries of life, and this accounts for the desire to caution Government to keep a reserve of strength for this and other necessary purposes. We are all glad of the assurance that has been given by the Hon'ble the Finance Member on these points. We all hope that these unhappy signs of

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impending famine will, with God's favour, soon pass away, that rains will be plentiful and there will be smiling prosperity in the land. This will then enable India to bear her share in an increasing proportion more cheerfully than ever, so that the world will feel that it is not only to the splendour of our arms and to the noble achievements of the British fleet, that we will be indebted for the proud position we will all enjoy after the war, but also to the wisdom of the counsels which His Majesty's Ministers and your Excellency will have adopted in winning over by an expanding constitution and by your sympathetic attitude the affections and the confidence of the people over whom you, on behalf of His Majesty, are called on to rule."

1-14 P.M.

**The Hon'ble Sardar Sundar Singh Majithia:**—"My Lord, on behalf of my Province, I rise to support the Resolution which has been placed before this Council by the Hon'ble Sir William Meyer, regarding the larger share that India should take in respect of the military forces raised, or to be raised, for the defence of the Empire. My Province has responded to the call of our Gracious King Emperor in a manner of which we Punjabees are proud. We have military traditions behind us and we have, I am glad to say, maintained them, and the sacrifices that have been made have been cheerfully borne. The recruitment to the Indian Army has been fully maintained, and I have no doubt that the Punjabees will keep up this spirit, and even though the Punjab is comparatively a small Province, the brave hearts of the Province will maintain its traditions. The Punjab, my Lord, is not a rich Province, but in the last war loan we won the third position, and in the present one too, we are occupying the fourth place. The Punjab is prepared to bear its part in the services to the Empire. The Sikhs are doing their level best, and I can assure your Excellency that we will not be found wanting in the future. The members of the other communities are also doing their part splendidly, and should occasion arise to bear the first brunt of the battle in any war on our frontiers, the Punjab's sons will present an iron wall to any enemy attempts that might be made. It is in the fitness of things that an attempt has been made to meet the enemy beyond our frontiers, and consequently the occupation of our armies beyond our frontier has proved to be a wise policy.

"I am sorry to find, my Lord, that my friend the Hon'ble Mr. Sarma has seen fit to move an amendment to the Resolution. He said that on account of sentiment, attachment and loyalty we cannot say 'no' to this Resolution. I should like to point out to my friend that in this matter must be added to the above the sentiments of patriotism and the defence of our hearths and homes. He also said that we might be beggars at the end of the war, and that if well-to-do persons had to bear this burden they would have nothing left to give for the development of the country after the war. I would remind him of what has happened in Belgium. After its occupation by the Germans, what little money the Belgian people had to spare was squeezed out by the invaders. If a thing like that were to happen to India, I am sure there would be nothing left for the development of the country, but every pice would be taken away by the enemy.

"My Hon'ble friend also said that 45 millions is a small amount which might be borne by the British Government itself. I will remind him of the old proverb, 'that even small drops of rain make rivers, and those rivers in their turn falling into the sea make it a big ocean.' Similarly, though we are poor and though we are not able to bear all the burdens that might be placed on us, our endeavours at the present moment should be such that we must place all our resources at the disposal of the Empire, and not a single pice must be spared to win the war. With these few words, my Lord, on behalf of my Province, I support the Resolution of my Hon'ble friend Sir William Meyer."



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[ *Raja Sir Rampal Singh; Mir Asad Ali,  
Khan Bahadur.* ]

**The Hon'ble Raja Sir Rampal Singh:**—"My Lord, howso-  
ever deeply conscious I might have been of the poverty-stricken condition of  
my country and whatsoever might have been the uneasiness on any appre-  
hended further increase in the burden of taxation I, in the interest of my  
country, could not withhold my support to the Resolution moved by the Hon'ble  
the Finance Member. But now having heard the speech of Sir William Meyer, I  
accord it a most hearty support that I can offer. Although India in discharge  
of her duty and obligation to the cause of the Empire has rendered services in this  
war—services, my Lord, on which we legitimately take pride—to the best of her  
capabilities commensurate with her means and resources, yet in her own interest  
as well as out of considerations of deeper consequence I strongly hold that no  
sacrifice should be considered too great for her, no expenditure too heavy to  
incur at this juncture to help the Empire in the subjugation of the German  
militarism, which at one time seemed to be in the ascendant and a menace to  
India herself. It has not yet been fully subdued and the menace is not  
yet over, but signs are not wanting that it has been crippled and humbled, and  
with it the threatening to India made more remote. But we cannot sit at ease  
until Germany and her Allies are completely overpowered and a victorious  
peace concluded. With that end in view it is an imperative necessity to main-  
tain the Indian Army on a war strength, and also to increase it as far as possible  
not only to guard the borders of this country and all possible inlets even outside  
it through which the enemy could threaten us, but also to send it abroad to help  
the Empire. Had it been an ordinary war, all the extra cost due to it would have  
legitimately fallen as they must have fallen up to this time on the British  
Ex chequer. But the prolongation of the war, enormous expenditure already  
incurred over it by the Imperial Government, and at the same time the fact  
that the vital interests of this country are also involved in it, justify that India  
should now take a larger share than she does at present in respect of the cost of  
the military forces raised or to be raised here.

1-19 P.M.

"My Lord, these are very hard times for India as they undoubtedly are in  
a much greater degree to the countries at war with one another, but with  
this difference that we are too poor to stand any comparison with them as far  
as the finances are concerned. They have recuperative power emanating from  
a sound and solid financial strength, while we lack it altogether. They can  
stand a financial strain while we cannot. Our poverty is quite apparent from  
the fact that a rise in the price of cloth has made it difficult for the poorer  
classes to hide their nakedness. But duty is duty and it must be performed at  
any cost and at all sacrifice, and greater the sacrifice greater the credit for that  
action. India claims and is an integral part of the Empire. Would it be  
proper for her to shrink from the responsibilities and obligations that she owes  
to it. I therefore give my whole-hearted assent to the Resolution before the  
Council?"

**The Hon'ble Mir Asad Ali, Khan Bahadur:**—"My Lord, as  
I have been convinced by the Hon'ble Sir William Meyer's speech, which has  
removed from my mind any apprehensions with regard to taxation, I beg to  
support this Resolution on the following grounds:—

1-23 P.M.

"I may be permitted to remind this Council of my esteemed friend and  
colleague, the Hon'ble Sir Gangadhar Chitnavis' Resolution unanimously passed  
in Council just about this time four years ago. That memorable Resolution gave  
expression to 'their feelings of unswerving loyalty and enthusiastic devotion to  
their King-Emperor and an assurance of their unflinching support to the  
British Government,' and further expressed 'the opinion that the people of  
India, in addition to the military assistance now being afforded by India to the  
Empire, would wish to share in the heavy financial burden now imposed by the

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War on the United Kingdom.' Since then, my Lord, India has been contributing her share in an everincreasing degree to the defence of the Empire, and I may assure this Council that she is still prepared to render further help in all possible ways. But the prolongation of the war demands still greater sacrifices. In his last message to India, His Majesty the King-Emperor asked us to realise that 'the need of the Empire is India's opportunity.'

"Again, at the Delhi War Conference in April last, your Excellency observed that 'the liberty of the world must be won before our aspirations for the liberalising of Indian political institutions can acquire any tangible meaning.' So the Resolution before the Council gives India yet another opportunity to help to win the liberty of the world. The military forces raised or to be raised in this country may not all be employed in the defence of our frontiers, and generally for home defence. Some have been and may be employed in Mesopotamia, and others sent to the eastern theatre of war. Considering the heavy financial burden of the British Empire as in these terrible times of war, military expenditure continues to grow by leaps and bounds, we ought to be able to recognise the justice of India's increasing share in bearing a part of this heavy burden, not as a dependent but as an integral part of the British Empire. Though the end of the war is not yet in sight, it has, however, been brought appreciably nearer through the recent continued successes and victories of the British and their Allies on the Western front. If this allied offensive is to be pushed vigorously further into the enemy's entrenched positions, more money is needed for putting forth still greater efforts. Enormous sacrifices in men and material have already been made in stoutly opposing the enemy's advance, and driving him back. To stop further bloodshed and further sacrifices every part of the Empire, including India, should now bestir itself and further aid the Empire in bringing this gigantic world struggle to an early and successful close. India is fully aware, my Lord, that her very future depends upon the complete success of the British arms, and that her political salvation lies in the liberal and progressive British methods of administration along modern constitutional lines. Since the widened angle of vision has brought together much closer the rulers and the ruled, we have learnt to identify, in a larger measure and to a greater extent, our best interests with those of the British Empire. I desire, therefore, to give my warm support to the Finance Member's Resolution, and trust that it will meet with the unanimous acceptance of this Council."

1-26 P.M.

**The Hon'ble Rai Sita Nath Ray Bahadur:**—"My Lord, it is with the deepest interest that I listened to the speech which the Hon'ble the Finance Member made in moving the Resolution before the Council. While I am in sympathy with the object of the Resolution, I regret that it should still be necessary after four years of devastating war to raise further forces in this country, but it seems it has become necessary to do so by reason of the obstinate character or determination of the enemy, to successfully crush whom is the great objective of the Allied forces, and I rejoice to find that my valiant countrymen have played and are playing no inconsiderable part to that end. My Lord, the Allied forces are gaining ground every day. The prospects everywhere are bright and cheering, and the silver lining is now visible in the dark cloud. With the daily increasing accretion to the army of the Allies, the relentless foe is continually being hurled back, leaving a daily increasing number of prisoners in the hands of the mighty forces of the Allies.

"My Lord, mighty England has grudged no expense and no sacrifice for the carrying on of the war, not with a view to self-aggrandisement, but with a view to allow small nations opportunities to determine their own destinies. India's contribution may be small compared to the gigantic contributions in

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men and money which England has hitherto made and may yet make, but, my Lord, her heart is there perfectly sound, true and loyal. The contribution that India, a poor agricultural country without any of those commercial and industrial magnates who have made England the richest country in the world, has hitherto made, is worthy of all praise and I have no doubt she will yet do more to justify her connection with England for the last 150 years, and to prove that that connection has been for the mutual benefit of both England and India. My Lord, we are on the threshold of a new political life whose success will be measured in proportion to the sacrifice we are prepared to make. If our sacrifice should be considerable, I am confident under the regis of the British rule our future would be great. If the history of great nations teaches us one lesson more forcibly than another, it is that nations are made through sacrifices, and I am sure, my Lord, that that wholesome lesson shall not be lost upon my devoted and loyal countrymen.

“ There can be no question that India is a very poor country. The vast majority of the people cannot earn enough money to keep their body and soul together, which will be evident from the fact that the average income of the people in India is about Rs. 21 per capita a year. In view of these facts some of my countrymen think that India should not be called upon again to render further pecuniary help to England, but I say, would that be a proper attitude for us to take in her present hour of need? Perhaps our friends think that India is a separate entity quite distinct from England, that any adversity that may befall England will not affect India, she will remain firmly seated in her present position. This is certainly a notion altogether false and misleading. My Lord, I cannot contemplate how wretched and miserable would be the position of India in case our so-called friends, the Germans, succeed in crossing the Indus and appear on the plains of India with *Gitas* and *Puranas* in their hands preaching the doctrines of the sacred religion of the Hindus. The result, I am sure, would be extremely disastrous. I cannot contemplate the misery of such a picture.

“ I beg to remind my countrymen, my Lord, that our fortune, our prosperity and the general well-being of the country are inextricably mixed up and entwined with those of England, and they are absolutely dependent on the existence of the British Empire as a whole and the maintenance of her proud position in the comity of nations. We have lived together as brethren and fellow-subjects for more than 150 years sharing in one another's joy and sorrows.

“ With these words, I beg to support the Resolution.”

**The Hon'ble Mr. Malcolm Hogg:**—“ My Lord, I wish to accord the complete and hearty support of the Chamber I represent and myself to the Resolution which has been moved by the Hon'ble the Finance Member, and on this occasion I am glad to be able to speak not only for my own Chamber but also for the other leading European Chamber of Western India, the Karachi Chamber, as I have received a telegram from the Chairman of that Chamber expressing his Chamber's hearty support of this Resolution, and their hope that it will be unanimously passed, a hope in which I also share. I think very few words are needed from me to elaborate our support to this Resolution, but I would just like to refer to one or two points. In the first place, I think it is as well to emphasise that neither the Resolution itself, nor my or I am sure any one else's support of it, carries with it any disparagement whatever of the efforts which India has so far made. As the war progresses appeals for further efforts have to be made, have been made in other parts of the Empire, and such appeals carry with them no disparagement or criticism whatever. I am also glad to be able to support not only the general principles of the Resolution,

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but the general proposals by which the Hon'ble the Finance Member proposes to meet its consequences, that is to say, his dictum that an excess profits tax will stand in the forefront of any taxation which may be necessary. It will probably be within the memory of many Hon'ble Members that at the time the super-tax was introduced my predecessor in this Council opposed its application to companies, not on the ground that companies ought not to be further taxed, but on the ground that the super-tax was not a sound way of taxing companies. From that opinion we have in no way moved, and my Chamber thinks still that an excess profits tax on the lines of the excess profits tax that has been adopted in England is a far more proper way of taxing industrial and commercial profits than the application of the super-tax. However, that is a point which may be argued at greater length on a subsequent occasion, if necessary. I want to say a word or two about the amendments that have been put forward. I cannot support in any way the amendment of the Hon'ble Mr. Sarma, because it seems to me to be unreasonable to ask this Council to tie the hands of Government in the future so completely as his amendment would do. I do not think I need say anything more about that amendment as the Hon'ble the Finance Member has dealt with it very effectively. There is, then, the amendment brought forward by the Hon'ble Mr. Sastri. I quite agree that as to the actual wording of that amendment, there is very little to take exception to, but I do just want to ask my Hon'ble friend two questions. In the first place, is his amendment necessary? His amendment proposes to limit the scope of the Resolution to the terms of the Hon'ble mover's speech. But surely that limit is already there. I am sure that my Hon'ble friend never meant to suggest that Government having obtained the sanction of this Council to the Resolution by the Hon'ble mover's eloquence, would then attempt to interpret the Resolution in a wider sense than is indicated in the Hon'ble mover's speech. That, I am sure, was not meant to be implied, but if that is not implied, where is the necessity for this limiting amendment? I submit, therefore, that the amendment is not necessary, and I would ask my Hon'ble friend another question. Is the limiting amendment wise, is it politic? Is there not a danger, and I for one honestly believe there is, that the placing of any limiting amendment or limiting addition to this Resolution, however innocuous it may be in itself, may do something to detract from the effect which this Resolution will have in the Empire and the world at large? Does it not lay this Council open to a certain amount of misrepresentation, a certain amount of suggestion that they met this appeal in a rather grudging spirit? I do not for a moment suggest that that was my Hon'ble friend's intention. I am sure it was not, but I do honestly believe that there is a danger of that interpretation being put upon the addition of even the most innocuous amendment to this Resolution. And I would ask Hon'ble Members to believe that I speak solely and absolutely with no other idea than a wish for the good name of India in the Empire and the world at large. I would therefore make an earnest appeal to my Hon'ble friends, both of them, to withdraw their amendments and to the non-official Members of this Council to pass this Resolution in its original form unanimously."

The Council then adjourned to Tuesday, the 10th September, 1918.

SIMLA }

A. P. MUDDIMAN,

The 17th September, 1918. }

Secretary to the Government of India,  
Legislative Department.