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INTRODUCTION.

As in the introductory paragraphs to the last number of the JOURNAL, it is equally true to say of the present number that many of the subjects treated have an important bearing upon the forthcoming Ottawa Conference.

In the United Kingdom section, a full summary is given of the debate on the Imperial Economic Conference, which took place in the House of Commons in June, when Empire trade and currency questions, tariffs, quotas, Imperial preference and migration were amongst the matters discussed. Again, under the heading of "Inter-Empire Trade," a review of the British position regarding the extension of the area of trade within the Empire is given, and references are made in the summaries relating to the Budget proposals to tariffs, price levels and monetary policy.

Similarly, the important debates in the Canadian House of Commons on the first Imperial Conference to be held in a Dominion are fully summarised and the views of Government and Opposition representatives are recorded on such immediate questions as tariffs, Empire preference, currency, price levels, as well as migration, etc. Pronouncements of considerable significance are recorded on these matters both in the debates on the Conference and the Budget. Other headings in the Canadian section relating to matters which may come up at Ottawa are those concerning immigration, agriculture, and the New Zealand Trade Agreement.

In the Australian Commonwealth and New Zealand sections there are also important references to the Conference and to Empire trade and finance generally. In the former section the significance attached by the Australian representatives at the Conference to questions of exchange and the position of gold should be noted; while in the latter the Debate on the Address and replies to questions in the House of Representatives contain references to Empire markets, a guaranteed market for meat, control of exchange, quotas, trade with Canada and the interests of primary and secondary industries.

In the Union of South Africa section, the debate on the Budget provides a statement of the Government position regarding the Ottawa Conference and references are made in this summary to the gold standard, the opportunities at the Conference, Empire markets, the German Treaty and trade relations with Canada. Under another heading, the purchase of Empire goods and the work of the Empire Marketing Board are considered.

The Irish Free State summary also contains references to the Ottawa Conference both as regards representation and the question of preliminary discussions.

So far as the Colonial Empire is concerned, the United Kingdom section contains summaries of two interesting debates on the Colonial Office Vote, where the position of the Colonies in the Empire regarding trade and political matters, their relation to the Dominions and their interests at Ottawa are considered. A useful list is also given of the rates of preference given by the Colonies to Empire trade; and in this connection reference should be made to the summary of the discussion in the Ceylon Legislature upon Empire Preference and the footnote thereto.

Other references to the Ottawa Conference occur in the sections devoted to the Northern Ireland and Southern Rhodesian Parliaments.

Inter-Empire affairs being so much to the fore in all the Parliaments, international affairs have not received as much attention as usual in the present issue. References to disarmament, however, will be found in the Australian Commonwealth and Union of South Africa sections, and the latter summary also deals with the work and expenses of the League of Nations. The problem of the economic restoration of the Danubian States is referred to in the United Kingdom section.

The relationship of the Irish Free State to the other nations of the Commonwealth is again considered in this number of the JOURNAL, under the

United Kingdom and Irish Free State sections, though references to the Oath of Allegiance are also made in the Union of South Africa section.

In the first-named summary, the attitude of the British Government regarding the Land Purchase Annuities and other Treaty obligations is outlined in the important debate which took place in the House of Commons; while in the Irish Free State section the debates in the Dáil and the Senate upon the Bill to abolish the Oath of Allegiance, and the statement of the President of the Executive Council on negotiations with the British Government, are fully summarised. The summary of the debate on the Budget in the Dáil also contains references to relations with Great Britain, besides dealing with tariffs and financial policy.

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Other subjects of general Empire interest dealt with in the course of the following pages relate to the Indian Conference upon the working of the Cape Town Agreement in the sections devoted to the Union of South Africa and to India; the constitutional issue, Provincial autonomy, and the Indianisation of the Army in the Indian section; and wireless broadcasting in the Canadian, Australian Commonwealth, and Indian sections.

Measures having a wide influence upon the finance and economics of the Empire are also dealt with in this issue, and, in this connection, the statement of the British Chancellor of the Exchequer on the War Loan Conversion is summarised in the United Kingdom section. The Australian Commonwealth section in this number of the JOURNAL, as in the last, also deals with important financial matters; and the Newfoundland section outlines the financial position of that country.

Amongst matters of general interest but of more local concern which are considered in this issue may be mentioned the discontent of Natal and native affairs in the Union of South Africa section; the General Elections and new Governments in the Newfoundland, New South Wales, Victoria, Queensland and Malta sections; references to unemployment in the Parliaments of the United Kingdom, Australian Commonwealth, Victoria, New Zealand and the Union of South Africa; the Control of Manufactures Bill, involving the issue of licences to external firms, in the Irish Free State section; and tariff measures and the Child Marriage Restraint Act in the section dealing with the Central Legislature of India.

THE EDITOR.

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1*st July*, 1932.

UNITED KINGDOM.

(Great Britain and Northern Ireland.)

The following summary deals with some of the more important debates after the reassembly of Parliament on 5th April, 1932, *at the close of the Easter Recess.*

IMPERIAL ECONOMIC CONFERENCE.

(Preparatory work for Ottawa: tariffs and Imperial Preference: rationalisation of industry: monetary and financial problems: currency management: manufacturing and agricultural interests: meat, wheat and timber: quotas *v.* duties: proposed Economic Secretariat: bulk purchase: Dominions and secondary industries; position of migration; Colonies and preference; etc.)

On 16th June, in the House of Commons, a debate took place in Committee of Supply on the Dominions Office Vote and the subject of the Imperial Economic Conference at Ottawa was considered.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that throughout the British Empire probably no Conference was ever held that was looked forward to with more hope—he trusted with more justifiable hope—than the Ottawa Conference. It was not only the first Economic Conference, but the first Conference convened by one of their fellow Dominions held in the capital of one of their Dominions and, unfortunately, at a time when the economic position of the world had never been worse. All those facts made it incumbent upon those taking part in the Conference not to minimise in the least its importance and to endeavour not to disappoint the great mass of people who pinned their faith to it.

Referring to explanations given as to the cause of the economic sickness of the world, Mr. Thomas remarked that no one would minimise the tremendous importance which War Debts and Reparations must inevitably play before there was any world recovery, while no one would challenge the position that the monetary and currency problem was a factor to be fairly and adequately considered. But when they came to the question of over-production, he did not think that explanation could be justified. He would rather say that, coupled with the other difficulties, under-consumption and not over-production played an all-important part. Since the War science had developed and the power and efficiency of machinery were such that the productive capacity of the world had increased tremendously.

Freer trade within the Empire.

It was equally true to say that by tariffs, quotas, exchange restrictions and every other device of State ingenuity the world had been building up barriers which rendered freer trade almost impossible. Their fundamental object ought to be to go to Ottawa, where they were meeting their fellow Dominion statesmen on terms of absolute equality, and see how they could direct their energies to getting more trade and freer trade. What an example it would be to the world if they could say they had adjusted their differences, consolidated their forces, and devised ways and means whereby there should be freer trade and more trade within the Empire, and that by that means all of them, representing the British Commonwealth, were equally directing their efforts to getting freer trade and more trade throughout the world.

No member of the present British Government supported tariffs because he thought it was a solution of the world's problems. They were supported because experience in the last Government showed that it was impossible when negotiating abroad to break down the trade barriers unless Great Britain had a weapon such as the other people held. No one who had given any attention to the subject would attempt to minimise the difficulties which confronted them. Many of the Dominions had rightly developed what were called secondary industries. Those industries competed in world markets with British industries, and, in order to foster them according to their own views, the Dominions had put up tariff barriers which rendered it very difficult for British industries to compete with them.

Varied interests.

"We must keep clearly in mind," Mr. Thomas observed, "that so far as those particular interests are concerned, the problem which faces us in Ottawa is not to assume for one moment that they have no right to develop their own country. That is an impossible position and one that we have no right to take up."

Continuing, he gave a brief sketch of the varied interests of the Dominions and of India. He pointed out that just as all the Dominion Premiers had rightly said, "We must by the very nature of things look after our own interests, and our next concern is the interests of the British Commonwealth," so British Ministers equally must not be unmindful of their own obligations to their own industries, not forgetting agriculture. Difficult as it might look to reconcile these diverse interests, they must remember that they would be meeting the representatives of their own kith and kin, men who would keep it in mind that the British Commonwealth as a whole was greater than any section of it.

After describing the steps which had been taken by the Government by means of conferences to ascertain the views of all the possible trades that were likely to be affected and mentioning that industrial advisers had been appointed to accompany the British delegation, Mr. Thomas said they must not have a long-drawn-out Conference at Ottawa, but must prove themselves businesslike.

Other preparatory work.

One of the preparations was the sending of a questionnaire to every industry in which the Government said, "Give us a list of the goods which you export to the Dominions. Show us what the tariff barriers against you are, how they compare with foreign tariffs, what is the value of the Preference given to you, and keep in mind that there are secondary industries in the Dominions which must be considered. Set out what, in your judgment, is a fair competitive basis, having regard to all those facts."

The British Government had in their possession and had sent to their own trade commissioners in every Dominion—they had been meeting for months the trade commissioners of the Dominions—the schedules and all that could be required from the British point of view, and equally the Dominions had submitted their lists to the British Government. That interchange had been going on not only in the Dominions, but in London as well. The Indian delegation, the importance of which no one could minimise, had been in London for some weeks and were daily conducting negotiations on the same basis.

A complete agenda, Mr. Thomas explained, was absent at the moment, but it was possible to indicate the general lines of the subjects that would be discussed.

Trade: Tariffs and Imperial Preference.

The first question was that of trade: what steps could they usefully take as between one Dominion and another for the mutual advantage of each other's trade. That raised quite definitely the question of tariffs and with it the question of Imperial Preference. There was justification for the opinion that the goodwill which they knew could be mobilised among their fellow Dominions was in itself an asset, and he was entitled to say that the British Government themselves made a great contribution to that goodwill by their own action. They looked upon the Conference as so important, that when there was a change in the fiscal system of Great Britain, as a contribution, as a gesture, as a genuine effort not only to create goodwill but the right atmosphere for the Conference, without a bargain of any sort or kind they gave free entry from the Dominions to their markets. No one would attempt to say that the British Government were not justified, because they believed it was a gesture which would be reciprocated.

In connection with trade, as far as Preference and tariffs were concerned there was an equally important question which must be explored. Although there were secondary industries in many of the Dominions, by an agreement whereby manufacturers could meet, in the Dominions, those who were engaged in industry there and themselves come to an agreement as to what could be made in Great Britain far better, more cheaply, and with less cost to both sides, there ought to be a real attempt at a rationalisation scheme as between one Dominion and another. Representatives of the steel trade and other trades were at that moment engaged in an interchange of views in Canada to see how far some process of rationalisation could be carried out.

Interests of the Colonies.

Vice-Admiral E. A. Taylor (Unionist, ***Paddington, S.*****)** asked whether these preparations also applied to the Colonial Empire ?

The Secretary of State for Dominion Affairs said that at Ottawa they would be meeting and discussing with those who were masters of their own situation—in other words, the Dominions. No one could minimise the importance of the Colonial side of the question, but there they were dealing with an entirely different problem and with responsibilities different from those of the Dominions. The interests of the Colonies would be represented by the Colonial Secretary and there must be questions which would cut across those considerations. There was the question of sugar and many other questions which could not be considered separately.

Vice-Admiral Taylor : " I understood that this was an Imperial Conference, and surely the Colonial Empire is a very important part of the Empire."

The Secretary of State for Dominion Affairs said that there had never been an Imperial Conference at which all the Colonies were represented. The Conference at Ottawa was an adjourned Conference from the last Imperial Conference. Mr. Bennett sent his invitations to all those who were present at the last Conference.

Monetary and financial questions.

Turning again to the subjects for discussion, Mr. Thomas stated that the next group of questions came into the category of monetary and financial questions. That undoubtedly must include the whole question of currency. No one would assume for a moment that a Conference meeting as they were meeting could hope in a few weeks to settle that important and very debatable subject on which inside and outside Parliament there were diverse views and very strong opinions. But he wanted to assure the House that this matter took a very important and prominent place on the agenda.

" I hope above all," Mr. Thomas continued, " that one result of this Conference will be to set up some body representing the whole of the Empire which will not have to wait for three years before they can meet again. I think the change in world conditions and the change of relationships in the British Commonwealth as it is to-day all justify the hope and belief that there may emerge from this Conference some machinery representing all the Dominions, so that they may be able to be in daily contact and not be compelled to wait for three years for the usual Conferences to take place. We advocated that policy before, and we shall advocate it again."

Importance of migration.

Proceeding, Mr. Thomas drew attention to what he believed to be a mistaken view with regard to the value of Empire trade. One frequently heard the argument that from the British point of view it did not matter whether they spent a pound in Canada, Australia, New Zealand, South Africa or the Irish Free State, that it was just the same as if they spent it in a foreign country. He did not think they had a right to approach the problem in that way. He would look with despair upon the future of the growing population in Great Britain—a small island with a high standard of living—unless there was some outlet for that population. The only possible outlet was the British Empire itself. He wondered how many Members, when they examined the unemployment figures, realised what a factor migration to the Dominions was.

" Do they realise," Mr. Thomas asked, " that in the past ten years no fewer than 1,800,000 people, or an average of 180,000 per year, left these shores, and that, for the first time in our experience, this year, not 180,000 have left but nearly 8,000 have returned ? Look what a tremendous factor that is in our unemployment problem. Therefore, I suggest that if we are going to take a long view, if we are to face the facts, as we know them, of our population to-day and all the possibilities of the future, it is our duty to say that the one way of assuring some genuine outlet is to do all that we can, immediately, to restore the prosperity of all our Dominions. I have indicated the very wide scope which these discussions will take. I can conceive of nothing that is of moment at this time that will not be on the agenda, but, as I say, we want to make it a real business body, and a practical body."

Government's policy.

In conclusion, Mr. Thomas intimated that if he were asked what the Government were going to do on meat, on wheat, on timber or on anything else there would be no reply. The policy the Government had decided upon was that they went to Ottawa absolutely free and unfettered: they went there with an open mind, prepared to examine every question on its merits, prepared to approach the problems not unmindful of their own responsibilities and obligations, but all the time keeping in mind the wider, bigger view of the situation.

Sir Stafford Cripps (Labour, *Bristol, E.*) described the Government's policy as that of the "free hand." They were entitled to expect some indication of the policy of the Government at least upon the more important matters which were bound to be discussed at Ottawa. The Conference was of great importance, because it not only held out to some people great hopes, but it held out to others great dangers. As regarded Imperial Preference, the Government had allowed a period during which certain Dominion produce came into Great Britain untaxed in the hope that the Dominions would give some corresponding benefit for British goods, and it was just as much a matter of bargaining whether they did it beforehand, or whether they said afterwards: "We shall withdraw the Preferences because you have not done anything for us." The Labour Party trusted that the Government would look at the problem in its world aspect and not merely in the localised setting of the British Empire alone.

World exchange facilities.

Could they look forward to Ottawa in the hope that it would not put fresh impediments in the way of world exchange facilities? If it succeeded in only putting fresh impediments in the way, that was to say, if Great Britain had to raise her tariff as the result of arrangements made at Ottawa, or if Colonial tariffs were raised and not reduced, Ottawa would not only be no advance along the line of increasing consumption and increasing facilities for trade, but would rather be a retrograde step. How were they to get a net increase in world trade if they diverted the wheat trade from the Argentine to Canada, or if they diverted the supply of some other primary or secondary commodity from a foreign country to one of the Dominions?

It was clearly apparent that if any good was to flow from such an arrangement as might be come to at Ottawa, it was because it would lead to some element of economic planning in the world which would begin in some degree to bring order out of chaos. But if it was left to this, that, or the other industry, irrespective of the national well-being, to arrive at arrangements which were profitable to a particular industry they would not arrive at order out of chaos, but make chaos and capitalism doubly chaotic. The Labour Party hoped that Mr. Thomas would give a clear answer as to whether the Government intended to proceed at Ottawa upon the basis of inter-Governmental arrangements or inter-industrial arrangements.

Taxation of food.

It was of great importance that no long-term agreements of any sort should be entered into at Ottawa. They must be looked upon as trials of a completely new system as far as Great Britain was concerned. Perhaps the most vital question of all for Great Britain was the attitude of the Government to the taxation of food. So far as one could understand from discussions which had taken place in Dominion Parliaments, particularly in Australia, a promise had been made by the British Government of a quota to Australia.

The Secretary of State for Dominion Affairs: "A quota of what?"

Sir S. Cripps: "I do not know of what, but Dr. Earle Page, in a speech made on 18th February in the Australian Parliament, said Great Britain was prepared to give the Dominions certain quotas for wheat and other commodities."

The Secretary of State for Dominion Affairs: "The hon. and learned Gentleman cannot be unaware of the fact that I announced in this House months ago on behalf of the Government that we were prepared to offer a wheat quota."

Sir S. Cripps: "Of course, I recollect the occasion, but I did not appreciate that it had got so far as a statement that we were prepared to give it, because I presume that that implies that there has already been some arrangement as regards the quota. If the right hon. Gentleman tells me there has not been I am satisfied. I can only quote what I have seen in the Empire Parliamentary Report* as regards Dr. Earle Page's statement."

Wheat and meat.

Continuing, Sir S. Cripps said he would like Mr. Thomas to tell them whether it was the policy of the British Government to go to Ottawa with an offer to tax wheat and meat

* Reference is made to this JOURNAL, Vol. XIII., No. 2, p. 439.

if the Dominions wanted it. That was a vital question to millions of people in Great Britain, and one to which they were entitled to have an answer, because the Labour Party believed there was nothing more certain to disrupt the British Empire than a proposal to make the people of Great Britain pay a tax on meat and wheat in order to subsidise or assist Dominion farmers. The Labour Party believed that the system of Empire Preference was of the most extreme danger to the Empire: that unless it was handled with great caution by the Government and not by industries it would do more harm than good to Empire relations.

In the good feeling between different parts of the Empire there was a tremendous fund of potential market. That, in the opinion of the Labour Party, could be developed enormously by organised plans of controlled marketing under Government auspices. Until they could get to a system where they could have export and import boards dealing in a rationalised way with the industries of the different countries, including the different Empire countries, the Imperial question would lack a solution. The time was coming rapidly when not only the Empire, but the whole world, would be driven by sheer economic necessity to come down to planning and organising its industrial life.

Unity of the Empire.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook***)** observed that since the Conference of 1926 it had been clear to the whole world that the unity of the Empire depended not on the restricted control from the centre, but upon the free voluntary co-operation of all its members. Was there any field in which Great Britain could co-operate more effectively than that which covered the prosperity and welfare of the country, the well-being of every home and the bread of the people? That was one aspect of the policy to which the British Government were committed. The British delegates should go to Ottawa first and foremost as representatives of the common interests of the whole Empire. It was perfectly true that each body of representatives went with a duty and responsibility towards specific interests which each had to watch over.

The British representatives were going to watch over not one, but three great specific interests. They were going to Ottawa in order to advance and promote the interests of the United Kingdom as a great manufacturing country, and to see what they could do to find markets for their industries which would be secure, adequate, and steadily expanding. They were also going as the representatives of the United Kingdom as still the greatest agricultural country in the

Empire, a country which produced every year some £300,000,000 worth of agricultural produce, £25,000,000 more than either Australia or Canada. It was essential that the British delegates should regard agricultural Britain as entitled with any Dominion to have its voice heard in pressing for an adequate recognition of the supreme importance of agriculture as the foundation of the future prosperity of Great Britain and the Empire.

The Colonial Empire.

Again, it would be part of the duty of the British Delegation to watch over and advance the interests and claims of the Colonial Empire. He had every expectation that the Colonial Secretary would see to it that the point of view and the interests of the Colonies were fully maintained at Ottawa. Those interests were not merely confined to the enlargement of trade between Great Britain and the Colonies: that might possibly be done at home. It was also a question of the immense possibilities of mutual trade between the Colonies and the Dominions. Canada, for instance, a growing industrial country, and one purely in the northern zone, would naturally want to have her own south, as well as her own west. She had a tropical Empire ready made for her economic purposes in the British Colonies.

In the fiscal domain the British delegates should endeavour to secure such an extension of Empire Preference as would definitely encourage the main volume of Empire trade to flow in Empire channels and to concentrate the creative power of their several markets upon mutual development. Whether that was to be done by raising the Dominion duties against foreign trade or lowering them to British trade was an entirely secondary and a relatively unimportant question. "As far as our immediate interest is concerned," Mr. Amery said, "it lies much more in securing the maximum amount of Preference against those foreign competitors of ours who in normal years sell something like £300,000,000 worth of manufactures to the rest of the Empire every year than in attempting to over-persuade the Dominions, against their conception of their interests, to reduce their duties to us."

A ten years' plan.

He was profoundly convinced that they would be most successful at Ottawa in the agreements they achieved, and secure the greatest permanence for them, if they were so framed as to coincide substantially with what each part of the Empire believed to be in its interest, agreement or no agreement. It was only in the course of actual close businesslike discussions—not huckstering but frank discussion—that they would each find out what they could secure without detriment to others and what they could give without detriment to themselves. He trusted the agreements arrived at would be not only sufficiently far-reaching, but of sufficient duration to enable the farmers and manufacturers of the Empire to go ahead confidently with a ten years' plan of Empire reconstruction and development.

It was essential that the rate, and preferably the amount, of the Preference secured by either side should be made stable for something like ten years ahead. That, of course, need not prevent changes in the basic rates of the duties, nor need it prevent modifications by discussion afterwards. It would be contrary to the whole spirit of their Empire relations that they should always insist upon the exact equivalent of every concession that they made. They should so frame their different agreements at Ottawa as to leave each party absolutely unfettered freedom to extend the privilege of those agreements to any other part of the Empire, but without any obligation to do so.

Quotas versus duties.

Unless the British representatives were prepared to deal effectively with wheat and above all with meat, they had much better not go to Ottawa at all. The most effective way of dealing with wheat and meat would be by duties. They were the simplest and most flexible way of giving preference. At the same time he saw no reason why quotas should not be examined if the British representatives and the representatives of other Governments thought it was worth while. Quotas should be examined strictly on their business merits, and not from the point of view of some sort of out-of-date notion that the quota was to be preferred as a convenient political device for dodging the issue of food taxes. At Ottawa the British delegates would have to put forward comprehensive and definite policies to their Overseas colleagues, and do so with the kind of faith that would make others follow.

That was true on the fiscal side: it was even more true on the monetary side. The British Government had to say in practical terms what their monetary policy was and what they intended to do to achieve it. If the Chancellor of the Exchequer was in a position to say that he was definitely aiming at restoring the price level of 1929 in terms of sterling, that he meant to neglect no method of achieving that result, and that he firmly intended to pursue no policy that was inconsistent with that object, they would have no difficulty whatever in securing the ready co-operation of every Government of the Empire in making that policy a success. He was firmly convinced that they would fail at Ottawa if they had not got a definite monetary policy as well as a definite fiscal policy.

A permanent Secretariat.

There was room for effective co-operation in many other matters—in the direction and control of their investments in order to guide them into Empire channels, in shipping, in aviation, in Imperial telephony and broadcasting, in the supremely important film industry. Migration was bound to come to the front again as soon as economic conditions improved.

There was no chance of all those matters being effectively considered in the few weeks during which the British delegates would be at Ottawa. It was essential that the Conference should not disperse without creating at least the rudiments of permanent machinery for carrying on the work—some sort of permanent Secretariat acting as a Clearing House for the business arising from the Conference. Again, they needed something in the nature of an advisory, research and investigating department. Bodies like the Imperial Economic Committee and the Imperial Shipping Committee, with some greater latitude of power, could effectively fulfil that requirement. Last, but not least, the Empire Marketing Board ought to be put upon a permanent footing. He hoped that it would be transformed into an effective Empire organisation, constituted by Royal Charter and supported by all the Governments which benefited from its activities.

British trade with foreign countries.

Major G. Lloyd George (Independent Liberal, ***Pembroke*****)** said that everybody agreed that Great Britain wanted more trade with the Empire, but nobody would agree that it was wanted at the expense of trade with other countries, because Great Britain could not afford that. There was a real danger at Ottawa of committing Great Britain to agreements which would be definitely harmful to the country. "Our market is far more important to the Dominions than the Dominion market is to us," Major Lloyd George remarked. "We are the people who are going to be hurt far more than any single Dominion by any harmful decisions which may be come to at Ottawa." He begged the Government to enter into no arrangement at Ottawa which would make it impossible or more difficult to negotiate better terms with other countries.

Rt. Hon. Earl Winterton (Unionist, ***Horsham and Worthing*****)** said that a permanent tariff arrangement between the countries in the British Empire would for the first time bring to their senses foreign countries who had for many years taken every advantage of the British and Dominion markets without any reciprocal advantage to them. Those foreign countries would be compelled, in order to exist at all, to lower their tariffs. Conservative members of the Government should do everything they could in their public speeches to pave the way for a permanent system of Empire economic unity by letting the electors understand that an inherent and integral part of that system was a system of Protection in Great Britain. Once they told the Dominions that they were going to enter into a system of reciprocal Preference on a much wider basis than that of to-day they could not say that it was only an experiment when there was a National Government in power.

Food supplies.

Of course the question of wheat and meat must come into the picture. Taxation must come into the picture. Those who represented agricultural constituencies did not by any means say that it would not be possible to devise certain taxes which would benefit both Home producers and the Empire.

As one who owned some land in Rhodesia, he knew that there was no part of the Empire which was more interested than Southern and Northern Rhodesia in the disposal in the British market of the meat they produced. He understood that scientists were in the process of perfecting a system by which it would be possible to chill Australian meat and bring it to Great Britain in exactly the same condition as that from the Argentine. If that was so, it was an important consideration, because there was nothing in the pasture of South Africa to prevent the beef-producer producing beef of a quality suitable for the British market.

For some time past Lord Lovat and himself had been agitating that attention should be given at Ottawa to the forestry production and timber trade of Great Britain. Was it not possible, even at this late stage, to have an *ad hoc* advisory committee on British timber and forestry in the same way as there had been an advisory committee on agriculture? As regarded the products of Russia, he hoped the Government would go to the Conference with a completely open mind and a free hand. If it was found that there was a demand at the Conference by the heads of other delegations, he hoped that no consideration would prevent the Government coming back and telling the House of Commons that they had decided to take drastic action against those products.

Unemployment.

Viscount Knebworth (**Unionist**, *Hitchin*) remarked that the unemployment problem was the main problem of the age. It was hoped and believed that Lausanne would achieve a great deal. But they expected and hoped for very much more from Ottawa. One of the causes to which their present troubles had been very generally attributed was the prevalence

of ever-growing tariff barriers all over the world. They had been told that the representatives of the British Government were going to Ottawa to open negotiations for the breakdown of those tariff barriers over a very wide and self-supporting geographical area. That was a step which, if successful, would be endorsed enthusiastically by Members of all Parties in the House of Commons.

There had been almost universal agreement that there was an immediate need to raise the world level of commodity prices. It seemed to him that to inflate unilaterally in England alone would achieve little. But they could reduce the purchasing power of sterling in terms of commodities with safety and security if they were certain that those countries whose currency was at present related to sterling would follow them in that inflation. Even more important than the negotiation of trading agreements at Ottawa was negotiation for some form of Imperial currency policy which would have the effect of raising the general level of commodity prices over that very wide area. If they succeeded at Ottawa in establishing a currency area and a Free Trade area within the Empire they could develop that area still further in the rest of the world as time went on to the advantage and benefit of all.

International co-operation.

Mr. W. Lunn (**Labour**, *Rothwell*) argued that if the Conference could not agree to seek for international co-operation as well as Empire co-operation—co-operation for the economic recovery of the world as a whole—it would not be a success. They heard a great deal about the generosity of the Dominions. But it was not all on one side. What about the Navy, which cost Great Britain £50,000,000 or £60,000,000 a year for the protection not only of the United Kingdom but of all the other parts of the Empire? There was the Empire Marketing Board which was set up to encourage the sale of Empire products in the United Kingdom and had spent millions in endeavouring to do so. The money for that work had come from the British taxpayer.

Then there was the question of migration. They had populated parts of the Dominions with people from Great Britain. They had brought up those people, educated them and made them useful men and women. The Dominions only took the best. New Zealand was populated largely with British people; so was Australia and to a lesser extent Canada. He was one of those who believed that those vast open spaces would give in the future opportunities for an outlet for their people in larger numbers, but there must be the possibility of a livelihood for the people who went to the Dominions.

Position of migrants.

"We cannot," Mr. Lunn continued, "have the same position that we have at this moment, when there are scores of thousands of people in Australia who are in want, we are told, who went from this country and for whose return petitions have been presented here. We have a Royal Commission sitting upon what happened to our people who went to Victoria, and I think it is time that that Commission reported, because those people lost their all. We have many of our people in Canada, and last year we had something like 500,000 or 600,000 people there who had to make themselves into semi-criminals so as to be deported from Canada back to this country. This is a subject which ought to be discussed at Ottawa and a subject about which there should be some understanding."

Proceeding, Mr. Lunn urged that there was no better subject for reciprocal treatment at Ottawa than coal. He gave the following particulars of coal imports into the Dominions from Great Britain during the last five months: Australia, nil; New Zealand, nil; South Africa, nil; British India, 6,300 tons; Canada, 388,982 tons; Irish Free State, 958,354 tons. It was not very much more than 1,000,000 tons out of a total export of 16,392,000 tons. It was not enough that they should simply buy from other countries or even from the Empire. They needed to sell, and more than twenty times the amount of their coal that was sold to the Empire was sold to foreign countries. If they were to sell more of their goods to countries within the Empire, the British salesman must realise that tariff concessions would be of little avail unless he would give more attention to merchandising his goods, to the study of suitability to the country in which he wished to sell, and to catering for its peculiar wants.

Import boards and bulk purchase.

He suggested that the two questions of import boards and bulk purchase of the produce of the Dominions should be on the agenda of the Conference. If those two systems were established they would be useful to the people of Great Britain and give producers a better return for their goods. There was a great opportunity at the Conference, but he felt convinced that advantage would not be taken of it as it should be in the interests of the people of the Empire. They could no more live as a self-contained Empire than they could live as a self-contained country. The economic position of all countries called for a World Economic Conference: that was far more important than the Conference at Ottawa, important as it might be.

Importance of Empire trade.

Mr. J. de Rothschild (Liberal, *Isle of Ely*) said the importance of Ottawa to the Empire could be judged by the actual figures of their Imperial trade. The year 1929 was the last year of prosperity for Great Britain and for the world. In that year British exports to the Empire countries reached as much as £325,000,000, which was four-fifths of their exports to the rest of the world. In 1931, which was the year of the crisis, their exports to the Empire had fallen to £171,000,000, which was still about four-fifths of their trade with the rest of the world. Those figures showed how the prosperity of the Empire was closely bound up with the prosperity of the rest of the world. The figures were given in values, and the shrinkage in the price of commodities had no doubt influenced them a great deal, but even under present conditions this Imperial trade was not a stagnating trade. It was still a vast and stable trade which had grown up of its own vigour along natural lines and under conditions which had prevailed for half a century.

What was exciting the imagination and curiosity of all the people in the Dominions, and what was worrying the minds of industrialists, farmers, experts and politicians in the Dominions, was the question of currency. Experts all over the world were putting down the prolongation of the economic crisis to the question of money. There was no doubt that their own Imperial trade had suffered intensely with the instability of the exchanges in various parts of the Empire. It was not clear what form any proposals of monetary policy might take at the Conference, but there could be no doubt that Great Britain and the Dominions would expect the question of an Empire currency to be debated. It was a matter that had exercised the mind and imagination of leaders and economists in many papers and many Parliaments in the King's Dominions,

Currency management.

If the chaos which existed in international exchanges continued it was impossible to imagine any more valuable result which might come from Ottawa than some plan for stabilising the exchange rates of the countries within the Empire. Such a plan would benefit not alone the Empire, but might well provide a buoy to which the drifting currencies of the world might in time be moored. Whether a common currency or a plan of general stabilisation was adopted, inevitably the question arose of the management and direction of it by a central authority. Would the Dominions be prepared to accept the direction of the Home Government and the Bank of England? That was the first point, but it was not the only one, because stabilisation between the exchange rates

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An Imperial Economic Council.

As regarded trade, one thing well worth achieving was the setting up of an Imperial Economic Council which would correlate and supply the demands of the different component parts of the British Empire. The Free Trade doctrine that a country gained its greatest economic advantage and made the greatest contribution to the sum total of the world's wealth by concentrating its productive achievement on those products for which it was best fitted still held the field to-day. It was the departure from that principle in the past which would cause the Ottawa Conference to be faced with the very difficult problem of reconciling the irreconcilable, that was, how to reconcile the problem of the so-called secondary industries with the increase of mutual trade. They could not say in one breath that secondary industries must be protected and that the Dominions must abandon uneconomic industries.

Australia's urge to self-sufficiency had not brought her adequate prosperity. Her policy of fostering uneconomic industries by high Protection lay at the root of most of her difficulties. It was no mere coincidence that the Argentine and Denmark, two countries which had achieved most success as suppliers of primary produce to British markets, had so far been content to be solely primary producers, and had avoided taxing the primary producer to foster secondary industries. By the importation of manufactured goods they had facilitated their own exports and the payment for their primary products. If Australia had adopted a policy of the same kind, who knew whether she might not have avoided her present monetary difficulties. When they examined the question of reciprocal fiscal arrangements they could not help being startled by the dangerous potentialities which were adumbrated owing, mainly, to the determination of the Dominions to save their secondary industries from the blast even of British competition.

Mr. Gullett, Australian Minister for Trade and Customs, had assured Australian manufacturers that they need not fear British competition after Ottawa. It was not necessary to refer to the reply of the Canadian coal interests to the hope which was so ably expressed by the Dominions Secretary in the House of Commons that Canada would open her markets to British coal.

The Irish Free State.

Mr. R. D. Ross (Ulster Unionist, *Londonderry*) referred to the tariff policy of the Irish Free State Government and its effect upon the flow of commerce into Southern Ireland from Ulster. Now that Northern Ireland had Protection what was the position? There was an understanding that no duty should be put on against the Dominions until after Ottawa. That had been alluded to by Mr. Thomas as a gesture on the part of the United Kingdom which would be reciprocated. How had it been reciprocated by that Dominion with which Northern Ireland had most to deal? It had been reciprocated by the most violent tariff offensive that any community had ever directed against any other community with which it was in political association. They had had over forty additional duties put on.

What was their position in regard to the Free State? Were they to offer trade advantages to a country which deliberately set its tariff policy against the United Kingdom and which was so well protected by the honourable pledge to the Dominions as a whole? The object of the Conference at Ottawa was surely to produce the freer flow of trade between the members of the British Empire. Would it be possible to offer to one country in that body free ingress to all their markets if that country did all it could to block trade in its own market? One did not wish to have any kind of economic war between communities in the same system; but the policy as it existed at present would lead in that direction absolutely without any possibility of escape unless it was very considerably altered.

Debts to Great Britain.

Earl Castle Stewart (Unionist, *Harborough*) said that at Ottawa Great Britain would be a creditor country which was owed by the rest of the world on capital or loan account, a sum of something in the nature of £4,000,000,000, on which the transfer payment and interest amounted in a normal year to some £250,000,000. A large part of the money on that account was owed by the Dominions and the Colonies. One of the subjects that must be discussed at Ottawa before any policy on tariffs or quotas could be made effective was as to how existing interest payments could be made by debtor countries and whether the present trade policy of Great Britain was adapted to facilitate payments by debtor countries. That policy was to desire to build up a favourable balance of payments.

What they had done had been to take interest payment due to them on their favourable balance and re-lend it either to the Dominions or to foreign countries. That might fairly be described as a policy of compound interest, and he believed it was the fundamental factor in the trade depression throughout the world. Those vast payments were absolutely clogging the new production that the world ought to be making now.

If they still pursued the trade policy of re-lending at compound interest there could be no solution other than repudiation. In regard to silver, he suggested that the Government might take action even before the Ottawa Conference if they could induce the Indian Government to give a lead to the world on the matter.

Silver and the Far Eastern trade.

If the price of silver could be raised slightly there was not the slightest doubt that it would greatly improve their trade in India and the Far East. If the Indian Government would announce now, or at the Ottawa Conference, that they were prepared for one year to withhold their sales of Government demonetised silver it would be a lead which the rest of the world might very well follow. A truce declared by the Government which had been the principal seller of silver—it was Great Britain and India which started the sale of Government demonetised silver, followed by France and China—would be a lead which would be readily followed by the United States and France.

Mr. C. Brown (**Labour**, *Mansfield*) remarked that the component parts of the Empire had political autonomy, and it seemed to him that when they embarked on the task of welding the Empire into an economic unit they were as likely to create frictions as they were to solve problems. It might very well be that this policy, if it was not carefully handled, especially under existing conditions, might result in the political disintegration of the Empire. If they were to make a success of the policy there must be careful planning, planning of production, planning of distribution, not for one nation, but for the Empire.

The ideas of hon. Members on the Government side seemed to him to move along orbits in which there was no room for the development of machinery for the social control of production and distribution, which were essential if they were to have not only a planned State, but a planned Empire.

Protection for livestock industry.

Mr. P. J. Hannon (**Unionist**, *Birmingham, Moseley*) said he was proud to think that the late Conservative Government and the present National Administration were giving more practical consideration to agricultural questions than had ever been given before. But unless they could give to the livestock industry of Great Britain some reasonable measure of protection against foreign meat then the plight of agriculture in future would be hopeless. He was certain that at Ottawa, in dealing with the arrangement of complementary industries in the Empire, opportunities would be found to give reasonable concessions to the primary products of the Empire in their markets. But the first consideration of the British Delegation at Ottawa must be to safeguard British agriculture as far as possible, consistent with the development of closer Imperial relations. Agriculturists were looking to Ottawa with confidence, because they felt that something would be done to give them a reasonable measure of preferential treatment in their own home market.

When at Ottawa the great question of complementary production of secondary industries throughout the Empire came to be considered there was a very hopeful outlook in the attitude of Canada herself. He saw in the Press that the Conservative Party in Canada, Mr. Bennett's Party, had recently shown the greatest sympathy with a further advance on the question and that Mr. Mackenzie King's Party criticised Mr. Bennett for not going far enough. In those circumstances, since Canada was the most difficult element in the future alignment of inter-Imperial relations, there was great hope of a satisfactory solution of their difficulties. He hoped very much that at Ottawa the British delegation would give a lead and show themselves determined to resist the insidious propaganda by foreign countries. They ought to approach their responsibilities there from the point of view of the British Empire alone. They should not be slow to denounce commercial agreements with foreign countries if they stood in the way of Imperial unity.

Difficulties to be faced.

Mr. C. R. Attlee (**Labour**, *Limehouse*) said he sat through the last Imperial Economic Conference and was aware of the size of the difficulties. One assumption in a number of the speeches delivered during that day's debate was that all their great trade rivals were in foreign countries: but their trade rivals for the most part were the industrialists of their own Dominions. Everybody knew that a Dominion Minister had to look first to his own interest in his own country. Then there was the assumption that the British Empire was composed of units which were mutually complementary. That was much truer in the early days of the Empire, before the economic nationalism of Australia and Canada had developed.

They were also apt to forget that Great Britain was not a sufficiently big market to take the whole of the main crops or products of the Dominions, and therefore they had to look to foreign markets. That meant that the Dominions must have foreign goods coming in to pay for those products. There were three points which were very important. First, business organisation overlapped national boundaries. They had the British Empire with the King Emperor at the head of it, but there were other monarchs in the world. There were soap kings, nitrate kings, chemical monarchs, and so forth, and they parcelled out the world without the slightest regard to the sentimental wishes of the inhabitants of the British Empire.

Foreign capital and the Empire.

The second point was that capitalism was international, and they had to consider the control which was exercised by foreign capital in the development of the Empire. For instance, they had 4,601,000,000 dollars of United States capital invested in Canada, which made Canada to a certain extent in the capitalist world a dependency of the United States. That again was a thing that would cut across their sentiment. It was very difficult to get into a market unless they produced exactly the right thing. A complaint he had often heard from Overseas people was that they in Great Britain did not produce the right thing and did not market in the right way. He would like to know whether at the Conference there was going to be any consideration of marketing and salesmanship.

Those Members who had put forward the point that they had to consider their home producers were absolutely right. "We do not know the view of the Government," Mr. Attlee continued, "in regard to the future of this country, and I say that if you are going to go into this Conference you are quite right to say that your planning of this country must come first and that it has got to work in with the Empire. Equally well, if you plan your British Commonwealth of Nations, or Empire, you have to see that it works in with a world plan."

He wondered whether there had been any serious discussion in the Government as to how the proposals they were going to put forward at Lausanne, or at the conference on economic matters that would follow Lausanne, would fit in with what they were going to propose at Ottawa, because those things were vitally connected. They were most closely connected with the question of debts—not only War debts, but commercial debts. In his view, taking the situation of the world to-day, they should aim at a scaling down of debts and long-term commitments of every sort, if the world was not to stagger down even further than it was at present. That should be considered at Lausanne and Ottawa.

Ottawa was not large enough in its scope to deal with the world situation and it could only be effective if it followed on some reasonable settlement at Lausanne. The Labour Party had never opposed the closest possible co-operation between all parts of the British Commonwealth of Nations. "We believe," Mr. Attlee added, "that the fact that one quarter of the earth's area, one quarter of the peoples of the world, are brought into a political community is a great advantage to the world if it is viewed as a stable unit, as a working alliance with other stable units—if, in fact, it is the basis for unity of the whole world. . . We shall judge what is done at Ottawa by whether or not it raises the standard of life of the people of the world and whether it will increase the ability of the world to consume the results of the productive forces of the world."

Preliminary discussions in private.

The Lord President of the Council (Rt. Hon. Stanley Baldwin) said the Government knew that there were difficulties —any amount of them. The best way to overcome difficulties was to know what they were, and they were going to do their best to overcome them.

The moment the fierce light of publicity played on any conference the work of that conference was made more difficult a million-fold, and it was a necessity to have the preliminary discussions as private as possible, or there would be no chance of coming to an agreement when the time came. Sir Stafford Cripps had spoken with some contempt of the bringing together of business interests in Great Britain and the Dominions. A Resolution was adopted by the Conference of 1930 that they should facilitate conferences among those engaged in particular industries in various parts of the Commonwealth, and the Labour Government certainly had in their minds, among other things, these agreements between industrialists for promoting Imperial rationalisation.

After mentioning that if various interests—forestry, coal, and so on—felt that they would be advantaged by having special representatives of their own at Ottawa they were at liberty to go out, and the British delegation would only be too pleased to take any advice from anyone competent to offer it to them, Mr. Baldwin dealt with the position of the Colonial Empire at the Conference. The Secretary of State for the Colonies told him that there had been consultation with Colonial Governments and with organisations representing producers of Colonial products.

Colonies and Preference.

As a result of such consultations and study of Dominion tariffs, trade returns and of shipping facilities, proposals had been submitted to the Dominions on articles on which new or increased Preference would be of value to particular Colonies, and the Dominions had been invited to consider those proposals and to make their suggestions as to whether and in what directions an increased Preference or a new Preference would be of advantage to any Dominion. In nearly all cases Colonial

Preferences were already extended to the whole Empire. New Zealand granted a Preference to all Colonies and Canada to nearly all. The Canadian-West Indian Agreement was an admirable example of mutual trade between a Dominion and a group of Colonies.

"The great importance of the Ottawa Conference," Mr. Baldwin continued, "is that it comes at a time when we are definitely at the parting of the ways. It will be impossible for things to drift any longer. You have either to advance in the direction of closer fiscal relationship or you have to drift apart. There is no question about it. The whole evolution of the economic pull of the world is, I hope, gradually to increase the larger units, and I hope from that that we may see in Europe a great change in the future, or it will be all up with European trade. If the Dominions do not get into this closer economic union with us, I need not, in this country and with this audience, point out to those who value the Empire and the traditions of our race, the directions in which the economic dangers would lie between each different component part of the Empire. That is the first reason why at this moment the Ottawa Conference is a Conference of supreme importance again for this country."

Keeping the Empire together.

Taking the long view, Mr. Baldwin said, it was essential for their future economic health and prosperity that they got into closer fiscal relationship with the Dominions and that the Empire kept together. It was a question of almost the only expanding markets in the world in which they could get preferential treatment, the only countries in the world in which they might hope to see a population of British stock increasing, and in which, when things got better, they might hope to see many of their own people finding new homes. For a long policy, he believed it to be essential for them economically. The difficulty was that they were meeting at a time when, just as in Great Britain they were introducing a change in their fiscal system, the whole world's conditions had added enormously to the difficulties of making progress.

On the one hand, they must not let world conditions overshadow what they had to do at Ottawa, but, on the other hand, they must have them in mind, because they did not affect only the United Kingdom—they affected the Dominions. Canada had provided the agenda. It was a tremendous agenda: there was hardly a subject which anyone could think of that was not somewhere or other on it. That being the case, they must in the first days of the Conference be selective. They ought to concentrate first on whatever subject would, in their opinion, have the most direct effect on trade revival.

They always came back, at home, to the employment of their people and whatever policy they might advocate, the real ultimate test of that policy was what it was going to do as regarded the conditions of their own people. If their work at Ottawa was good, then the system they were building up would stand, and no one in Great Britain would upset it.

Machinery for consultation.

Time at the Ottawa Conference must be limited—he meant that they were not going to sit until Christmas,—and if real progress was to be made on the vital matters they must avoid overloading. That emphasised the need for continuous consultation. There were a number of subjects so technical and so detailed that they would call for other methods than complete discussion in the Conference. So it was essential, before they left Ottawa, that they should have strengthened and improved whatever methods now existed for continuous exploration. They had to press on with all the subjects, it might be for the next year, two years, or three years, until they had accomplished the great task that lay before them, and proposals for the kind of machinery to effect that object must be discussed at an early period.

He had spoken of the conditions of world trade as affecting the Empire as well as the United Kingdom. Discussion on promoting means of trade within the Empire—an all-important question—must not blind them to the other side. He had reason to suppose that some of the Dominion Governments shared his view on that matter, because they were all affected by world conditions and by the need of world markets. Wheat and wool had been quoted. The exportable surplus was larger than they could handle, and it had to go out into world markets. If the United Kingdom, importing those commodities, had to pay higher prices, it could not fail, *pro tanto*, to have an effect upon the economic structure.

Balancing considerations.

Supposing foreign wheat and wool were excluded from British markets, or made more difficult of entry, of course they would go out into the markets which the exportable surplus from the Dominions was trying to get into. It was a very delicate question to see where the balance of advantage would lie for the producers in the Dominions. There must be many cases where there might well be considerations that had to be weighed regarding the Imperial internal trade and the Imperial external trade.

Referring to a quotation by Sir Stafford Cripps of a statement in the Australian Parliament,* Mr. Baldwin said that

* *Vide* p. 561.

they would explore the possibilities of an Imperial wheat quota. That was a very different thing from saying that they were going to impose it or had settled it. It was by no means an easy problem, but it was one which was well worth exploring. Whether they liked it or not, the real and the only salvation for the primary producers was an improvement in world prices. The surest way, although not the spectacular way, of effecting this was by an increased confidence in world trade. If they could help at Ottawa to revive trade in the Empire they would be making a tremendous contribution towards reviving trade in the world.

Strangling effect of wild Protection.

International trade had been very much strangled in recent years by the enormous increase in tariffs and the sub-division of countries in Europe making for smaller economic units. There was all the difference in the world between a careful and discriminating Protection, such as they were introducing in the United Kingdom, and the kind of wild Protection that acted almost as prohibition indiscriminately utilised against the countries of the world. The imposition and heightening of tariffs in one country led to a similar practice in another country. There was no such thing as isolating themselves from world depression. The United States of America kept themselves away from world influences for a time and even they could not succeed.

" In my view," Mr. Baldwin remarked, " our Empire is singularly free from the most damaging forms of trade restriction, but there has been a marked tendency of recent years for the heightening of the barriers in our Dominions, both against each other and against ourselves. Let me say at once that no one questions their right to do that, and no one questions the right of the newer country to develop itself industrially. That is right and proper. I do not for a moment criticise a policy which in different degree we are following in this country to-day. . . I do think, without specifying names, that at times and in places in the Dominions this policy of exclusion, of trying to develop industrially, has been pushed farther than is helpful to the Empire or to the Dominion that does it.

Industrial development in the Dominions.

" The results of such action are not confined to the country that practises it, because it lessens the purchasing power of their own people, and that lessens their power of taking goods, quite apart from their tariffs. Therefore, I think it would be a perfectly proper subject of discussion among the statesmen from the various countries, as to the

limits within which such a policy of development is useful and proper. After all, it is but a question of degree.

" I think most people in this country and I am sure that a great many in the Dominions would agree with this: that where a great output is required for economical production, where the demand for an article is small and where the consumer wants in a certain class of article constant variety and change, in those cases it is not economically profitable for any country, Dominion or otherwise, to try to make it themselves, if they can import cheaply and, by importing cheaply, improve the volume of their own trade.

" We shall ask them to consider whether or not in their own interests as well as in ours they may not in some directions have gone a little too far and a little too fast in industrial development. We cannot hope to buy what we would like, and, if we find that we cannot import sufficient goods to pay for it, all the increases of duties in cases like that interrupt the general flow of trade.

British objective: Free Trade within the Empire.

" I think that at this point I can state, in a word, what in my view our policy is. . . The general objective is freer trade or, if you like the phrase better, reciprocal Free Trade within the Empire, or the nearest practicable approach to it. It would be of great advantage to every part of the Empire and a step towards a world-wide lowering of trade barriers and restrictions, which is an essential condition to world recovery."

Continuing, Mr. Baldwin said that the principle of Free Trade within the Empire was now embodied, and embodied on purpose, in the Import Duties Act, which was designed to lead up to Ottawa. The scheme of the duties was related to greater freedom of trade throughout the whole Empire and that was the spirit in which they approached the Conference. They had put duties on articles which, if they had been consulting their own interest alone, they would have admitted free. There were duties on lead, zinc, and sisal hemp which act to some extent against the interest of their own consumers.

They had taken the broad view for the greater freedom of trade, and the Dominions to-day enjoyed an absolutely free entry for those articles, which were taxed if they came from a foreign country.

Benefit of free entry.

" Let no Dominion think for a moment," Mr. Baldwin went on to say, " that we are not grateful for what they have done for years without any reciprocity from us, but let them for their part not fail to realise what a tremendous thing free entry is."

He would like to see that system followed. He believed it was the best for Imperial trade and he was sure it was the best for the world. That very favourable position terminated automatically on 15th November unless some agreement was come to which would enable the United Kingdom to continue goods on the Free List. He was sanguine that the spirit in which they were entering the Conference would be reciprocated by all those who came to it from overseas, and deeply disappointed indeed would he be if arrangements could not be concluded that would enable them to continue indefinitely that Preference which they had given in their first Import Duties Act. The chance of a lifetime was before the Dominions. If that chance was thrown away it might never return.

Currency.

Referring to the question of currency, Mr. Baldwin said the Ottawa Conference was meeting not only at a time of world-wide depression, but at a time of grave disorder of the monetary system.

"We shall have to consider at Ottawa," he observed, "the inter-relationships of the various currencies and monetary standards of the Empire with a view to promoting conditions most favourable to mutual trade and currency. . . We have, of course, to remember that these matters are within the control of the different Empire Governments, and we should no more attempt to interfere with their free choice of action than we should welcome from them interference with our own free choice. Subject to that, I believe we can have a most useful and profitable discussion that may well lead to something further.

"We do not want the exchange value of the pound to rise, and we do definitely want a rise in wholesale prices. At the same time, I should dread any running away of retail prices. We have been exceptionally fortunate—and I put it no higher—in the way retail prices have kept down in this country. A definite rise in wholesale prices and a substantial lag in the rise in retail prices would be the best thing for the people of this country, for a rise in wholesale prices is an essential preliminary to the real circulation of goods. But, in seeking to give effect to this policy, we are constantly in difficulties both from foreign liquid capital seeking refuge in this country and from a fall of gold prices abroad.

Policy of cheap money.

"We have no intention of returning to gold as long as gold behaves itself as it is behaving. We cannot give definite undertakings as to the future course of sterling prices, and experience elsewhere—in the United States, for instance—has shown the difficulty of one country endeavouring to raise prices. The policy adopted by the monetary authorities in this country has recently been one of cheap money and an abundant supply of money, which will produce an effect on prices in the long run. I am not at all sure that some, at any rate, of the Dominions would not find a plank here on which they might take their stand, but that time will show."

In conclusion, Mr. Baldwin said that he hoped they might be able to bring back something from Ottawa as an earnest of far greater things to follow, for he knew quite well that this particular Conference could only be the start. It was going to get them, he hoped and believed, in the right direction. They would accomplish something, he hoped and believed, and he hoped that, following on the Conference, steadily, earnestly, and continuously they might push forward on the intricate questions that were bound to be left.

At the close of Mr. Baldwin's speech progress was reported.

INTER-EMPIRE TRADE.

(Mr. Runciman's review of British position; Restriction of non-essential imports; Continental prohibitions and quotas; Imperial action at Ottawa; No haggling between States for Preference advantages; Business-like proposals for extension of trade within the Empire.)

On 14th April, in the House of Commons, the Board of Trade Vote was debated in Committee of Supply.

DEBATE IN HOUSE OF COMMONS.

The President of the Board of Trade (Rt. Hon. W. Runciman), in a survey of the industrial position, referred to the action taken by the Government in the autumn of 1931. The effect of the policy then adopted, he said, was to cut off the imports of a large quantity of goods with which they could most easily afford to dispense. They had cut down the luxuries imported into Great Britain to a very much lower figure. Non-essentials which they had had to buy had been so diminished that their purchasing capacity had been quite sufficient for the purpose. The Abnormal Importations Orders of last winter appeared to have kept down imports by at least £8,000,000 directly and some £16,000,000 or £17,000,000 directly and indirectly.

That had enabled them, while reserving their purchasing power abroad for more pressing needs, to give to their industries at home such an impetus as they had not received at any time since 1921. If they were to take the measure of the activities of British trade from exports alone it would be found that they had suffered less in the world shrinkage of trade than had any other country. Nothing was more remarkable than the way in which during the last few months applications for industrial sites in Great Britain had been pouring in from abroad.

There had been over 390 applications from foreign manufacturers contemplating the establishment of factories here. No fewer than 70 British manufacturing concerns in this country were arranging to set up new undertakings with the assistance of foreign experts.

The State and industry.

He believed far more in the beneficial effects of sound inventions than he did in legislation dealing with industry. The only example they had at the present time of State action as regarded industry outside Great Britain was that it was restricting international trade at a rate far in excess of anything in their own experience. The extension of prohibitions and quotas which had been looked upon with such great anxiety by those engaged in the coal trade was one of the examples of State action which he did not think the Labour Party wished to copy.

After emphasising the fact that they found themselves restricted in the trade of Europe and faced with obstacles in the Eastern markets, Mr. Runciman said that under the present policy of the country they had no intention of trying to exist on a self-sufficing basis. They would go to Ottawa with sentiment strongly in favour of Imperial action. They wanted to combine the interests of those who lived in the various parts of the British Empire with the sentiment which bound them together. It was possible to do so on a basis which would not be, as some people imagined, merely a sordid haggling between States for Preference advantages, but rather the conferring of benefits on those who were citizens of the British Empire.

Inter-Empire trade.

" We speak far too largely," Mr. Runciman continued, " of what is done by this country, and by this Dominion and that, whereas in fact trade is conducted not by States, but by individuals. We want to make it not only the desire but the interest of the individuals who are concerned in the organisation of industries throughout the British Empire to trade within that Empire, and particularly with us. We have advantages which we can give to them; they have great advantages which they can give to us. We are already making considerable progress in sorting out the industries in which their benefits can be conferred with the greatest advantage upon us, and they are working as far as they can at their own schedules in which they are examining certain industries in which they think they can most help."

These were, Mr. Runciman observed, simple business-like proposals, but they all pointed in the direction of extending the area of trade within the Empire, freeing it from many of its obstacles, and making it a common interest for all alike to buy and sell more freely. The next step was to extend the area of their world trade among those who were also ready to confer advantages upon them. In any efforts they made to extend the trade of the British Empire they were not going to try to do so on a basis which would make them exclusive, that was to say, would shut them off from the rest of the world. They should not put out of their minds the outlook of the Dominions themselves.

Progress by stages.

They could not imagine Canada, for instance, wishing to shut off her trade from the United States of America. She would, they trusted, continue to extend the Preferences which were already given to individual traders, merchants, manufacturers and producers alike in Great Britain, but they must not imagine that that policy meant that she was going to have nothing more to do with the United States, any more than it meant that Great Britain was going to have nothing to do with the foreign countries in which she had most excellent and welcome customers. They must proceed by stages and they had chosen the course of making their position secure in Great Britain first. That they had already done. The next stage was to make sure that they could extend their traffic within the confines of the British Empire. That they hoped to do, and ultimately to extend their trade along freer channels throughout the world.

Mr. C. R. Attlee (Labour, *Limehouse*) said that they had followed in the crisis the habits of what they used to consider the least experienced and enlightened nations in restricting imports. The imports that were falling off were broadly from those nations that were their best customers—Germany, the Argentine, Australia, France, India, Canada and so forth. During the two years of economic blizzard, 900,000 of the increased figures of unemployment in Great Britain were directly due to the falling off in British export trade. Having built up the country on the basis of certain great industries, mainly for export, they were utterly failing to recover their trade and bring employment to the people in those industries.

Increase in productivity.

Suppose that they produced actually as much as they did in 1913 they would not have solved the unemployment problem, because of the extraordinary increase in productivity. Mr. Attlee proceeded to refer to the Macmillan Report for the purpose of showing that in all the principal industries the productivity per person employed increased in a short space of time by an enormous percentage. He argued that even if they got back to the 1929 or the 1913 position with regard to their export trade they could not anywhere near employ the people who were looking for employment in those industries. The same thing was happening all over the world. Industry after industry was being rationalised, the powers of production were increasing, and the world had not up to the present devised a means for consuming the extra production.

Turning to the question of a national planning of industry, Mr. Attlee remarked that if he had suggested the need for such a plan a short time ago Members would have had Russia in their minds and would have said, " Oh, the Russians with their ridiculous Five Years' Plan." As a matter of fact, the tune had changed entirely and in every country people were now beginning to say, " Is not the Russian Five Years' Plan going to succeed, and what are we going to do about it ? " Had the President of the Board of Trade seriously considered the possibility of calling together a body of people and thinking out the industrial future of Great Britain in relation to the geographical distribution of the population and their national resources ? The Labour Party did not think they could effectively reorganise world economics or the economic structure of Great Britain under their present system, but they suggested that the Government should have a try.

Ottawa hopes.

Vice-Admiral E. A. Taylor (**Unionist**, *Paddington, S.*) remarked that he was pleased to hear the President of the Board of Trade expounding the policy of greater inter-Imperial trade. At Ottawa they could, without the slightest doubt, obtain from the great units of the Empire a far greater proportion of their markets than Great Britain had at the present time. It was there that they should increase their export trade.

The Parliamentary Secretary to the Board of Trade (**Mr. L. Hore-Belisha**) pointed out that the redressing of the adverse balance of trade had been the central task of the Government. When the figures for last year were published the worst forebodings were realised and they found they had an adverse balance of payments of £110,000,000. The Government had concentrated on keeping out of the country manufactured goods which, generally speaking, could be made in Great Britain. In the industries which they were able to assist a great improvement was registered.

After further debate the Committee reported progress and the discussion stood adjourned.

IMPERIAL PREFERENCE.

(Preferential tariff under the Import Duties Act: Colonies and Protectorates which benefit; List of Colonial Preferences for British Imports.)

On 12th April, in the House of Commons, in reply to a question,

The Secretary of State for the Colonies (**Rt. Hon. Sir P. Cunliffe-Lister**) gave the following list of British non-self-governing Colonies and Protectorates, and of Mandated Territories administered under the authority of the United Kingdom Government, which enjoy the advantages of the Preferential tariff under the Import Duties Act :—

Bahamas.
Barbados.
Bermuda.
British Guiana.
British Honduras.
Ceylon.
Cyprus.
Falkland Islands and Dependencies.
Fiji.
Gambia (Colony and Protectorate).
Gibraltar.
Gold Coast—
- (*a*) Colony.
- (*b*) Ashanti.
- (*c*) Northern Territories.
- (*d*) Togoland under British Mandate.

Hong Kong.
Jamaica (including Turks and Caicos Islands and the Cayman Islands).
Kenya (Colony and Protectorate).
Leeward Islands—
- Antigua.
- Dominica.
- Montserrat.
- St. Christopher and Nevis.
- Virgin Islands.

Malay States—
- (*a*) Federated Malay States—
  - Negri Sembilan.
  - Pahang.
  - Perak.
  - Selangor.
- (*b*) Unfederated Malay States—
  - Johore.
  - Kedah.
  - Kelantan.
  - Perlis.
  - Trengganu ; and
  - Brunei.

Malta.
Mauritius.
Nigeria—
- (*a*) Colony.
- (*b*) Protectorate.
- (*c*) Cameroons under British Mandate.

North Borneo, State of.
Northern Rhodesia.
Nyasaland Protectorate.
St. Helena and Ascension.
Sarawak.
Seychelles.
Sierra Leone (Colony and Protectorate).
Somaliland Protectorate.

South African High Commission, Territories of the—

Basutoland.

Bechuanaland Protectorate.

Swaziland.

Straits Settlements.

Tanganyika Territory.

Trinidad and Tobago.

Uganda Protectorate.

Western Pacific, Islands of—

British Solomon Islands Protectorate.

Gilbert and Ellice Islands Colony.

Tonga.

Windward Islands—

Grenada.

St. Lucia.

St. Vincent.

Zanzibar Protectorate.

Preference for British Imports.

On 13th April, in answer to **Capt. P. Macdonald** (**Unionist**, *Isle of Wight*),

The Secretary of State for the Colonies said that the majority of the Colonies which were free to do so gave preferences to the United Kingdom before the present Government took office. Since then proposals had been made, and in some cases already put into effect, for the introduction of preferential tariffs in four Colonies (Sierra Leone, the Gambia, the Seychelles and the Gilbert and Ellice Islands) and three Protectorates (the Federated Malay States, Somaliland, and the British Solomon Islands).

In Ceylon a Resolution approving in principle the grant of Preference had been introduced in the State Council* and had been referred to the Executive Committee for Labour, Industry and Commerce.

The following list of the rates of Preference was supplied by the Secretary for the Colonies :—

Colony.	Nature of Preference.	Rate and scope of Preference.
Cyprus	Empire	Rebate one-sixth to two-thirds of the duty on all articles.
Mauritius	United Kingdom and Canada (Preferential tariff may be extended to goods from any reciprocating British Possession).	Rebate of one-fifth of the duty except on certain articles. Increased preference under consideration.
Seychelles	Empire	Introduction of preferential tariff is in preparation.
Gambia	Empire	Proposals have been approved for a surtax of one-quarter of the duty on foreign goods only.
Sierra Leone	Empire	Proposals have been approved for preferences of from one-sixth to the whole of the duty.
Northern Rhodesia ...	Empire	From one-quarter to the whole of the duty on most articles.

* *Vide* this number of the Journal under "Ceylon."

Colony.	Nature of Preference.	Rate and scope of Preference.
Somaliland	Empire	Proposals have been approved for a surtax of one-tenth of the duty on foreign goods only.
Federated Malay States	United Kingdom, Dominions, Straits Settlements and Unfederated Malay Straits.	A preferential tariff has recently been introduced giving a preference of from one-tenth to one-half of the duty on a number of dutiable articles.
Bahamas	Empire (subject to reciprocity).	Rebate of one-quarter of the duty except on intoxicants, articles containing alcohol and cigars.
Barbados	Empire	Rebate generally of one-half of the duty.
Jamaica	United Kingdom and Canada (Legislative Council may extend preference to any other part of the British Empire).	Rebate generally one-quarter of the duty.
Trinidad	Empire	Rebate generally one-half of the duty.
Windward Islands :—		
Grenada ... ... St. Lucia ... ... St. Vincent	Empire	Rebate generally one-third of the duty.
Leeward Islands :—		
Antigua ... ... Dominica ... ... Montserrat ... ... St. Kitts and Nevis... Virgin Island ...	Empire	Rebate generally one-third of the duty.
Bermuda	Empire	Surtax of one-quarter of the duty on all non-Empire dutiable articles.
British Guiana ...	Empire	Rebate generally one-half of the duty.
British Honduras ...	Empire	Rebate generally one-half of the duty.
Falkland Islands ...	Empire	Rebate of one-third of the duty on British wines (only liquor, tobacco and matches are dutiable).
Fiji	Empire	Rebate of one-third to the whole of the duty on all articles.
British Solomon Islands Protectorate.	United Kingdom ...	The High Commissioner has reported that he is preparing proposals for a preferential tariff but details are not yet available.
Gilbert and Ellice Islands Colony.	United Kingdom ...	

THE COLONIAL EMPIRE.

(Review by Secretary of State; Financial position of the Colonies: seven receiving grants-in-aid; Primary products and the economic crisis; Improving outlook; Increased Preference throughout the Colonial Empire: response of the Colonies; Kenya: Lord Moyne's Report, Morris Carter Commission; Malta; The Ottawa Conference; Relation of Colonies and Dominions; African Commercial Treaties; Cyprus; Ceylon; Secretary of State's reply.)

On 22nd April, in the House of Commons, a debate took place in Committee of Supply on the Colonial Office Vote for £97,875.

DEBATE IN HOUSE OF COMMONS.

The Secretary of State for the Colonies (Rt. Hon. Sir Philip Cunliffe-Lister), surveying the financial position of the Colonies, said that seven of them were only able to carry on at the present time with the assistance of grants-in-aid or loans from the Treasury. They were Nyasaland, Somaliland, St. Helena, Dominica, St. Lucia, British Guiana and British Honduras.

A number of Colonies would be in the same position, and unable to balance their Budgets, were it not for the fact that in past years they had accumulated reserves on which in more difficult times they were able to draw. On the side of economy there was a real effort throughout the Colonial Empire to curtail expenditure in any way possible. He was carrying on the practice of helping Colonial Administrations, by means of small financial missions, in framing their Budgets and in the imposition of necessary taxation. Primary producers had been hit harder than anyone by the economic crisis: and the Colonial Empire was almost entirely a primary producer.

Anyone who compared the prices at the end of 1929 of all the great staple products of the Colonial Empire with the present prices would see, with varying differences, the great drop that had occurred. There were, however, signs of improvement in some of the commodities.

Value of increased Preference.

The increased Preference which had been given to the Colonial Empire had come at a very opportune time, not only for the Colonies themselves, but also for the taxpayer in Great Britain, who had a direct interest in the improvement of trade in the Colonies. The first value of the Preference to staple

products was that it gave security of market at a very important time. There was, in addition, the encouragement to develop alternative crops with a prospect of success—products like citrous fruits, oranges, grape fruit and vegetables of one kind or another. Great Britain had spent a great deal of money from time to time upon Colonial development and scientific research in different parts of the Colonial Empire.

He had always felt that that expenditure was not sufficiently linked to markets. Given a Preference on particular crops, they knew when to develop and what research they should undertake. He was not sure that it was realised enough what a stand-by Colonial trade had been in the difficult past years. In 1924 only 6·8 per cent. of British export trade was done with the Colonial Empire. In 1931 that proportion had risen to over 10 per cent. That was at a time when values were crashing in the Colonies and their purchasing power had been enormously diminished. Since the House of Commons took its decision in February on the Import Duties Act,* new Preferences had been given in the Colonies. The result was that nearly every Colony which had a tariff on manufactures, and was free to do so, was giving a substantial Preference to Great Britain.

Empire partnership.

The grant of Preference throughout the Colonial Empire was in a true sense a deliberate act of the Colonies themselves and a proof of their desire for mutual trade and Empire partnership. Those Colonies depended on their tariffs for revenue. Some got as much as 50 per cent. of their revenue from tariffs, and some even more. They must maintain that revenue. If they did not they would be coming to the House of Commons for grants-in-aid, not seven of them, but many more. The importance to the exporter and the manufacturer in Great Britain was not that he should get free entry into a Colony, but that he should get an effective Preference over his foreign competitor.

A great many people found it difficult to know what were the actual Preferences they could get in this or that Colony. He had found it necessary for his own purposes, and for the work to be done at Ottawa, to bring the matter into more practical shape. He was having all the Colonial tariffs and Preferences compiled in one volume which would be put on sale, so that it would be available for everybody. The possibilities of mutual trade would be incomplete if they considered only the trade between the Colonies and the Mother Country. There was a trade between the Colonies and the

* *Vide* JOURNAL, Vol. XIII., No. 2, pp. 337-356.

Dominions, and the Colonies in many cases gave a Preference to the Dominions.

Canadian-West Indian Agreement.

They had the valuable Canadian-West Indian Agreement—a very good model. The new sugar Preferences, although they might look cumbrous at first glance, were deliberately designed not to interfere with the trade between the West Indies and Canada, and at the same time to give a new Preference to British sugar-producing Colonies. There would be an opportunity at Ottawa of carrying the kind of agreement which existed between the West Indies and Canada further, and seeing what developments were possible in trade between the Colonies and the Dominions. Important as conferences were, that was not a matter only for a conference, but one of day-to-day business, of practical work which could be done.

Malta: restoration of Constitution: the language question.

Turning to the position in Malta, the Secretary for the Colonies recalled the announcement in the House of Commons on 2nd March* of the policy which the British Government proposed to follow, based on the recommendations of the Royal Commission. After mentioning that the Constitution was being restored, he said with regard to the language question that there had been some misrepresentation by certain persons in Malta of what was being done. They were doing two things. In the first place they were saying that where a man was being tried for a criminal offence he should be tried in a language he could understand.

Secondly, in future, in the elementary schools alone, the children, besides learning Maltese, would learn only one other language, and that the English language. On educational grounds alone the argument in favour of the proposal was absolutely unanswerable. In the interests of the Maltese children themselves the argument was equally unanswerable. Suggestions that what they were doing would in some way prejudice the opportunity of a Maltese child ultimately entering one of the learned professions and that the language question raised, or touched, the religious issue were both ridiculous. The House of Commons had most fully approved the policy of the Government. The necessary Bill would be introduced in the House of Lords as soon as it was ready, and would progress through both Houses as rapidly as Parliamentary time permitted.

East Africa: question of closer union.

Referring to East Africa, Sir Philip paid a tribute to the work of the Joint Select Committee of the two Houses of

* *Vide* JOURNAL, Vol. XIII., No. 2, pp. 384-385.

Parliament which inquired into the problems of closer union. With respect to the question of paramountcy, the Committee had in a single sentence summed up and settled, he hoped for all time, that particular difficulty:—

> "The Committee consider that the matter may be summed up briefly by saying that the doctrine of paramountcy means no more than that the interests of the overwhelming majority of the indigenous population should not be subordinated to those of the minority belonging to another race, however important in itself."

The Committee's conclusion on the impracticability of political union was very valuable, coming, as it did, with authority and unanimity. But if political union was impracticable and undesirable to-day, co-operation was more important than ever. He agreed, and all the Governors agreed, that the machine of co-operation should be the Governors' Conference. The Conference had been established, had been equipped with its own secretariat, and had recently met. There should certainly be annual meetings, and the Conference should be treated as being in permanent session, so that there could always be a special meeting if required.

Iraq: Mandate about to expire.

After dealing with other recommendations of the Committee relating to taxation, the land question, and railways, and the steps he was taking in relation to them, Sir Philip referred to Iraq. The period of the Mandate, he said, was drawing to a close and the Council of the League of Nations had recommended to the Assembly the full entry of Iraq into the League. It was remarkable that a backward, impoverished province had become a prosperous State, with a stable and competent Administration, of which the King and his Ministers might be justly proud.

Mr. W. Lunn (Labour, ***Rothwell*****)** remarked that although Parliament had agreed to the Statute of Westminster and the almost complete independence of the Dominions, Great Britain was still left with the responsibility for many Colonies. There was need for great improvement in the Constitution of those Colonies in order to give them more opportunities for education and to help them towards the day when they could govern themselves. There was far-reaching unrest in the Colonies, and especially in Africa, on the land question. In many parts of Africa land which was occupied by the natives had been taken over as Crown land, and much of it had been alienated to white settlers.

Labour and social conditions.

There were no Workmen's Compensation Acts in the Colonies and no social legislation of any kind, as they knew it in Great Britain. Those matters were discussed at a Colonial

Office Conference in 1930, and in addition there had been a good deal of discussion as to the treatment of juvenile offenders in various Colonies in Africa.

The Joint Committee said that a chief native commissioner ought to be set up in each Colony, and they were not satisfied that the best use was being made of the machinery already in existence. He felt that in addition to a commissioner, there ought to be a properly constituted Labour Department with the duty of looking after the supply and management of all necessary labour. The Department ought to be responsible for carrying out the Government regulations on labour, and for the general welfare and contentment of the men employed. There ought to be a greater development of mechanical aids to labour in the Colonies in preference to the wasteful and demoralising use of labour which was so general to-day.

Sir John Sandeman Allen (Unionist, *Liverpool, West Derby*) said that it was important in economising not to curtail specific services like the medical, agricultural, veterinary and education services, upon which the present, and still more the future, welfare of all the races of the Empire depended. Referring to the Report of the Joint Committee on Closer Union in East Africa, of which body he was a member, Sir John said that if the general effect of clearing up misunderstandings was allowed to make itself felt he thought the result would be peace and contentment in that unfortunate part of the Empire.

Scales loaded against the natives.

Mr. J. A. Parkinson (Labour, *Wigan*) observed that nearly everybody held a different opinion about matters appertaining to Kenya and East Africa. Personally, he had felt that the scales had been loaded against the natives in many directions, and, when inquiry was made into the taxation of the native people of Kenya, he thought more consideration should be given to the position of natives, of whom there were 2,500,000 as compared with 20,000 white people.

If financial retrenchment was to be made it was necessary that it should be in just proportions between the two communities. The question of the capacity of the natives to pay had not been sufficiently studied. With regard to the Commission which had been set up on the land question in Kenya, it did not appear to have given much satisfaction to the native races. The settlers were represented on it, but the native races were not. He need not say how nervous the native population were in regard to the land question. He wanted the question to be open to full inquiry and he hoped that something would be done to give satisfaction to the native population: something that would make them realise they were members of their own country and of the British Empire.

Native interests.

The Under-Secretary of State for the Colonies (Sir Robert Hamilton) did not think it could be said that the interests of the natives were likely to be overlooked by the Land Commission. At the same time the Commission was in the nature of a judicial body before whom evidence would be brought, and he was sure that under the guidance of Sir William Morris Carter it would present them with valuable material, which he hoped would go a long way to settle the great difficulties that had arisen over land in Kenya. The Commission would be the first step towards getting the question of title to land generally in Kenya put on a right basis. With respect to one of the matters raised by Mr. Lunn, legislation was already being drafted with a view to the better treatment of juvenile offenders in Kenya.

As to labour, he thought Mr. Lunn would realise that in the African Colonies a Labour Department as such would in many cases be redundant and would largely overlap the work of the native commissioners. The Colonial Labour Committee set up in the time of the last Government had done a great deal of useful work and its institution had been entirely justified by the results achieved. By the inquiries which it set on foot throughout the Colonial Empire it brought to the notice of the various Governors the importance of bringing some of their rather antiquated legislation up to date in dealing with labour questions. The important question of workmen's compensation was often neglected in early Colonial legislation. Owing largely to the work of the Committee there was in 16 Colonies legislation of a general character on the subject, four draft Bills were now under consideration, and in all Colonies new legislation or amending legislation was contemplated.

Trade union legislation.

With regard to trade union legislation, in 11 Colonies such legislation had been passed or was in preparation. In four Colonies legislation had been proposed, but the opportunity had not been found at the moment for passing it, whereas in eight other Colonies correspondence was going on with the Colonial Office as to the nature of the legislation that would be suitable or desirable. Another branch of work had been with regard to penal sanctions in labour contracts and there again the Committee's efforts had resulted in bringing up to date many of the ordinances which came into force many years ago.

The vast mass of work started by the Committee under the great and rather ambitious programme laid down by Dr. Drummond Shiels, who then held the office of Under-Secretary for the Colonies, had led them in practice to see that much of it would now have to be dealt with in the Department. A great deal of the spade work done by the Committee was being made use of in the Department and the Committee itself was being kept in being to give advice on difficult matters of controversy should they arise.

Progress was subsequently reported and the debate stood adjourned.

On 1st July,

Mr. Lunn expressed profound disappointment at the constitution of the Morris Carter Commission to inquire into the land question in Kenya. It was overloaded in the interests of the settlers. They asked for a representative of native interests.

Lord Moyne had been to East Africa as financial Commissioner. He had made recommendations for the adjustment of taxation and expenditure in a good Report. He never failed to let one know that taxation was very unfairly levied on the natives, and that, in all the economies, they had had to bear the lion's share, with possible danger to the health and well-being of the native community. He invited the serious consideration of the Secretary of State to the Report.

Mr. Lunn also dealt with the conditions of labour in the Colonies, and with its organisation and administration. He believed there ought to be a well-equipped Labour Department in every Colony.

He wished to know how many of the staff of the Colonial Office were going to Ottawa, and for what purpose the Secretary of State himself was going. He thought they had a right to know more than they had been told.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook***),** dealing with Kenya, expressed the hope that the Governor's Conference would be made as effective a body as possible. He regretted Mr. Lunn's criticism of the Morris Carter Commission. The Moyne Report, he thought, was extraordinarily fair, understanding, practical and wise.

Malta.

He congratulated the Secretary of State on his handling of a very difficult and delicate situation in Malta. There was no partisanship in the House of Commons between one Maltese Party or another. He trusted, in the interests of the children of Malta and the future political peace of the island, that the Secretary of State would stand absolutely firm on the line he had taken. In addition to learning their own native tongue, English was the first language for the working-classes of Malta to learn. He hoped that the Secretary of State would make it perfectly clear that there was no question either of a formal reversal of his decision or of any disregard or evasion of the conditions under which self-government had been restored.

The Secretary of State for the Colonies: "Let me tell my right hon. friend at once that I have made that most abundantly plain."

The Ottawa Conference.

Mr. Amery, dealing with the Ottawa Conference, said that the Colonial Empire was gradually emerging as by no means the least important part of the British Commonwealth. It was also an essential complement, as a tropical producer, to the development of this country or of the Dominions in temperate zones. The catastrophic fall in the prices of primary products had brought every Colony almost to the verge of ruin. Unless the splendid work of the last generation was largely to be wasted, it was essential that the Secretary of State should secure the restoration of a reasonable price level. He knew that the Secretary of State went to Ottawa, technically, as a member of the British Government, but actually and morally his primary obligations were to the peoples and Governments of the Colonial Empire.

Mr. Amery trusted that the Secretary of State, before he went to Ottawa, and at Ottawa, would use his influence in favour of a monetary policy which would make it possible for those Governments to carry on their splendid work. He hoped, too, that the Minister would be no less resolute in advocating the claim of the Colonial Empire to Preference from the Empire as a whole. At present, only New Zealand and Canada, in any measure, really gave Preference to the Colonial Empire. South Africa, Australia and India gave no Preference, and yet there was, in all three, a very wide field, without any interference with local production, in regard to which any of these Dominions could favour the Colonial producer.

Canada's lead.

Canada had already given a lead by her Canadian-West Indies preferential policy. He hoped that would be expanded to a Canadian-Colonial Empire policy at Ottawa. Canada might very well, in time, become Africa's greatest customer, and find in Africa one of her best markets. Many of the Colonies, in Preference, had gone further than any part of the Dominions.

Ottawa was going to be a great turning-point. If they could not get an advance of Preferences and a solution of the monetary problem, the next few years in the Colonial Empire might be years of retrogression. If Ottawa succeeded, it might, for the Colonial Empire, be the beginning of a new and wonderful era of development.

Capt. V. A. Cazalet (Unionist, ***Chippenham*****)**, dealing with Lord Moyne's Report, said he believed it would be accepted by all the interests in Kenya as being unbiassed and fair. In Kenya and East Africa generally we were behind both the Belgian and French Governments, in many parts of Equatorial Africa, in the development of road and air routes. He appreciated that a great deal of money had been put into the railway system, but the roads should be adequate to the demands put upon them. Where there were no railways we should try and produce more all-weather permanent roads.

Mr. J. A. Parkinson (Labour, ***Wigan*****)** held that more consideration should be given to the 2,500,000 natives in Kenya than was given to the 20,000 white settlers. He believed the time had come for the Government to see that one race should not be permitted to exploit the other. The standard of life of the native population had been gradually going down since 1928.

Dr. W. H. McLean (Unionist, ***Glasgow, Tradeston*****)** said that the Colonies had given a very generous response in the matter of Preference. As the standard of life rose, the wants of the natives would increase. He maintained that education, like research, was a most profitable investment in any country, and especially in the tropics. If economies were necessary, technical education, he trusted, would be the last to suffer.

Hon. C. A. U. Rhys (Unionist, ***Guildford*****)** said that the most important paragraph in the Moyne Report was that which dealt with financial control in Kenya. At present the Colonial Treasurer was really only an accounting officer.

Capt. P. MacDonald (Unionist, ***Isle of Wight*****)** said that without the stabilisation of currency and of commodity prices the whole effect of any Preference which might be obtained or granted between the various component parts of the Empire would be completely nullified.

Sir John Sandeman Allen thought that the matter of the Congo Basin Treaties and the Anglo-French Convention called for the careful consideration of the Department. He did not see that they could do anything regarding them at Ottawa.

Unrest in the Colonies.

Mr. G. L. Mander (Liberal, ***Wolverhampton, E.*****)** said that there was a good deal of unrest throughout the Colonial Empire at the present time. Future Governors would require to be men with sympathy and tact; not autocrats, but men trying to rule with the consent of the governed.

The new Constitution of British Guiana withdrew some of the democratic powers that the people had got, and there was profound dissatisfaction with it.

It had not been easy to get any information about Cyprus. The Constitution could not be allowed to remain indefinitely as it was.

Ceylon: proposed Empire Parliamentary Association Delegation.

In Ceylon the Governor had used his powers of overriding the wishes of the State Council. It would be unfortunate if there was to be constant bickering on constitutional points. The Donoughmore Commission stressed the importance of the Governor keeping in touch with the Ceylonese Ministers. Nothing would be better than for Ceylonese Ministers to feel that they were in close and friendly association with the Governor. He suggested that one of the interesting and valuable visits by the United Kingdom Branch of the Empire Parliamentary Association should be made to Ceylon. It would show sympathy, and would teach the Members of the British Parliament something of the difficulties of Ceylon.

Mr. Morgan Jones (Labour, ***Caerphilly*****)** welcomed the suggestion of Mr. Mander for an Empire Parliamentary Association visit to Ceylon. A great deal of the unrest in all parts of the Empire arose from the development of the idea of self-determination. It was desirable that this movement should be looked at sympathetically.

In regard to Kenya, Government after Government had been committed to the declaration of trusteeship by the Duke of Devonshire in 1923. The trouble they found was that, for some reason or other, there had been repeated, steady and ceaseless attempts in Kenya to circumvent the full implications and applications of that principle. He was in general agreement with what had been said about the excellence of the Moyne Report, but he controverted the implication in it that there must be two grades and standards of educational services in that area.

The Secretary of State for the Colonies, replying to the debate, said that no change had been made since 1926 in the law regarding conscription in Kenya. There was no truth in the suggestion that forced labour was being carried out in the East African territory. People were not compelled to work for employers. He was absolutely unrepentant about the personnel of the Land Commission. He associated himself with what had been said about the thoroughness, impartiality, and completeness with which Lord Moyne had discharged his task. It was impossible for him to pronounce in complete detail on every one of the recommendations, but he would say that the general principles of the Report commanded general assent.

Governor's powers.

The discontent in Cyprus had been greatly over-rated. In the case of Ceylon,* there had been four instances in which the Governor had used his power of settling disputes. Three of them concerned the Civil Service, in which he was not only justified in his action, but actually was bound to take action. No greater disservice could be rendered to public servants, carrying on services which were not too easy, or to Ceylon itself, which required wise help in administration, than to suggest that there should be any alteration from the policy which provided that the Governor and the Secretary of State were the guardians of these public services. The other instance was a proposal that income tax should be charged on their loan. Everyone with experience was very clearly of opinion that this would react very unfavourably on the credit of Ceylon, which, to Ceylon itself, was a matter of paramount importance.

African Commercial Treaties.

Regarding the question of the Commercial Treaties in Africa, it was for the Government to decide what was in the interests of British trade. If the decision was to denounce them, the Preferences which the adjoining Colonies gave would be equally readily given. Whether a particular treaty ought to stand or fall was a business proposition and nothing else.

Preparations for Ottawa.

Mr. Lunn had asked whether they had made any preparations for Ottawa. They most certainly had. He had communicated with all the Colonial Governments, and with Colonial producers, and they had also looked into the whole of the tariffs of the Dominions, and into the shipping facilities for goods. They had then framed their own proposals which they had put to each one of the Dominions. The Colonies had extended their very large Preferences to every Dominion, as well as to Britain, which was a good earnest of their desire.

Lt.-Comdr. R. T. Bower (**Unionist**, *Cleveland*) said that in the late Election in Malta a great deal of influence was exercised by the Church.

Mr. A. A. Somerville (**Unionist**, *Windsor*) said that the possibilities of the Colonial part of our Empire were enormous. In East Africa one found German barbed wire, American motor cars, and coastal and other shipping being carried on by foreign vessels. There was an immense field to be developed to the advantage of this country.

The question was put and agreed to.

* *Vide* this number of the JOURNAL under "Ceylon."

THE BUDGET.

(Preference for Empire tea: encouragement of trade with Ceylon and India; Increased Preference on Colonial sugar; Labour proposal to include Dominions.)

On 26th and 27th April, in the House of Commons, the Budget Resolutions* were discussed on Report.

DEBATE IN HOUSE OF COMMONS.

On the Resolution imposing a duty of fourpence per lb. on tea with a 50 per cent. Preference for Empire tea,

Mr. R. J. Davies (**Labour**, *Westhoughton*) moved an Amendment to reduce the rate of duty to twopence. The Budget, he said, was full of proposals for indirect taxation and the meanest proposal of the lot was the tax on tea, which was a serious imposition to the poorer section of the community. If it were not for the Preference given to Empire products he believed that the revenue would gain £7,000,000. He would like to know how much British capital was behind some of the so-called Empire producing tea firms.

Sir Walter Smiles (**Unionist**, *Blackburn*), who mentioned that he had been an Assam tea planter, said that the Preferential duty would help the loyal people in India to counteract the insidious propaganda against Great Britain. It might be that Labour Members scorned the preferential duties which were given in India to imports from Great Britain, but it was very difficult for the planting Members of the Legislative Assembly or the Provincial Councils in India to point out the Preference they gave in England to Indian produce. Now they would be able to point out a very definite Preference which would do a tremendous lot to encourage good feeling among the Indians.

A revenue duty.

The Financial Secretary to the Treasury (**Major the Rt. Hon. W. Elliot**) said that the duty was imposed for the purpose of raising revenue. The Preference was given for the purpose of encouraging trade with Ceylon and India.

When there were duties on tea, Great Britain obtained 90 per cent. of her tea from Empire sources. When the duties were taken off† the percentage from Empire sources fell to 81. They still derived over three-quarters of their tea

* For summary of the Budget proposals and the debate in Committee on the Resolutions *vide* JOURNAL, Vol. XIII., No. 2, pp. 356-364.

† In the 1929 Budget introduced by Mr. Churchill.

consumption from sources within the Empire, and that enabled them confidently to anticipate that the rise in the cost would not be more than 2¼d., or perhaps not even that. If the drop had been allowed to continue so that it had fallen to 50 per cent. or 40 per cent., or lower, drawn from Empire sources, it might easily have been that they would have found themselves far more at the mercy of tea producers outside the Empire than they were to-day, and therefore in a much weaker position with regard to supplies.

On a division the Amendment was negatived by 343 votes against 49.

Imported Colonial sugar.

On a Resolution providing for an increase for a period of five years of 1s. per cwt. in the Preference on imported Colonial sugar,

Mr. J. A. Parkinson (Labour, *Wigan*) moved to include the Dominions in the increased Preference. He contended that Dominions like Australia and South Africa, which were producing and exporting a fair amount of sugar, ought to be taken into consideration. There was here an opportunity of putting the Colonies and the Dominions on one status, but they were refusing to do it. It was not in the interests of the Mother Country, the Dominions, or the Colonies to separate them more than they were separated at present. They would be going to the Ottawa Conference with one hand tied behind them when they were debating questions relating to the Dominions and the Colonies if they did not treat them on an equal footing in this matter.

The First Commissioner of Works (Rt. Hon. W. Ormsby-Gore) said that Mr. Parkinson utterly failed to recognise the very special case that the non-self-governing Dependencies could bring forward. The Dominion producer would continue to get the substantial Preference of £3 15s. as against the foreign producer, but he would not get the additional Preference it was proposed to give to the Colonies because in that House they were directly responsible for the workers in Trinidad, British Guiana, the Leeward Islands, Mauritius, and a few other small islands. The Australian and the South African producer had a large protected home market, and in the case of Australia a subsidised export.

Government's first duty.

It was obvious that the British Government's first duty was to consider their wards, who were not in a position, as were Australia and South Africa, to look after their own people. Very wisely the Government had of set purpose made this Preference, as was recommended by Lord Olivier and the Commission sent out by the late Labour Government.

Sir Stafford Cripps (Labour, *Bristol, E.*) remarked that what Mr. Ormsby-Gore had completely forgotten was that they were approaching the Ottawa Conference. The Labour Party were as anxious as anybody that the Conference should be successful. They did not agree with the tariff policy of the Government, but as tariffs had been imposed they hoped they would be used at Ottawa to get the best possible results for the Dominions and Great Britain. In the case of sugar they had a differentiation between the Colonies and the Dominions which did not appear in any other tariff proposals introduced by the present Government.

The Secretary of State for the Colonies (Rt. Hon. Sir Philip Cunliffe-Lister) said that what the Government were really giving was a grant-in-aid. It was done quite frankly in order to put the Colonies for which they were particularly responsible in a better position to pay their way.

On a division the Amendment was negatived by 254 votes against 41.

FINANCE ACT.

(British tariff policy; Causes of trade stagnation; Raising of world prices; Ottawa Conference and monetary policy; An Empire currency and an Imperial central bank.)

On 16th June, the Royal Assent was given to the Finance Act, embodying the Budget proposals for the financial year ending on 31st March, 1933. The main features of the Budget have already been summarised in the JOURNAL,* but the following provisions of the Act have not previously been dealt with :—

The Treasury is authorised, on receipt of a recommendation from the Import Duties Advisory Committee to remove any goods from the list of goods exempted from the general *ad valorem* duty imposed by the Import Duties Act.

The Section of the Finance Act, 1931, which provides that land value tax shall be charged for the financial year ending 31st March, 1934, and for each subsequent financial year, is suspended until Parliament otherwise determines.

The valuation for the purpose of the tax is also to remain in abeyance under similar conditions.

On 9th May, in the House of Commons, the Finance Bill was debated on the Order for Second Reading.

* *Vide* JOURNAL, Vol. XIII., No. 2, pp. 356-364.

the desirability of representation with an effective voice upon the Court of Governors of the Bank of England.

Rt. Hon. L. S. Amery (Unionist, *Birmingham, Sparkbrook*) contended that there were only two remedies on a really large scale adequate to meet their needs. The first was to change their system of taxation for revenue only so as to enable it to give their own production a fair chance. The second was to reduce the intolerable overhead indebtedness of working costs, national and private, by raising the price level in Great Britain, and, as far as possible, in the world.

An Empire foundation.

Neither their fiscal policy nor their monetary policy could be anything but incomplete and inadequate so long as it was on a purely insular basis. It was only on an Empire foundation that their trade could be assured of a sufficient market and sufficient sources of supply. They must frame their sterling policy not merely from the point of view of Great Britain, but from the point of view of their partners and associates in the sterling area. If a rise in the price level was imperative from the British point of view, it was far more imperative from the point of view of the Dominions, the Argentine, and the Scandinavian countries. They were almost entirely primary producers as far as their export trade was concerned, and the fall in prices had hit primary producers even more than manufacturers. Moreover, they were mostly debtor countries.

"When we go to Ottawa," Mr. Amery continued, "we have got to be prepared to meet the Dominions on this question. They are going to ask us what the price level is at which we mean to maintain sterling. . . What is the answer we are going to give? This is a matter which depends not so much on mutual discussion and bargaining as on our lead. What is the lead we are going to give the Empire? Are we going to say that we are still going to maintain a policy of deflation—the policy that brought us to disaster? Or are we going to say that we have no policy, that we are going to drift, to wait and see? . . Are we to be at Ottawa as impotent and as negative on the financial issue owing to our divisions as the late Government were with regard to the fiscal issue in 1930?"

An Empire currency.

Mr. R. J. G. Boothby (Unionist, *Aberdeen, E.*) urged the Government to concentrate on Ottawa and not on Lausanne, and on the establishment within the Empire of stable exchanges and stable prices at a remunerative level. It could be done, and so far as exchanges were concerned it had already been done in the case of certain Crown Colonies—East Africa, West Africa, the Malay States, and the West Indies. There was no inherent difficulty in the creation of a common Empire currency, or indeed of an Imperial central bank. He most earnestly hoped that all those things would be discussed and that they might build upon the basis of an Imperial currency a sterling group consisting of all those countries which had been forced off the gold standard. If that could be done the influence of sterling prices upon world prices would be enormous. Either they must raise sterling prices and create an Empire currency, or they must go straight out for the larger understanding and the larger international currency. But the Government did not seem to be pursuing any policy at all.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) asked whether they were to suppose that the whole policy which had been carried out by the Government, first in the Abnormal Importations Act and afterwards in the Import Duties Act, would have no effect whatever upon the recovery of trade? That seemed to be an extraordinarily pessimistic view, and while it was perfectly true that they could not expect to get the full benefit from the new tariff duty until there was sufficient recovery in world trade for them to see that they got the share to which he believed they would find themselves entitled, yet at the same time the reduction of costs which was bound to take place as a result of the reservation of so much larger a portion of home market trade to the home manufacturer must strengthen their export trade as well as increase the trade they did at home.

Movement of gold prices.

Referring to the argument of Sir Robert Horne respecting a rise in prices, the Chancellor of the Exchequer pointed out that they could not expect that by manipulation of sterling they could be certain of guiding the prices of commodities exactly as they wished, but that a larger aspect must be considered and, if possible, regulated, namely the movement of gold prices themselves. "Even if we cannot control gold prices," Mr. Chamberlain observed, "we may nevertheless help ourselves if we can exercise some control over sterling prices; and, of course, if we can help ourselves in that direction, we may also expect to help other countries which are linked to sterling, including some of our own Dominions."

The Government, he continued, did desire to see a rise in wholesale prices in the United Kingdom, and, although not to the same extent, a rise in retail prices. It was clear that, if industries by a rise in wholesale prices could once more make profits, then they were getting back to the condition when confidence would be restored, when business would be ready to take advantage of cheap and abundant money, and when they might expect to see their businesses expand and employment once more increase. He did not see any reason why, in the absence of any serious disturbances in other countries with which they had close commercial relations, there should not be for some time to come a continuance of the present situation in which money was both cheap and plentiful. That being so he did not take a pessimistic view of the future.

The division on the Second Reading was taken on 10th May, when the Labour Amendment was negatived by 465 votes against 47. At subsequent sittings the Bill was passed through its other stages.

WAR LOAN CONVERSION.

(Government scheme announced; Statement by Chancellor of the Exchequer; £2,000,000,000 of 5 per cent. loan to be converted; Interest reduced from 5 to 3½ per cent.; Saving to the Exchequer.)

On 30th June, in the House of Commons, the Chancellor of the Exchequer announced the Government's plans for the conversion of the War Loan.

IN THE HOUSE OF COMMONS.

The Chancellor of the Exchequer (Rt. Hon. Neville Chamberlain) said that talk of conversion had been in the air for a long time, and naturally so, for it had been growing increasingly obvious that the War Loan at 5 per cent. was out of relation to the yield of other Government securities, and, moreover, that the maintenance of that old War-time rate attaching to so vast a body of stock and hanging like a cloud over the capital market was a source of depression and a hindrance to the expansion of trade.

Economy was an urgent matter, and this scheme, effecting so great a reduction in their interest charges, was an essential element in any economy proposals. He anticipated that from a general reduction in the rate of interest charges great benefits should flow to industry, which would be enabled more easily to obtain such capital as it needed and to secure that capital on better terms. There was a great concensus of opinion that the continued existence of a vast body of British Government stock yielding a 5 per cent. return was an artificial obstacle to a fall in interest rates to a lower level at which they would otherwise naturally stand.

They were in the fortunate position that the relative merits of British Government securities, by comparison with all other investments, British and foreign, had never been more amply recognised by the world at large than at that moment.

Freedom recovered in monetary matters.

"The final and the strongest argument for immediate action," Mr. Chamberlain continued, "is to be found in the spirit of the country. After a long period of depression we have recovered our freedom in monetary matters. We have balanced our Budget in the face of the most formidable difficulties, and we have shown the strongest resistance of any country to the general troubles affecting world trade. I am convinced that the country is in the mood for great enterprises, and is both able and determined to carry them through to a successful conclusion."

Turning to details of the scheme, the Chancellor of the Exchequer explained that the Government intended to repay the War Loan in cash on 1st December next to those holders who decided to apply for repayment within three months of the present date, but holders of the Loan were invited to continue in the Loan on altered conditions. It was his confident hope that the great mass of the holders would respond to the invitation. Stating the principal changes in the terms of the continued Loan, Mr. Chamberlain said the dividend of 1st December next must be paid at the rate of 5 per cent. per annum, the rate payable under the original prospectus, until the notice to repay became effective.

3½ per cent. per annum.

Thereafter, beginning with the dividend payable on 1st June, 1933, the rate of interest would be 3½ per cent. per annum. Up to 1st December, 1952, five years later than the latest date for repayment of the Loan under the original prospectus, the Government would forego all right to redeem the Loan. After that date the Government reserved to themselves the right to repay the Loan at any time, either in a single operation or by instalments. The existing arrangements under which the interest was paid without deduction of income tax at the source—a special privilege which had proved itself a great convenience to an enormous number of small holders—would continue unchanged.

"I am bound," Mr. Chamberlain continued, "by the terms of the prospectus of the 5 per cent. War Loan to give at least three months' notice to redeem, but in an operation of this immense magnitude it is very desirable that we should know as quickly as possible where we stand, and that we should have ample time to concert such remaining measures as may be necessary. For this reason, but also because we recognise that the inevitable reduction in the rate of interest may, when it first comes, be seriously felt in a number of cases, we offer a cash bonus at the rate of £1 for every £100 of stock to all those holders who, not later than 31st July, assent to the offer to continue in the Loan. This cash bonus, which in the case of the ordinary investor will not be liable to income tax, will be paid to each holder within 14 days from the date of receipt of his effective assent.

Net saving of £23,000,000 a year.

"The House will desire to know what saving would be effected by this scheme. The saving in interest charge at which we aim by this conversion scheme is in the region of £30,000,000 per annum. In the nature of things none of the saving can be realised in this financial year, the current expenditure of which will be unaffected by this operation. But the whole of the saving will be realised in the year 1933. It must, however, be remembered that the reduction of interest carries with it a reduction in the yield of income tax and surtax and, taking this into account, the net budgetary saving may be put at about £23,000,000 per annum."

There were, Mr. Chamberlain stated, nearly 3,000,000 people who held War Loan. He was sure that anyone who might be contemplating the issue of new capital in the market in the early future would forbear from coming forward for a few weeks while this great operation was proceeding, and that the authorities in the City of London would co-operate in the necessary object. The sale of Savings Certificates would be temporarily suspended as from that evening, but, as they had, of course, no intention of abandoning that valuable method of borrowing, a new Certificate would be placed on sale after a short interval. For the response to the conversion scheme they must trust, and he was certain that they would not trust in vain, to the good sense and partiotism of the 3,000,000 holders to whom they would appeal.

Rt. Hon. G. Lansbury (Leader of the Opposition) said the Labour Party welcomed the statement most heartily. They were delighted that at long last an effort was to be made to put this enormous debt on a better footing. They all agreed that the step the Chancellor of the Exchequer was taking was the best form of economy.

Brief congratulatory speeches were also made by **Rt. Hon. Sir Austen Chamberlain (Unionist,** *Birmingham, W.*) and **Sir Godfrey Collins (Liberal National,** *Greenock*).

IRISH FREE STATE.

(Relations with the United Kingdom; Demands of Mr. De Valera's Government; The Oath of Allegiance: Total Abolition Intended; Payment of Land Annuities withheld; Question of arbitration on financial issues; Meaning of the Statute of Westminster; Unity of Ireland: No coercion of Ulster.)

On 11th April, in the House of Commons, **Capt. P. Macdonald (Unionist,** *Isle of Wight*) asked the Secretary for the Dominions the nature of the reply sent to the Irish Free State Government on the questions of Land Purchase Annuities and other Treaty obligations.*

The Secretary of State for Dominion Affairs (Rt. Hon. J. H. Thomas) said that the British Government had re-affirmed in unmistakable language that they stood absolutely by the Treaty settlement.

On 15th April, in reply to a question regarding the position of Northern Ireland,

The Secretary of State for Dominion Affairs explained that Lord Craigavon had been to see the Home Secretary and himself on the subject of the precise meaning of a paragraph in a despatch of 9th April to Mr. De Valera.

"We informed him," Mr. Thomas said, "that we were surprised that any misunderstanding should have arisen in regard to the reference in that paragraph to the effect of Mr. De Valera's proposals upon the possibility of the establishment, at some future time, of a united Ireland, and we assured him that His Majesty's Government in the United Kingdom had not, of course, contemplated that any such development could take place except with the full consent of Northern Ireland."

Amount of Land Annuities.

On 21st April, answering a question respecting the Land Annuities,

The Financial Secretary to the Treasury (Maj. the Rt. Hon. Walter Elliot) said :—

"The amounts of the Land Purchase Annuities collected by His Majesty's Government in the Irish Free State and paid to the National Debt Commissioners each year from 1st April, 1922, have been as follows :—

Year beginning 1st April :—	£
1922	2,627,969
1923	2,900,723
1924	2,954,481

* *Vide* JOURNAL, Vol. XIII., No. 2, pp. 377-379.

	£
1925	2,986,075
1926	2,997,710
1927	3,002,226
1928	3,002,070
1929	2,995,072
1930	2,987,443
1931	2,976,590

"These payments represent the full amounts due."

DEBATE IN HOUSE OF COMMONS.

On 17th June, in the House of Commons, the Dominions Office Vote was considered in Committee of Supply, and the question of the issues between the United Kingdom and the Irish Free State Governments was debated.

The Secretary of State for Dominion Affairs, in an opening statement, said that the attitude of the British Government had been, and was still, that of a genuine desire to help the Irish Free State. The present position arose directly out of the Treaty of 1921, which was not only solemnly made, but made at great political risk on both sides. While everyone assumed that there would be differences of interpretation and that changes could be made in the Treaty, no one assumed for a moment that any change could be made without agreement on both sides. When a change of Government took place in Ireland they had no right to expect an assumption on the part of Mr. De Valera's Government that Treaties and Agreements would be torn up by one side with impunity.

Shortly Mr. De Valera's statement was this: "We intend, and are taking the necessary steps, to abolish the Oath, and our grounds are, shortly, that in our judgment it is not mandatory in the Treaty." Later he gave reasons why the Free State Government intended to withhold the Land Annuities. During the whole of the ten years he was in office, Mr. Cosgrave found himself in conflict on points of interpretation on many issues. Always, when there was a difference, he simply said: "Let us discuss it," and they did. Mr. De Valera in his first intimation, and in every intimation since, had coldly said: "This is my business and, without consultation of any sort or kind, I propose to take this action."

A significant change.

On behalf of the British Government, Mr. Thomas stated, he replied courteously but firmly intimating that it was a position they could not accept. Then Mr. De Valera replied, and those who had read the White Paper* would have observed a very significant change of attitude with regard to the Oath. The first ground set out for abolishing it was that it was not mandatory in the Treaty. Mr. De Valera's next despatch, following the British Government's reply showing that it was mandatory, said: "Never mind whether it is mandatory or not. That is not the issue now. It is purely a matter of domestic concern." Mr. De Valera's attitude was: "I am going to abolish the Oath; I am going to withhold the Annuities; and I am doing it regardless of anything you may say or do." That made the position an intolerable one.

It was no question of status, and no question where lawyers might quibble over legal points. It was a short, simple issue of an Agreement made between two parties, with one party boldly declaring to the other that they had an absolute right to repudiate the Agreement. It was accepted by the British Government in that spirit. They said: "We meant, and we mean to-day, that, if that is the attitude, we will not enter into any agreement with a Government which treat their obligations in this way." It meant, and was clearly intended to mean, that, while the British Government would not attempt to influence the Dominions in any way or bring them into the conflict, they left them and the world in no doubt as to where they stood.

The British Government sent quite recently £60,000 to the Irish Free State which was due under the Agreement, because they were not going to have it said, when dealing with a Dominion Agreement, that there could be any default on their side.

Dublin conversations.

Continuing, Mr. Thomas referred to a visit paid to Dublin by Lord Hailsham and himself to discuss with Mr. De Valera the difficulties between the two countries in relation to the negotiations in connection with the Ottawa Conference. Mr. De Valera's intimation to them in Dublin, he said, could be briefly summarised under two heads. His views as to the only basis of lasting peace and goodwill in Ireland—what he called his ultimate aim—were :—

> First, the union with the Irish Free State of the six counties now forming Northern Ireland.
>
> Secondly, after that was accomplished, with a united Ireland, the recognition of Ireland as a Republic with, he pointed out, some form of association with the British Commonwealth in some circumstances and for some reasons, and the recognition of the King as the head of the association.

Mr. De Valera quite frankly and fairly stated that he did not think he had in the last Election a mandate to give effect

* Papers relating to the Parliamentary Oath of Allegiance in the Irish Free State and the Land Purchase Annuities. (Cmd. 4056.)

to that, but it did not prevent him from making it quite clear that he assumed he would ultimately get that mandate.

Describing Mr. De Valera's subsequent visit to London and discussion with British Ministers in Downing Street, Mr. Thomas said he remarked to Mr. De Valera that there ought to be some Empire tribunal—that, indeed, was visualised and agreed to at the last Imperial Conference—able to adjust the difference respecting the Annuities. Mr. De Valera said: "No. The dice would be always loaded against Ireland."

Mr. De Valera's three points.

British Ministers were faced after the negotiations with a definite intimation on three points:—

(1) The absolute refusal to withdraw the abolition of the Oath.

(2) A clear determination to refuse an Empire tribunal to consider and arbitrate on the question of Annuities.

(3) An intimation that in Mr. De Valera's mind the Annuities were only the first instalment of further moneys to be withheld that the British Government felt were due to them.

That morning he had received a further despatch from Mr. De Valera dealing with the proposal for arbitration.* This despatch did not depart by one iota from Mr. De Valera's original position, and it left the situation worse than it was before. The British Government wished well to the Irish people and had given evidence of it by tariff Preferences which benefited the Irish Free State probably more than any other people. But whatever be the consequence they would not countenance for a moment the breaking of agreements, nor would they—and neither did they believe would any other Government that could be elected in the United Kingdom—ever attempt to force Ulster against her will.

Irish unity.

If there was to be a unity of the Irish people, Ulster and the Irish Free State must come together by their own mutual consent and agreement. The unity of Ireland was never likely to be brought about, however desirable, by the Irish Free State Government adopting its present attitude.

As to the existing Preferences, the British Government's position was quite clear. They made an Agreement; they observed the Agreement; they were anxious to maintain that Agreement. It was broken by the other side, and therefore they would not attempt to make a new Agreement while

* The despatch is quoted in the section of the JOURNAL dealing with Parliamentary proceedings in the Irish Free State.

that position was maintained by the Irish Free State. British Preferences could not operate after 15th November unless new agreements were made.

Free State and the Commonwealth.

Behind all this was the wider issue of what part was the Irish Free State to play in the future in the British Commonwealth of Nations. They were either part of the Commonwealth, accepting its responsibilities and duties, or they were not.

"The British Commonwealth of Nations," Mr. Thomas added, "is wide enough, broad enough, yes, and tolerant enough to give free scope and real hope for true democracy, and it is the choice of this association that the Irish people must ultimately make. May I not ask Mr. De Valera, who is new to the responsibilities of Government, who has not yet had the advantage of contact with all the other Members of the British Commonwealth, and who is unable at the moment, because of that lack of contact, to appreciate fully all that the British Commonwealth stands for—may I not beg him and his Government to hesitate a long time before committing the Free State to a policy which involves such grave consequences, before they have had the chance to find out for themselves the advantages that real liberty in the British Commonwealth really means?"

Sir Stafford Cripps (**Labour**, *Bristol, E.*) said that the clear threat to withdraw any Preference to Ireland was one which was not likely to facilitate negotiations on the Irish question. He did not think anyone in the House of Commons desired to minimise either the importance or the solemnity of agreements which might be come to between different parts of the British Empire.

Force of public opinion.

On the other hand, it was no good Members of the House of Commons fulminating against public opinion in the Irish Free State or in any other Dominion. If it was public opinion that House, like everybody else, had to accept it. It was not fair to suggest that the first time that Ireland had done anything as regarded the Treaty was since Mr. De Valera came into power. It was a common cause of complaint that the Irish Government had nullified the provision, which was said to be implicit within the Treaty, as regarded appeal to the Privy Council. Ever since 1921 there had not been a static position, either in the Irish Free State, or in the British Empire.

It was not accurate to take up the attitude that everything was static to the moment when Mr. De Valera came in and then, suddenly there was an explosion, when it became dynamic. It was of the utmost importance in argument to recollect that the whole foundation of the British Commonwealth of Nations was free association. The abolition of the Oath was largely a sentimental difficulty: the payment of Land Annuities was chiefly a financial difficulty.

There could be no doubt that, so far as the legal position was concerned, the Irish Free State had had an absolute right since the Statute of Westminster to abolish the Oath in the Irish Parliament. The abolition of the Parliamentary Oath was not a question of any great importance as regarded the association of the different nations of the British Commonwealth.

Statute of Westminster.

Referring to Canada, Sir S. Cripps said, under Section 7 of the Statute of Westminster, the Constitution Acts of Canada, the British North America Acts, were expressly excluded from any right of interference or alteration by the Canadian Government. That was to say, they could only be altered by the Imperial Parliament. Section 8 made a similar provision as regarded the Constitution Acts of the Commonwealth of Australia and New Zealand. There was, however, no such statement in the Statute of Westminster as regarded the Irish Free State. As to Canada, he thought that almost undoubtedly the constitutional position was that if both Houses in Canada passed a Resolution asking the House of Commons to abolish the Oath of the Canadian Parliament the House of Commons would constitutionally be bound to pass such an Act. As regarded the Annuities, it was quite obvious that if once the other questions were cleared out of the way that could be dealt with by arbitration.

Rt. Hon. D. Lloyd George (Independent Liberal, *Carnarvon Boroughs*), speaking as one who led the British delegation which negotiated the Irish Treaty, said he had absolutely no doubt that in substance there was an attempt to commit a breach of faith. Mr. Lloyd George recalled the correspondence that took place between the Government of which he was the head and Mr. De Valera before they had their first conference. Mr. De Valera's demand at that time was that Ireland should be a sovereign State, and should have the same relation to Britain and the Empire as Belgium and Holland had to the German Empire and Portugal to Spain. Mr. De Valera had not changed one iota from that position. The correspondence with the present Dominions Secretary, which had taken place after 10 years' experience, showed that he was putting forward the same demands exactly.

Not a trumpery discussion.

They should not be under any delusion that this was merely a trumpery and trivial discussion as to the form of an Oath, or as to their method of declaring allegiance to the British Empire. It was a clear demand from which Mr. De Valera had never swerved for one day. In respect of it the British Government had acted judiciously and with circumspection.

"I am all for having the good-will of Ireland," Mr. Lloyd George remarked. "That is why we signed that Treaty. . . As far as three-fourths of Ireland is concerned, we have made concessions of a much more liberal character than any that were claimed by Grattan, O'Connell, or Parnell. With regard to the other fourth, we did what the majority of the population of that corner of Ireland asked for—that is to say, we gave liberty to them. I am all for a united Ireland, but this is not the road to reach it. On the contrary, if this policy prevails, I do not believe that there is the slightest hope of getting anything like unity in Ireland."

Could Mr. De Valera point out one particular in which the British Government had infringed the Treaty, or in respect of which they had interfered with Ireland, Mr. Lloyd George asked. The Irish Free State had carried their own legislation for their own domestic concerns; they had passed a tariff against Great Britain, and there never was the slightest protest.

Libel on Irish integrity.

When they came to the Annuities it was very difficult to find language to characterise that transaction. Mr. De Valera said: "We are not going to pay. I am going to collect the money, but I will not pay these holders [of Irish land stock] it may be in Britain, it may be in Ireland, it may be in America." He knew that Great Britain would not break faith and would pay. "I do not believe," Mr. Lloyd George said, "that the Irish people will subscribe to this libel upon their fundamental integrity. . . I hope, whatever the difficulties, they [the British Government] are not going to allow themselves to be nagged into consenting to a breach of faith, or the initiation of a policy in Ireland which will be a source of danger, both to this country and to Ireland."

Sir Reginald Mitchell Banks (Unionist, *Swindon*) remarked that what they did in that matter would have percussions and effects all over the world. A friend of his who had studied with great care and experience the course of events in India said to him a few days ago: "The concessions you give to Ireland to-day may well be demanded by India to-morrow." With respect to the Annuities, he supported the suggestion of the Dominions Secretary that the dispute should be submitted to the arbitrament of an Imperial tribunal, where the full facts could be argued, and where he had no doubt the justice of the British case would prevail. "But it is essential, surely," Sir Reginald observed, "that since this is a matter which concerns the Empire, if there is to be a trial at all it should be a trial by a jury of our peers, and any alternative tribunal is merely a subterfuge for refusing arbitration."

The Oath and the Commonwealth.

The question of the Oath was no case for a tribunal at all, and it was not to be compromised with in any circumstances whatever. It was fundamental to the continued existence of the great British Commonwealth of Nations. They had heard a good deal about the Statute of Westminster. The preamble of that Act showed that allegiance to the Crown was an indispensable preliminary to family life in the Commonwealth. Those who by sophistry or otherwise endeavoured to repudiate it were apostates.

Mr. J. Devlin (Irish Nationalist, *Fermanagh and Tyrone*) thought there was a good deal of hypocrisy in the discussion. They had declared through the Statute of Westminster that each part of the Commonwealth of Nations should have perfect freedom to do what it liked, and in the Free State they were merely attempting to do now what the Statute allowed them to do. If Canada did that, or New Zealand or South Africa, or even if they in Great Britain declared that they would not take the Oath, then the Oath would not be taken. It would be far better to say, as they ought to say, that they had given the Free State freedom to do what they liked, and that if the Free State were no part of the Commonwealth of Nations, it would be better for them to go out.

Northern Ireland and the National Debt.

With regard to the Annuities, he would have taken up a different attitude from that adopted by Mr. De Valera. He would have said: "You came to a bargain by which Northern Ireland was to pay £7,000,000 a year, and you have forgiven Northern Ireland. Therefore, we are entitled to ask that you will not ask us to pay the £3,000,000 or £3,500,000 which constitute the Annuities from Southern Ireland." That would have settled the matter without any arbitration at all. The only genuine solution of the Irish question was a Government for all Ireland and for all the people of Ireland. He wanted a United Ireland, because he believed that a United Ireland could have avoided all those things that they were discussing that day and many of the evils that were past.

Rt. Hon. G. Lansbury (Leader of the Opposition) said it seemed to him that someone on the Government side ought to answer the questions which had been put as to the powers of a Dominion, not necessarily the Irish Free State, but South Africa or Australia, under the Statute of Westminster. During the debate on the Statute of Westminster, speaking on 20th November, 1931, Mr. Churchill said:—

"I am advised on high technical authority that this Bill confers upon the Irish Free State full legal power to abolish the Irish Treaty at any time when the Irish Legislature may think fit."

Mr. De Valera rested his whole case on the right of Ireland to decide these matters for herself. She claimed the right to do so as a member of the British Commonwealth of Nations, or not a member.

What Mr. De Valera said.

The Secretary of State for Dominion Affairs: "I will answer that at once. Whatever may be the legal position under the Statute of Westminster, the late Government . . had to deal with precisely this same point at the Imperial Conference and our attitude then was the same as it is now. We said: 'Do not let us have legal quibbles; this is a moral binding obligation.' I may inform the right hon. Member that I put this specific question to Mr. De Valera: 'Is it the form of the Oath that is objectionable? Are there any words in the Oath to which you take exception, or is it entire and absolute abolition which you claim?' He said: 'No words, no form of Oath, but entire abolition.' That point was perfectly clear, and the real answer was that, whatever might be the legal obligation, no one could destroy the moral obligation of a binding Agreement."

Mr. Lansbury continuing, said that on the morrow, if it pleased, the House of Commons could change the form of the Oath, or abolish the Oath. If that House could do it, so could the Irish Free State. They were begging the question altogether when they said that the question of the Oath of necessity broke up the connection of Ireland with the rest of the Dominions. The Labour Party were very strongly in favour of the whole matter being referred to an impartial tribunal—a tribunal satisfactory both to Great Britain and the Irish Free State. The Government would make a great blunder, as regarded the question of the Annuities and the other questions connected with finance which Mr. De Valera had raised, if they did not accept the offer to refer them to arbitration.

A matter of good faith.

Rt. Hon. Winston Churchill (Unionist *Epping*) said he regretted that the Government did not accept an Amendment to the Statute of Westminster, which sought no more than to impose upon the Irish Free State the same inhibitions which Canada, Australia and New Zealand had imposed upon themselves.

He believed the fact that the power of the Government was used to vote down that proposal greatly prejudiced the chances of Mr. Cosgrave in the Election, because Mr. De Valera was able to hold the people who were rather timid, but wanted to support him, by the fact that he had a legal method of achieving his ends. The Government had very wisely, in view of the terms of the Statute of Westminster, broken away entirely from those legal aspects of the question. They were arguing it entirely as a matter of good faith.

They were perfectly entitled to judge what should be their attitude towards Powers or States, whether inside or outside the British Empire, which rendered nugatory all treaties or agreements which were transacted with them. The whole question of Imperial and national safety was involved the moment they accepted or tolerated Mr. De Valera's demand for an independent Republic, with the right to negotiate arrangements for aerodromes or naval bases in any part of Ireland, and the right to deny their ports or their coasts to Great Britain even in time of war.

After further debate, progress was reported.

MALTA CONSTITUTION BILL.

(Appointment of Judges; Administration of the Police; Constitution of a Trade Union Council; Validity of Letters Patent; etc.)

The Malta Constitution Bill, which was introduced in the House of Lords, has been passed by that House, and at the time the JOURNAL went to press was awaiting consideration in the House of Commons. The debates in the two Chambers will be summarised in the next number of the JOURNAL.

The Bill provides that the Malta Legislature shall not have power to pass laws with respect to the appointment (including qualification), remuneration, tenure of office or removal of Judges of the superior Courts of Malta.

It declares that, without prejudice to the power of the Crown to amend the provisions of the principal Letters Patent (as subsequently amended) in relation to reserved matters, it will be lawful for the Crown from time to time to amend these Letters Patent by further Letters Patent so as to provide that the Malta Legislature shall not have power to pass laws with respect to the establishment, discipline, control and administration of the police, or with respect to any particular reserved matter.

APPOINTMENT OF JUDGES.

Judges of the superior Courts are to be appointed after the passing of the present Bill by the Governor in the name of and on behalf of the Crown. Practise at the Bar or service as a magistrate in Malta for not less than twelve years is a necessary qualification for appointment.

The remuneration of a Judge is to be determined by the Governor, but the Bill contains a proviso that the annual remuneration of all the Judges is not to exceed in the aggregate the amount required by the principal Letters Patent to be paid on that account out of the Consolidated Revenue Fund of Malta.

A Judge is to vacate his office on attaining the age of 65 years, and may be removed by the Governor on the ground of proved misbehaviour or incapacity.

CONSTITUTION OF A TRADE UNION COUNCIL.

Provision is made for the constitution of a Trade Union Council under the following conditions :—

> Members of the Council are to be elected, in accordance with the law for the time being in force in Malta, by registered trade unions.
>
> The qualification for election is that a person must be a member of a registered trade union, or a member of any other class of persons entitled to be represented by special members of the Malta Senate.

The principal Letters Patent provide that a person shall be disqualified to be registered as a voter if he has been sentenced by any competent Court for any crime mentioned in Section 30 of the Letters Patent. The Bill proposed that there shall be no such disqualification after the expiration of the sentence.

The following Letters Patent, Order-in-Council, Acts of the Malta Legislature and Ordinances of the Governor of Malta are declared by the Bill to be valid :—

Letters Patent.

The Malta Constitution (Amendment) Letters Patent, 1928.
The Malta Constitution (Amendment) Letters Patent, 1930.
The Malta Constitution (Amendment) Letters Patent, 1932.
The Malta Constitution (Amendment No. 2) Letters Patent, 1932.

Order-in-Council.

The Malta (Temporary Government) Order-in-Council, 1930.

Acts of the Legislature of Malta.

Acts Nos. I. to XXIX. of 1929.
Acts Nos. I. to VII. of 1930.

Ordinances of the Governor of Malta.

Ordinances Nos. 1 to 15 of 1930.
Ordinances Nos. 1 to 30 of 1931.
Ordinances Nos. 1 to 17 of 1932.

DANUBIAN STATES.

(Problem of economic restoration; Four-Power Conference in London; Considered statements to be exchanged.)

On 11th April, in the House of Commons,

Capt. P. Macdonald (Unionist, *Isle of Wight*) asked if a statement could be made on British policy in regard to the Four-Power Conference in London on the Danubian States problem ?

The Under-Secretary of State for Foreign Affairs (Mr. R. A. Eden) referred to the final communiqué issued by the Conference in which the participating Governments* agreed to address to each other as soon as possible considered statements of their views on the points reserved and on the best mode of further advance. Pending that exchange of views he would prefer to make no statement on the subject.

Maj. H. L. Nathan (Liberal, *Bethnal Green, N.E.*) inquired whether, before the Government undertook any commitments in the matter, there would be an opportunity of discussing the question in the House ?

The Under-Secretary of State for Foreign Affairs : " There is no question of commitments at this stage."

UNEMPLOYMENT INSURANCE.

(Extension of period of transitional payments; Exchequer to meet £20,000,000 cost; New legislation promised.)

On 14th April the Royal Assent was given to the Transitional Payments Prolongation (Unemployed Persons) Act.

The Act extends until 30th June, 1933, the power to make transitional payments to persons who have not paid thirty contributions in the past two years as insured persons under the Unemployment Insurance Acts.

It also provides that the cost of this extension is to be met by the Exchequer.

DEBATE IN HOUSE OF COMMONS.

On 5th April, in the House of Commons, the Money Resolution on which the Bill was founded was considered in Committee.

* The Governments of Great Britain, France, Italy and Germany.

The Minister of Labour (Rt. Hon. Sir Henry Betterton) said that before 30th June, 1933, there must be new legislation dealing with the whole question of unemployment insurance. The cost of extending the period of transitional benefit was estimated at about £20,000,000, and this would be reimbursed to the Unemployment Fund by the Exchequer. Figures published showed that there had been a reduction in the numbers unemployed of 134,000 compared with a month ago. That was the first time for over two years that the figures had been less than they were the year before. He thought the figures justified the hope that when world conditions improved and economic chaos was replaced by ordered progress they would then be among the first nations of the world to take advantage of the improvement.

With the assistance of the Royal Commission which was set up by the Labour Government and was still sitting, the Government hoped to place the system of unemployment insurance next year on a permanent footing, thus avoiding the necessity for recurrent Bills of a temporary nature.

Labour Party's views.

Mr. J. J. Lawson (Labour, *Chester-le-Street*) remarked that the Government had had the benefit of the abolition of the gold standard, which had given Great Britain an extraordinary position in the markets of the world. Yet the unemployment position was as bad as it was six months ago, because the figure was now something like 2,600,000. When the Government went into office the highest figure, in September, 1931, was 2,811,000, but the Minister of Labour admitted that allowance must be made for those who had lost their unemployment benefit under the Anomalies Act. He admitted that there were at least 145,000 people who did not register, so that, on his own showing, that number must be added in order to get a proper parallel with the figure that had been issued that day.

What was really taking place was that unemployment, in fact, was not decreasing, but that the Government were pushing great numbers of people back upon the Poor Law. Since the end of September, 1931, the numbers receiving outdoor relief had gone up from 456,000 to 584,000, or from 335 per 10,000 to 414. The logic of that was that unemployment was only improving in appearance.

The Minister of Labour : " The numbers of those actually in employment have gone up 146,000 in the last month and are 166,000 more than at this time last year."

Mr. Lawson, continuing, said the Minister of Labour did not deny that nearly 150,000 people had been pushed back by the Government on to the Poor Law and that the local authorities were now beginning to kick very hard. The "means test" was inflicting upon great masses of people the most disgraceful pains and penalties, amounting almost to poverty of the worst kind.

Strain on public expenditure.

Capt. H. M. Macmillan (**Unionist**, *Stockton-on-Tees*) observed that the maintenance of the unemployed was to be carried through on economical lines in future, not because any Member of the House thought that 15s. 3d. was a sufficient sum for a man to live upon, but because too great a strain upon public expenditure might make the country unable to pay him any sum at all.

The only real justification of insurance economies was an assurance that the moneys which could be saved by that means would be applied to one single objective—the recovery of industry and the return to normal employment. Henceforward the Government, and not the local authority, were to bear the financial responsibility for maintaining those men who had exhausted their right to standard benefit. That was a great landmark in the history of their social services. It was the official recognition of the principle of work or maintenance.

Rt. Hon. G. Lansbury (**Leader of the Opposition**) said that whenever the question of the "means test" had come up in the House in a straightforward manner the Labour Party had voted against it. He had never held the view that it was the business of the children in a family to maintain the unemployed persons in that family, or that it was the duty of parents to maintain the able-bodied adults of the family who were thrown out of work through no fault of their own. The nation could better afford to maintain the unemployed than the family could do.

After further debate the Resolution was agreed to without a division. On 8th April the Bill was read a second time and was subsequently passed through its other stages.

Northern Ireland.

The following summary deals with some of the proceedings of the Fourth Session of the Third Parliament which met on 8th March, 1932, and on 7th June was adjourned to 30th September.

THE ADDRESS: GENERAL DISCUSSION.

(Governor's Speech: State of trade; Unemployment; Establishment of new industries; Rent restriction and housing; Duties on imported agricultural produce; Regulation of bacon imports; etc.)

Parliament was opened on 8th March, 1932, by the Governor (Duke of Abercorn). The following is a summary of His Excellency's Speech to both Houses:—

TRADE AND UNEMPLOYMENT.

The repercussion of the world economic crisis upon the major industries of the country which were dependent upon international commerce was viewed with concern. Nevertheless, the textile trade had benefited by the recent change in the fiscal system of the United Kingdom of Great Britain and Northern Ireland. He trusted that this improvement might be maintained and its sphere extended to other industries in the near future.

The Speech referred to the improved state of trade, apart from shipbuilding, that had been reflected in a substantial decrease in unemployment, the Registers of the Exchanges having recorded a fall of 13,657.

ESTABLISHMENT OF NEW INDUSTRIES.

The Speech also referred to the desirability of a wider diversity in industrial activities. Proposals would be laid before Parliament for the purpose of empowering the Government to grant free sites to firms desirous of establishing new undertakings.

RENT RESTRICTION AND HOUSING.

Reference was also made to proposals for Local Government Reform and to Bills dealing with the prolongation of the restrictions on rents of the smaller type of houses, etc., the continuance for a further two years of a modified principle of Government subsidy for working-class dwellings and enabling Local Authorities, as heretofore, to co-operate with the Government in the encouragement of the building of these houses.

DUTIES ON IMPORTED AGRICULTURAL PRODUCE; ETC.

The serious hardship experienced by the farming community through the severe fall in agricultural prices was recognised. A measure of protection was, however, being afforded to farmers through the imposition of Duties on imports of certain classes of agricultural commodities, including potatoes, oats, eggs, poultry and dairy produce. It was the policy of the Government to seize the opportunity afforded by these Duties to extend, by all practicable means, the market for their agricultural produce in Great Britain.

It had been announced that as soon as a scheme for the reorganisation of the bacon industry had been prepared, a measure for the quantitative regulation of imports of bacon into the United Kingdom would be introduced. The Government trusted that farmers would put themselves in a position to take advantage of the regulation of imports as soon as it was put into operation.

DEBATE IN HOUSE OF COMMONS.

Mr. J. Johnston (**Unionist**, *N. Armagh*), moving the Address-in-Reply, said he was glad to see that the Speech asked for strict economy in Government and local administration, and he trusted that the Government would be ruthless in economy where necessary. He thought the people of the Province, owing to the spirit they had shown in the recent crisis, should be helped and they called upon the Government to do so this year.

Mr. Johnston also referred to the great change in the fiscal policy of the country which had just taken place. It would, he said, profoundly affect all in Northern Ireland, and none more so than the farming community. For the first time in over 80 years the farmers' produce would get some protection and not be liable to the disastrous flood of foreign importation.

Mr. C. Healy (Nationalist, *S. Fermanagh*) said he represented an agricultural constituency, and his chief interest in the Speech was to find what was adumbrated for that important part of the community. Since the Government had come into power the area under crops had shown an almost tragic diminution and the cattle population had decreased. The Government, it was true, had introduced several Measures, dealing ostensibly with agriculture and tending to promote it, but the main Act recently passed was one dealing with the marketing of fruit* and, in so far as he was informed, so far from having improved the markets of the agriculturists mainly concerned with the production of fruit the Act had practically ruined the industry.

There was no reference in the Speech to the question of loans for farmers. In a leaflet published by the Government he found that the total loans outstanding to farmers amounted to £22,203. He supposed a sum of approximately £750,000 had been spent on building barracks for the Royal Ulster Constabulary. If the amount of outstanding loans to farmers was only £22,000 it did not indicate that the Government had been too lavish.

Import Duties: Imperial Act.

Referring to the recent Imports Duty Bill† in another place [Great Britain], Mr. Healy said that if the Government had been looking after the interests of the farmers they would not have allowed the taxation on maize; they would have advised the Imperial Government, as they did afterwards, when the Bill had almost become legislation they rushed a Delegation to Westminster. After the smoke had cleared away, he found that nothing at all had been gained; that they were precisely in the same position as the Free State farmers and that no change had taken place at all. The Prime Minister ought to have advised the Government on that occasion that the farmers of the Six Counties wanted a tariff on flax. Flax was admitted free, and the industry in Northern Ireland might die for all they cared. Potato-growing and oat-growing were great industries in Northern Ireland. The corresponding industry in Great Britain was wheat-growing. The Imperial Government had legislated for their own industry. If the full implication of that legislation had been placed before the Imperial Government by the Northern Government, the Imperial Government had completely thrown overboard the interests of the farmers of the Six Counties. There was a guaranteed price for wheat but there was not in Northern Ireland a wheat-growing area. They would be obliged to contribute in order to pay the subsidy to the British farmers, and that would result in putting a tax on the people of Northern Ireland of, he believed, not less than £200,000.

* *Vide* JOURNAL, Vol. XII., No. 3, p. 585.
† *Vide* JOURNAL, Vol. XIII., No. 2, p. 337.

He had been amazed to read that the Government, out of their slender resources, had actually lent more money to the Royal Mail Steam Packet Co. than the Imperial Government had lent. That indicated how little sympathy they had with the farmers and their overflowing sympathy with the industrialists of Belfast.

Government's assistance to farmers.

The Prime Minister (Rt. Hon. Viscount Craigavon) said he took the opportunity of saying that when Parliament met again it would be in the new Parliament House at Stormont.

Dealing with Mr. Healy's criticism regarding loans to the farming community, the Prime Minister said that no Government had been as generous to the farming community as they had. It had been the consistent policy of the Government since taking office to get the farming community out of debt and, if possible, to see that they would never get into debt again. Referring to what the Government had done, the Prime Minister said that with the assistance of the Exchequer on the other side land purchase had been practically completed; they had provided a sum of £900,000 a year in order to relieve the farmers of rates on agricultural land and farm buildings; and there was the £450,000 spent by the Government on social services which the farmers in the country generally enjoyed just as much as any local authorities. Over and above that, £150,000 had been availed of for special cases brought to the notice of the Ministry.

Referring to the Imperial Import Duties, the Prime Minister said that every possible human ingenuity had been exercised by the Government in order to prevent a tax upon such an important part of the farmer's life as maize. They had done all they could in regard to flax. When the gift of the new National Government to flax-spinners and the trade generally was announced, he had immediately got into communication with both sides of the flax industry. They had had a conference, and out of that conference a great deal of good was going to take place. He had every authority for saying that in the long run the promotion, extension and betterment of flax-growing were even better assured than they would have been by a mere 10 per cent. duty.

The Prime Minister said he hoped the matter of the guarantees the Government had given towards the shipbuilding industry would not be referred to just immediately. It was seriously engaging the shareholders and bondholders of various companies and groups of companies concerned, and it would be very sad if anything should be said in the House which might cause any embarrassment.

Concluding, the Prime Minister said he thought Ulster could congratulate herself on having weathered the storm perhaps better than any other country. "There is only this to be said: that so far as the Government can within their limited financial resources, both those engaged in commerce and trade as well as the farmers themselves can always look to the various Ministers on this bench to meet them, to discuss with them and to help them as far as possible. We have never denied any assistance the Government are able to render. That policy will be continued in full measure and I hope between us all we will be able to add still further to the prosperity of our country."

Mr. J. Devlin (Nationalist, *Central Belfast*) said ten years ago the Government should have introduced a Marketing Bill. It was, in his judgment, the one way in which the agricultural community could be saved. It was recorded in published statistics that for every £10 paid by the consumer of agricultural produce the farmers received only £3. Was that not a problem for a Government?

The Prime Minister pointed out that the Government had set up a Commission to deal with the matter, and it had reported.

Mr. Devlin: "Then why did we not legislate?"

The Prime Minister: "Because it was impossible to carry it out."

Mr. Devlin said he thought they should appoint a small Committee of Members of all Parties, an advisory body with the Prime Minister and the Minister of Agriculture and representatives of all sections of the House. He did not believe in Commissions.

Proceeding, Mr. Devlin said he did not believe that Protection would bring any advantage to Northern Ireland. The prosperity of the linen trade depended on foreign trade. Their chief consumers were America and other countries. All these tariff schemes were merely an international and world irritation, setting men at each other's throats.

On 9th March,

Mr. J. Beattie (Labour, *Pottinger, Belfast*) moved as an Amendment to the Address at the end to add the words:—

But profoundly regret that no mention is made of adequate proposals to deal with the ever-growing problem of poverty and unemployment now widespread in Northern Ireland.

He thought that in view of the misinterpretation of the Acts of Parliament [relating to Unemployment Insurance] that was prevalent, this Amendment should be accepted. The Government should bring in some Measure which would provide for the poverty and destitution which were rampant throughout the Six Counties and thereby save the assets of the nation—the people. He hoped they would embody in the Address something that would relieve poverty and destitution and remove the public assistance committees from the administration of Exchequer grants.

On 10th March, on a division, this Amendment was defeated by 24 votes against 7.

Encouragement of new industries.

On 10th March,

Sir Robert Lynn (Unionist, *N. Antrim*) said the question of free sites for new industries was important. He was sure there was no hon. Member in the House who was not anxious to see new industries brought into the Province; but he submitted there was a better way to induce new industries to come to Ulster than by giving free sites—that was, by making the conditions of developing and working capital in the Province profitable. One of the first ways was by having the lowest possible taxation—not only taxation levied by the Government, but also the rates levied by local authorities.

Import Duties Act.

The Import Duties Act left the farming community in a worse position than it was in before the Act was passed. Those producing and manufacturing linen were getting a 50 per cent. tax as a protection against the foreigner and the people who grew flax were offered by the National Government a 10 per cent. tariff. If it was fair that the manufacturer should get this protection, then the grower of flax in Northern Ireland ought also to get substantial protection. The wheat quota was not going to benefit Northern Ireland to the extent of one penny piece and was going to cost them at least £200,000 a year. What the farmer in Ireland wanted was protection for beef, mutton, pork, ham and bacon.

At the conclusion of the debate the Motion was agreed to.

THE BUDGET.

(Finance Minister's statement; Expenditure and Revenue for 1931-32; Estimates for 1932-33; Reserved Services: Speaker's ruling; Imperial Contribution; Ottawa Conference; etc.)

On 11th May, in the House of Commons, the Minister of Finance delivered his Annual Financial Statement.

The position at the end of the year 1931-32 and the Estimates for the year 1932-33 were stated to be as follows:—

1931-32.	
Revenue	£11,989,000
Expenditure	11,577,000
Surplus and Imperial Contribution	£412,000

Estimates: 1932-33.	
Revenue	£12,193,000
Expenditure	12,123,000
Surplus and Imperial Contribution	£70,000

DEBATE IN HOUSE OF COMMONS.

The Minister of Finance (Rt. Hon. H. MacD. Pollock) stated that the total Expenditure for 1931-32 had amounted to £11,577,000. With regard to Revenue, Transferred and Reserved Taxes amounted to £8,957,000, and Non-tax Revenue amounted to £3,032,000, bringing the total Revenue available from all sources last year to £11,989,000. This, deducted from the total Expenditure for the year, left them with a balance of £412,000 as the amount available for surplus and Imperial Contribution. Of that sum £11,000 was the balance remaining in their Exchequer at the 31st March last, £401,000 being held by the Imperial Treasury as the balance of Northern Ireland's residuary share. So that the balance last year of income over expenditure was £412,000.

Estimates for 1932-33.

Dealing with Supply Estimates for 1932-33, the Minister said that a certain amount of disappointment had been expressed at the fact that the total £8,937,000 was in excess of last year's total by some £108,000. To those who had expressed dissatisfaction at any increase, he would like to point out that in the current year their Supply Estimates made provision for meeting in full from Revenue the cost of Unemployment Insurance.

The Consolidated Fund charges were estimated at £1,058,000; and the total required for the Reserved Services was £1,766,000. That made a total expenditure of £11,761,000.

Dealing with Revenue Estimates, the Minister said that Transferred Taxes would produce £1,512,000; Reserved Taxes, £8,203,000; non-Tax Revenue, £1,870,000. To those must be added grants from the Imperial Government in respect of public buildings, £149,000; Unemployment Equalisation, £97,000; the self-balancing items of Local Loans Repayments, £75,000; and "new" Land Purchase Annuities, £287,000. The total income for 1932-33 was therefore estimated at £12,193,000.

The total charges against that amount consisted of their local expenditure, £11,761,000, to which must be added the self-balancing items of local loans and "new" land purchase annuities, to which he had referred, £362,000, giving as their total charge against income £12,123,000, leaving a balance available for surplus and Imperial Contribution of £70,000. He did not, however, regard that balance as sufficient, and he proposed, therefore, to ask his colleagues to join with him in taking steps to ensure, by special measures of economy, a saving of, at least, £50,000 on the Supply Estimates. It would not be easy to achieve, but the task should not prove impossible, granted the goodwill of the people and a recognition by all of the fact that in times such as the world was experiencing to-day measures of economy must be adopted, and services curtailed to an extent which, in times of normal prosperity, could not be regarded with favour.

By effecting this saving of £50,000 he would increase the balance available for Surplus and Imperial Contribution to £120,000, and although this amount would only make it possible for them to pay a contribution towards Imperial Services considerably less than he should like to be regarded as their normal responsibility, he felt some satisfaction that in times such as the present they were able to balance their accounts and to provide for even a small contribution without the adoption of revolutionary methods.

Disappointment might be felt in certain quarters that he had been unable to lessen the burden of taxation. He had had strong representations regarding the incidence of both the Entertainments Duty and Motor Taxation. The figures which he had presented to the House themselves provided the answer to these applications.

Referring to the Imperial Contribution, the Minister said that they had been able to pay approximately £25,000,000 to the Imperial Exchequer since they had taken over financial responsibilities in November, 1921. Furthermore, there were, in addition, several hidden sources of contribution to the Imperial Services, which did not appear in their accounts by reason of the financial limitations imposed by the Government of Ireland Act. He reckoned that these amounted to not far from £500,000 annually.

Mr. C. Healy (Nationalist, *S. Fermanagh*) said the Chancellor took some pride in the fact that so far he had contributed £25,000,000 by way of Imperial Contribution to Great Britain. That was a tremendous decline from the original sum provided for in the Government of Ireland Act of 1920. The Northern Ireland Government was established in 1921, and if the Imperial Contribution of £7,000,000 had been paid all those years instead of standing on its feet to-day the Government would have vanished.

Mr. Healy then referred to the Minister's remarks regarding alcoholic licence duties, and said that it seemed to him that they had approached a period when they were about to kill the goose that laid the golden egg that had carried the Government along all these years.

Reserved Services: Speaker's ruling.

The Speaker (Rt. Hon. H. G. H. Mulholland) pointed out that Liquor Duties came under the heading of Customs and Excise which were reserved to the Imperial Government.

Mr. Healy said he had not intended to go into the matter further than the Finance Minister had gone. He was aware that it was an Imperial Service, but it was one of the most prolific sources of income which the Northern Government had had since their establishment.

Mr. Healy then proceeded to refer to the Minister's statement that they had had, and were going to have, an increased revenue from the Post Office, and said it was due to the fact that there had been an increase for some years past in the rate of postal and telegraphic services.

The Speaker observed that it would not be competent for the House to discuss that question.

Mr. J. Devlin (Nationalist, *Belfast, Central*): "This is a nice Parliament when we cannot discuss the taxation of our country."

The Speaker said that the Minister had naturally to mention the figures, but he had not entered into the policy of the British Government in the management of the Post Office, and if Mr. Healy discussed postage and the cost of telegrams he was discussing the policy of the British Government and that was a Reserved matter.

Mr. Healy said he did not think it fair as far as the Opposition was concerned that Ministers were allowed to enter into great detail on certain questions of expenditure and income, and that Members on his side of the House as soon as they spoke on a particular item were told they must not discuss it.

The Speaker: "That is a most improper suggestion for the hon. Member to make. . . This is an instance where the right hon. Gentleman, in making his Budget statement, is bound to refer to the figures of the Reserved Services, but I would not allow him any more than I would allow the hon. Member for S. Fermanagh to enter into a question of the policy of the British Government in administering these Services."

In reply to a question, the Speaker said they could not discuss Reserved Services in that House, and therefore he had no alternative but to rule definitely that these Services could not be discussed.

Mr. Devlin: "Therefore I invite my colleagues to leave the House while this Budget is being discussed."

(*Mr. Devlin then withdrew from the House, followed by other Members of the Nationalist Party.*)

Mr. J. Johnston (Unionist, *N. Armagh*) said he believed that Government and the Government of Great Britain would be compelled to economise much more than they had done. No matter what Government were in power they would not next year get the money from the taxpayers the same as they did last year. The limit of taxation had been reached. Both Governments would have to economise in expenditure and salaries.

Death Duties.

Capt. J. L. C. Chichester-Clark (Unionist, *S. Londonderry*) said that Estate Duties, since becoming a Transferred Service, had been roughly £8,000,000. Had this levy not been put into operation their income revenue would have been approximately £500,000 a year more. In one instance, the Exchequer had taken in Death Duties £10,000, less the cost of collection. The cost of collection was so colossal—probably about 50 per cent. Probably the Chancellor got £5,000 out of the £10,000. The loss to the Exchequer was, first of all, the permanent loss of income-tax and surtax of £650 a year. The estate had to be broken up, with the result that 10 men were thrown out of employment or took jobs that caused other men to go on the Unemployment Fund, with the result at a very low estimate of £1,600, or a total loss to the Exchequer of £2,250.

From calculations he had made, he thought that every £1,000 collected in Death Duties meant one more man on the unemployment register, or it kept one man on who otherwise might come off. During the years preceding the War and a few years after, there was a chance for the thrifty and hard working to replace capital snatched by the operation of these taxes. Now there was no possibility for replacement and there would be no hope of any real saving for several years to come. In the meantime, if the depression went on, it was only an actuarial calculation to say that the country would be dispossessed both of capital and income in the course of five or six years. For that reason he would ask the Chancellor of the Exchequer when he came to make his Budget in future years to bear these points in mind.

De-rating commitments.

Mr. R. N. McNeill (Independent Unionist, *Queen's University*) said it seemed to him that there were certain commitments which were not justified—he referred in particular to de-rating. The total annual commitments of the House in respect of the de-rating that was taking the place of the agricultural grants (which in 1924 had been £267,000 per year) amounted to £1,100,000 approximately. De-rating was a system which could not continue without imperilling the financial position of the House. It was not fair to provide resources and a dole for those farmers who were well able to pay their own rates, and there was no distinction made between the small farmer and the farmer who had thousands of acres of profitable and well-tilled land.

Mr. McNeill also referred to the Sinking Fund, and said he should like the Minister to supply him with exact information as to the cash balance of that Fund.

In conclusion, Mr. McNeill said he had expected that they would be faced by increased taxation. He thought it a subject of congratulation to the community that taxation was not going to be increased. He also thought the Minister was to be heartily congratulated on having refrained from ravaging either the Rating Relief Suspense Account or the Road Fund.

Mr. R. Crawford (Unionist, *Mid. Antrim*) joined in congratulating the Minister on the fact that he was introducing no new taxes.

Referring to Capt. Chichester-Clark's remarks regarding Death Duties, Mr. Crawford said he thought the £500,000 he put down was a very large amount, and he must expect a great number of people to die. He (Mr. Crawford) appealed to the Minister to try to be a little easier if he could on those estates. Every £100 taken in Estate Duty had a tendency to reduce the working capital, both in business and estates, and make it more difficult for them to carry on. That brought down income tax, and the result was a vicious circle. He appealed to the Minister to try to have Death Duties reduced in future.

Imperial Contribution.

Mr. J. Beattie (Labour, *Pottinger, Belfast*) said that if the £25,000,000 Imperial Contribution had gone towards the relief of the working-classes of Northern Ireland they would have had at their command a better asset than their Imperial connection. That connection at the present moment was a wavering connection. The condition of affairs in the southern part of Ireland might make for a change of front in the Imperial connection. The £25,000,000 was nothing to the Contribution they were to have paid. They had not met their obligations to the extent originally laid down. But the Contribution would not be continued in the future because it was impossible. Conditions in Ireland were such geographically that they would have to make some arrangement, and the best and safest market at the moment for Northern Ireland was the Southern market. Because he stood for Ulster did not mean that he was not entitled to say what was for the good of Ireland. They had separated the Six Counties from the twenty-six. He was not condemning them for establishing the Parliament, but he was condemning them for the Border restrictions and for the handicap they were placing upon industry.

Death Duties; etc.

Lt.-Col. A. R. G. Gordon (Unionist, *E. Down*) said he had worked out the exact figures taken by Death Duties from capital in the Province from 1922 to date. In 1922 £171,000 had been taken, and for the last six years over £650,000 had been taken every year. The total from 1922 was £6,761,000. This was a drain on capital and the resources of industry and must ultimately have an effect upon employment and industry.

Col. Gordon said a point that came straight to the eye was that while their population was about 250,000, their Revenue was £11,761,000—it worked out at something like £9·5 per head. For England, according to the last figure given by Viscount Snowden when Chancellor of the Exchequer, the Revenue was £16 3s. per head of population. That showed that that country was not so wealthy and had not the same resources as England. They were spending on insurance and pensions £4,000,000 and on education £2,000,000. Under the heading of Ministry of Home Affairs, Constabulary, etc., after deducting what was given for de-rating and adding on certain items they had £7,000,000 for social services. The total, after deductions, was somewhere about £10,000,000, out of which they were spending £7,000,000 on social services. The limit of taxation had been reached, and to get back to their old position of work and thrift they must realise that sacrifices had to be made by all who lived in that country.

Mr. R. Elliott (Unionist, *South Tyrone*) said he hoped that when the Finance Minister came to present his Budget Statement in the new

Parliament House he would be able to tell them that he had not only reduced the expenditure by the £50,000 contemplated, but had been able to do it by about twice that amount. He felt there were many avenues of expenditure in Government Departments that might well be considerably reduced without impairing efficiency or doing any of the officials concerned much harm. He was glad that up to the present they had had presented to them every year a Budget which had balanced. He hoped that might long continue.

Ottawa Conference.

Referring to the selection of the Minister of Finance as their representative at the Ottawa Conference, he felt that the rights and privileges of Northern Ireland were quite safe in his keeping, and that when the Conference was over there would dawn for Northern Ireland a brighter day than had yet dawned for her.

The Minister of Finance, in the course of his reply, said Estate Duties were under their own control, but he was not going to join issue with the views expressed by Members in regard to the danger that had arisen to the capital of the country through the imposition of this method of taxation. They had it as a legacy, and could not rule it out as a very important part of the revenue of the country. When the Death Duties were introduced it was intended deliberately to create a greater distribution of wealth for the country, but it had had, he admitted, the misfortune of draining the capital of the country to a very enormous extent. However, they had them as a legacy, and they must go side by side with Great Britain in regard to a matter of that kind.

Replying to Mr. McNeill, the Minister said that the Sinking Fund for Land Annuities amounted to something about £1,100,000 and the Sinking Fund of the Ulster Savings Certificates amounted to £650,000.

At the conclusion of the Minister's speech, the question was put and agreed to.

CANADA.

The following summary deals with proceedings of the Third Session of the Seventeenth Parliament which began on 4th February, 1932, and was prorogued on 26th May, and is in continuation of the summary given in the last issue of the JOURNAL.

IMPERIAL ECONOMIC CONFERENCE.

(Expenses; Conference of 1930; Land settlement and Imperial resources; Migration; Tariffs and Preferences; Trade: apple and tobacco industries.)

On 10th May, the House of Commons, in Committee of Supply, discussed the Vote of $250,000 for expenses in connection with the Imperial Economic Conference.

DEBATE IN HOUSE OF COMMONS.

Expenses of the Conference.

The Prime Minister (Rt. Hon. R. B. Bennett) stated that it had been the custom of the British Government to defray the expenses of previous Conferences in their entirety. He believed that the Leader of the Opposition, as well as himself, took the view that it would be better if each country paid its own expenses, but the British Government was of the opinion that it should extend the hospitality and had done so. They and those from other parts of the Empire were now to be the guests of Canada.

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) recalled that in 1926 the Delegates from Canada had suggested to the British Government that they should be allowed to pay their own expenses, and this would be the best method to follow with respect to all future Conferences. The matter might be brought up again. It would be better in every way that Delegates from the different countries should enjoy the greater independence which came with meeting their own expenses.

The Prime Minister stated that this was the first Imperial Conference to be held in a Dominion. It was to be a Conference dealing wholly with economic matters, not with either political or constitutional issues, and it was meeting at a time of unparalleled world conditions. It was believed that a quarter of the world's population, meeting through its representatives in Ottawa, might be able to devise policies advantageous to every part of that population; and if they were advantageous they would be of very great assistance to the world in its effort for economic recovery. The two or three large questions that might be considered were trade, communications and currencies. Governments could not declare what the agenda was to be until all the representatives had been consulted, and they had not all declared what their intentions in that regard might be. After giving the names of the various Delegations, the Prime Minister said that the Canadian Delegates would be selected as from time to time might become advisable, as was the practice in England, where they appointed the leading Ministers and then called others to help if necessary. That was the correct practice.

Hon. E. Lapointe (Liberal, *Quebec E., Que.*) asked the Prime Minister whether he had in any way modified his views as expressed at the Conference of 1930, where he had used the following words:

"I offer to the Mother Country, and to all the other parts of the Empire, a preference in the Canadian market in exchange for a like preference in theirs, based upon the addition of a 10 per cent. increase in prevailing general tariffs, or upon tariffs yet to be created."

The Prime Minister replied that this was not intended to be a fixed percentage, but a basis for discussion.

Land settlement; Subsidiary conferences.

Mr. Mackenzie King said that the Prime Minister had conveyed the impression that this was not the postponed Conference of 1930.

The Prime Minister: "Neither is it."

Mr. Mackenzie King declared that his right hon. Friend had been very emphatic at the Conference of 1930 that he would like the Economic Conference to be postponed, to meet in Ottawa later on. In speaking on the Address in 1929 the Prime Minister did say that he thought they should have an Economic Conference in Canada, but what he stressed was not what he had mentioned as all-important for the purposes of this Conference, currency and trade, but he had then spoken more particularly of development and settlement. To-day he made no mention of those words. They still had vivid recollections of the elaborate scheme of settlement proposed by the present Senator McRae. He hoped that the Prime Minister would tell them whether this important question of settlement, which meant migration from different parts of the Empire to other parts, was to be one of the main subjects of consideration at the coming Conference, and what the policy of the Government would be. The Liberal Administration of the day did extend in 1929 invitations to Great Britain and other self-governing parts of the Empire for an Economic Conference to be held in Canada, if possible, in 1930. The kind of Economic Conference they had in view was one which related more particularly to trade, and had not as one of its specific subjects for consideration the question of settlement.

Continuing, Mr. Mackenzie King said, "I might say to my right hon. Friend that if he will speak with those who were at the Imperial Conference in 1926, he will discover that the point of view which I myself, as representing Canada, put forward with respect to Conferences was that Imperial Conferences dealing with political questions might be held from time to time in London, but I doubted the wisdom of too great frequency of Conferences of that kind and believed that subsidiary Conferences dealing with economic questions might with advantage be held from time to time in different parts of the Empire. For instance, there might have been a Conference on communications within the Empire, held, say, in Australia one year; a Conference with respect to some other economic phase might meet in another part of the Empire; a Conference, for example, for increasing the facilities and opportunities for trade within the Empire might be made the subject of a separate Conference, and that was the Conference we suggested in 1929 should be held in Ottawa."

Conference of 1930.

In 1930 the Imperial Conference was held in London, and so far as the economic side of it was concerned it was a tragedy or farce. It was postponed on the suggestion of the Prime Minister for about six months. When that time had expired it had again to be postponed, because the other parts of the Empire could not be represented. There was no gainsaying that the coming Conference was simply a postponed edition of the Conference of 1930. He did not wonder, however, that the Prime Minister wanted to get as far as possible from the Conference of 1930. If he would boldly throw over the proposals he had made at that Conference, they would all be glad to have the line of separation as marked as possible.

The Prime Minister explained that after the Election in Great Britain he had sent invitations by cable asking if it were possible to have a new Economic Conference convened at Ottawa. Whether or not it was to be regarded as an adjournment had not crossed his mind. What difference did it make? He had merely treated the Government as being an instrument to bring about a gathering of the representatives of the Empire for the purpose of discussing matters which he believed to be of the utmost importance not only to the Empire but to the peace of the world.

Imperial resources; Migration.

"In 1929," continued the Prime Minister, "I . . . ventured to call attention to the resources of this country and of other countries that comprise the British Empire—nickel, asbestos, timber, and the other great natural resources such as there are throughout every part of the world, in practically every zone, we have within the Empire. I developed the idea that if we had thought more of that and less of other countries we might have had greater stability of trade, and I mentioned the two headings under which it seemed to me we might fairly consider our position—settlement and development.

" The problem of settlement arose . . . because in certain parts of this great Empire there are areas in which you have congested population, while in others you have great open spaces in which you require population. I realise that the economic crisis through which the world is passing has made discussion of settlement a matter of extreme difficulty. When the right hon. Gentleman asks whether it will be discussed or not, I can only say that individuals have suggested that the matter of migration might readily be discussed; not that there is any likelihood of migration of people from one part of the Empire to the other at this moment, but that the whole subject might reasonably be discussed not in detail, but looking to the future rather than to the present, with improved conditions that must result if time is to bring about the changes which we believe it will.

" Under those circumstances doubtless the question of migration will be suggested for discussion. But it has not been placed upon any agenda or paper that has been circulated up to the moment beyond inquiries as to whether or not in the view of some, having regard to what has been suggested by others, the matter should be considered. Beyond that I cannot say. But any thoughtful man who looks into the future, who visualises fifty years hence and considers what the position is in Great Britain with its population, must realise the one fact that is outstanding in this country, that if we are to survive in the end we must have more population. Every thoughtful man knows that at the moment economic conditions make it our business to see to it that we do what we can to prevent unemployment or lack of opportunity for employment becoming more acute by reason of bringing additional people into this country. . . At the moment we have a crisis during which it is not desirable to add to our population. But you have great congested areas of the British Empire. The people there should, it seems to me, if one looks to the future half a century hence, find opportunity for development in other parts of that Empire that their ancestors, as well as those who now live within the immediate territory affected, won for them and for all who might come after. In those spheres of thinly settled communities there are opportunities for those who come from the congested areas to find and make for themselves homes."

The Economic Conference must consider the question of the development of the resources of the Empire. These resources were held in trust by the Crown for all the people within the Empire, not only the people of to-day but the people of to-morrow. The problem involved in the largest sense the trade of peoples, whether or not, for instance, the requirements with respect to nickel in one part of the Empire might be met by the resources of Canada, and the requirements of Canada with respect to other raw materials might be met by drawing upon the resources of some other part. Reciprocity in Empire products and trade would be very beneficial. If they could serve the interests of one part by reciprocally improving its conditions they were doing a very great service to the whole.

There were certain principles which endured, and they were accountable for the development of the estate, and the manner in which they had developed it and were developing it would be the measure of their sense of obligation and realisation of their own trusteeship. " If the Government," declared the Prime Minister, " in its endeavour to bring about such a meeting in this city, has had in mind one object more than any other it has been that the men and women . . who meet here as representatives of this vast Commonwealth, will endeavour to the best of their ability to devise policies whereby mutual benefits may come with advantage to the whole, that we may, in vigour and strength, maintain that Commonwealth which . . means more for the preservation of the liberty and freedom of mankind than any other secular institution the world has erected."

Policy of high tariffs.

Mr. Lapointe declared that his hon. Friends were wrong altogether in their view of what had happened in England. They thought that England had become protectionist for all time. That was not true. It was merely an expedient, so much so that members of the National Government were speaking against protection. They agreed to disagree on many things, and this was one of them. He could quote views of Sir Herbert Samuel with regard to an economic unit in the British Commonwealth, and those views were certainly in harmony with the views he himself held.

The Conference must proceed along the lines of lowering the tariff. It would be impossible to come to any understanding and to any successful conclusion by adhering to the policies as expressed by his right hon. Friend at the Conference of 1930. Many people had begun to realise that this race of high tariffs which was being entered into everywhere was a mad race. The idea that the foreigner was a person who must buy but never sell had unfortunately spread from Bedlam to every capital of the world. The international trade of the world was at a standstill. His right hon. Friend's proposal in 1930, that they should not lower their tariff at all but raise it 10 per cent. higher, except for exempting Great Britain and the other Dominions from that 10 per cent., was certainly not a fair offer to make the sister nations. What benefit would England obtain if she could not get through Canada's door? What benefit would she obtain because foreign countries were still 10 per cent. further from the door than she was? Indeed, what benefit could they derive themselves?

He agreed with his right hon. Friend that this should be a negotiation based on mutual advantages. He preferred that to the word sacrifices. If they tried to base the maintenance of the Commonwealth on sacrifices, they were inviting something that at some time or other might be dangerous. What was better was mutual benefit, and no fixed bargaining, nothing that would be a fetter instead of a tie. The union of the British nations must rest upon absolute freedom. He did not like the term economic unit, which would mean an economic group against the rest of the world. Let them try to have larger and freer trade as between the nations of the Empire, but they must remain free and autonomous in their economic policies, for that was the only way to remain friends. Their understanding must be founded rather on a "gentleman's agreement," a friendly *entente* as between themselves, than on any strict rule and bargaining based merely on self-interest. He could quote expressions of opinion of many people, but even at the present time the leading economists in the Empire were alluding to the very danger he had been suggesting. They must see to it that the Empire did not stand or fall on or because of the tariff. Their idea of union between the British nations must not be based on tariffs, duties or even preferences.

Apple industry.

On 12th May,

Mr. J. L. Ilsley (**Liberal**, *Hants-Kings, N.S.*) stated that the apple exporting industry depended to a very large extent upon the market of the United Kingdom. The Dominion exported about one-third of its total apple production to the United Kingdom. Their competitors were the British themselves, and more particularly the apple growers of the United States. They exported twice as large a quantity to the United Kingdom. In a year of heavy production in the United States they found the British market almost ruined by their surpluses. For these reasons it was important that the present preference should be preserved. The preference, under the Import Duties Act, was 10 per cent. The United Kingdom imported about 5,000,000 barrels of apples each year and at present Canada was supplying not nearly half those requirements, but there was capacity for development of production in Canada and Australia to the extent necessary to take care of the entire import requirements of the United Kingdom.

The Prime Minister asked whether they must not have regard to climatic conditions and seasonal demands?

Mr. Ilsley replied that between Canada, Australasia and South Africa the entire import requirements of the United Kingdom could be met. The United States did not serve a complementary purpose at all, their apples going in during the same season that apples were imported from Canada.

Preferences; British tariff.

After outlining the history of preferences Mr. Ilsley said that this far-reaching system of voluntary preferences had not grown up upon the basis of bargaining. The first protective element introduced by Great Britain into her fiscal system after the abolition of protection between 1846 and 1860 was the McKenna Duties in 1915. No preferences were provided when they were first imposed, but in 1919 preferences had been granted to the Dominions and Colonies, and then followed a rapid extension of preferential treatment to the Dominions and Colonies. In 1920 the Importation of Dyestuffs Act provided for the prohibition of the importation of dyestuffs into Britain, but not from parts of the Empire. In 1921 the Safeguarding of Industries Act was introduced, but no duties were imposed against Empire goods. In 1923 the Irish Free State obtained the benefit of preferences that were given to the other parts of the Empire. In 1925, 1926, 1927 and 1928 there had been extensions every year to the Dominions and other parts of the Empire as new duties were imposed. Then, this year came the Import Duties Act which placed a duty of 10 per cent. on nearly all goods entering the United Kingdom, the chief exceptions being wheat, meat, raw cotton, raw wool, fish of British catch, newspapers and newsprint in rolls containing not less than 70 per cent. mechanical wood pulp, wood pulp itself, raw rubber, iron ore, tin ore and shipbuilding materials consigned direct to shipbuilding yards. The following were the percentages of imported dutiable goods upon which preference was given: tea, 84·8 per cent.; raw cocoa, 93·4 per cent.; coffee, 50·9 per cent.; raw and refined sugar, 38 per cent.; raisins, 27·7 per cent.; motor cars, 20·9 per cent. This showed that quite a large proportion of the imports in important lines that went into the United Kingdom came from the Dominions and Colonies under preferential tariffs.

The Import Duties Act provided that these preferences should lapse on 15th November as against the Dominions but not as against the Colonies. That was the significant fact. It was only against the Dominions that had imposed protective tariffs against the Mother Country. It was of great importance to Canada that the Government, at the Conference, should so conduct negotiations that there would be an extension of these preferences beyond 15th November. The conclusions from these facts were, first, that without the introduction of bargaining as between the units of the Empire, there had come into existence a gradually evolving system of preferences, which would probably have accomplished all that the Conference would accomplish; and, secondly, that had it not been for the hostile tariffs of the Dominions, the preferences under the Import Duties Act would have been unlimited as to duration.

The Prime Minister: " The hon. Gentleman knows that the period expiring on 15th November was fixed with the Imperial Conference in view. That was declared by the Chancellor of the Exchequer."

Mr. Ilsley: " Yes, but the point is this. My right hon. Friend, at the Imperial Conference of 1930, indicated that it was desirable that we simply give preference for preference, that we grant preferences on a bargaining basis. He took the view that this was the only business-like way to do it. Great Britain has on every occasion on which she has imposed protective duties extended substantial preferences to the Dominions. Very sensibly she took the view that if trade was to be upon a bargaining basis she would give the Dominions bargaining. That is to say, she would make her preferences lapse on 15th November so that she will have something to bargain with. That policy would never have been adopted had it not been for the interjection of the Prime Minister at the Imperial Economic Conference of 1930 of that new element in trade relations between the different parts of the Empire."

What were the principles that should guide the Government at the Conference? They should not tie their hands so far as negotiations with foreign countries were concerned. They might depend upon it that Great Britain would not tie her hands in those relations. She had close relations with the Argentine, the Scandinavian countries and other countries which treated her better in their markets than Canada did in hers. Canada was also so constituted that she could deal advantageously with countries outside the Empire.

Trade with foreign countries.

During recent years there had grown up a state of tariff war between Canada and the United States, but he did not

think this condition would continue indefinitely. It would be unwise at the Conference for Canada so to tie her hands that she could not negotiate with countries such as the United States. The same was true of Germany. The trend during the last twenty years had been in the direction of a larger percentage of trade with foreign countries. In 1911, 54·3 per cent. of their exports were to other parts of the Empire; in 1932 the figure was only 38 per cent. In 1911, 28·7 of their imports were from other parts of the Empire, whereas in 1932 the figure was only 25·5 per cent. The percentage of the total trade with the United States had remained about the same. When they came to other foreign countries, however, there was during the period a great increase in the percentage of trade. In 1911, 7·7 per cent. of their exports were to other foreign countries; in 1932, the figure was 21·2 per cent. In 1911, 10·5 of their imports were from other foreign countries, whereas in 1932 there had been an increase to 13·7 per cent. They would be unwise to fly in face of that trend, especially when in all probability a great many foreign countries would be negotiating with one another and with them for the reduction of tariffs during the next few years.

Another guiding principle should be that they should increase and not merely deflect trade. That was the most fundamental criticism of the enormous duties which during the last year they had placed against British products. When dumping duties and tariff rates were added together some of them went as high as 99 per cent. *ad valorem*. The erection of these very high tariffs against Great Britain had reduced the volume of trade. The idea put forward at the Conference of 1930, that they must protect every industry by high tariffs against the other parts of the Empire and then put around the Empire itself another high tariff against the rest of the world, was not in line with what economists, business men or statesmen were now urging. Their advice was to adopt policies that would stimulate the total volume of trade.

Finally, they should avoid the establishment of an Imperial economic unit or zollverein which would isolate them from the rest of the world and provoke other nations to form themselves into similar exclusive trading confederacies.

Tobacco industry.

Mr. E. J. Gott (Conservative, ***Essex S., Ont.*****)** drew attention to the importance of having tobacco on the Agenda of the Conference. He would endeavour to increase the British preference and to indicate the opportunities which the Canadian Delegates would have at the Conference of impressing upon the people of the United Kingdom the possibility of increasing their export of tobacco. Great

Britain imported every year 220,000,000 pounds of tobacco. In Canada they produced 51,000,000. All Colonial tobacco, including that of Canada, had in the British market a preference of 49 cents a pound. Instead of the United Kingdom importing 200,000,000 pounds from the United States, the tobacco producers of Canada could supply the British market with all the tobacco it needed and of just as good grade as that produced in any part of the Empire or the world.

Need for new policy.

On 25th May,

Mr. W. Irvine (**United Farmers'**, *Wetaskiwin, Alta.*) realised that the people of Canada had great expectations of this Conference, that, in fact, the hopes of the nation were centred upon it. If failure should result it would affect the morale of the entire British people. All trade was bargaining, and he would rather have a frank bargaining proposition, where each individual recognised the necessity of making a just bargain, than any vain altruism which it would be impossible to make effective.

Within the Empire they lacked nothing which was necessary to the very highest standard of living. If the Conference could arrange to distribute the products of the Empire amongst its own people they need not concern themselves very much about foreign markets. Failure or success would depend almost entirely on the primary objectives sought by the Conference as a whole. If the Conference attempted to keep things going in the same old course; if it deliberated with a view to paying all debts in gold values, to maintaining the debt-creating monetary system, to scheme to capture foreign trade, to stimulate production without making definite arrangements to ensure the proper distribution of what had been produced, it would be a failure. But if, on the other hand, the Conference was burdened with the conviction that the Commonwealth could do with ease that which no single part of it could ever do alone, and if in that conviction it recognised that it was privileged to lay the foundation stone of what perhaps might become a new economic era in which the British Commonwealth in co-operative unity should once again lead the world, then great things might be done.

The Conference should discuss ways and means of dealing with the world's debts and with their own debts to other people. It should come to the conclusion that if their debts were to be recognised as most British people wished, they would have to be paid in goods; that such goods would be delivered wherever they might be desired by their creditors and at the value of the goods which they had borrowed, because in practically every case what they had borrowed from other nations had been borrowed in actual goods. Next, every branch of the Commonwealth should have the right to control the social credit within its own boundaries. They had suggested that there should be stabilisation of British currency. Without parity of currency within the Commonwealth, adequate exchange of goods could not be effected. Finally, trade should be arranged within the Commonwealth with the least possible restrictions.

Mr. A. Speakman (**United Farmers'**, *Red Deer, Alta.*) understood that accompanying some of the Delegations would be small supernumerary bodies of advisers who would be able to discuss with the Delegates matters of particular import to the different interests they represented. He suggested that it should be made possible by the Government, once the different Provinces had unified their thought on certain lines, to have a sort of council representative of those Provinces, not as Delegates, but to watch the proceedings and to discuss with the Government matters of interest.

The Prime Minister stated that notices had been sent to each of the Premiers of the Provinces asking them for any suggestions they might desire to make to the Conference through the Government, as well as to agricultural and other organised bodies, not the Manufacturers' Associations alone, for the purpose of having representations made.

THE BUDGET.

(Great Britain and gold standard; Position of Canadian dollar: question of stabilisation; Financial policy of Government; Purchase of gold; Revenue and Expenditure; Unemployment relief; Imports and Exports: percentage of trade within Empire; Ottawa Conference; Imperial Preference; Tariffs; Orders-in-Council and Parliament; Liberal Amendment; Price levels; Government and trade with Great Britain; Liberal criticism; Nationalisation of currency; etc.)

On 6th April, in the House of Commons, the Minister of Finance presented the Annual Financial Statement.

Effect of world conditions.

The Minister of Finance (**Hon. E. N. Rhodes**) stated that Canada, in common with other nations, was in the midst of a period of declining prices and diminishing revenues. The crisis in Germany, following quickly after the collapse in May of the most important bank in Austria, brought to the attention of the world the need for international action upon the question of Reparations and inter-Governmental War Debts. The proposals of President Hoover for a one-year moratorium were heralded as a signal for returning world confidence, but the optimism had been short lived. Throughout the world gold was ceasing to be a medium of exchange, becoming instead a commodity to be jealously guarded, and finally the world had been startled by the announcement on 21st September that Great Britain had been forced off the gold standard. She had been followed by many other countries. The fall of foreign exchanges and the dumping of securities had brought on a demoralisation of the investment markets.

These events had a peculiar significance for Canada, a debtor country, having at that moment an unfavourable trade balance. Between 1st October, 1931, and 31st March, 1932, the Dominion, Provinces, Municipalities and semi-public bodies had $72,000,000 of debt maturing in New York or London and, in addition, $80,000,000 of external interest charges had to be provided. With these obligations, the dislocation of external money markets presented no inconsiderable threat to their credit abroad. Following the decline in sterling, the Canadian dollar showed continual depreciation until the lowest was reached on 16th December, when the discount was 24⅞ per cent.

It was realised that notwithstanding the high credit position of Canada, any effort to stabilise exchange at par with gold could not be successful. Their policy was therefore directed, first, to ensure the prompt payment of all obligations due abroad and, second, to assist in maintaining normal currency and credit conditions within Canada.

On 14th September the Government had commenced buying the gold production of the larger Canadian mines, on basis approximate to the values of New York funds. This gold had been used to meet obligations in New York and had been sufficient to keep the Dominion out of the exchange market, and at times to provide external gold funds for the National Railways and Provinces. It was also imperative that there should be no flight from the dollar through fear of inflation. This could be accomplished only by maintaining domestic confidence and preserving a reservoir of credit which could be drawn upon to meet any external crisis. It had been successfully accomplished under the policy authorised by the Order-in-Council of 19th October, which, while maintaining the redemption rights under the Dominion Notes Act, permitted the export of gold only under licence by the Minister of Finance to chartered banks. On 19th October the note issue, including those issued under the Finance Act, was $144,468,571, and

delivered wherever they

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the gold holding represented 45 per cent. of the face value of the issue. On 19th March, 1932, the note issue was $142,896,193, the gold holding representing over 45 per cent. All external debts had been met on the due dates.

Revenue and Expenditure, 1931-32.

In common with all other countries they had experienced a marked decline in taxation revenue, which represented 83 per cent. of total receipts. Income tax alone had brought in approximately the sum estimated ($61,000,000). Customs receipts had fallen to $102,800,000, reflecting the drop in the value of imports occasioned by the further decline in prices, the unfavourable exchange rate as regarded importations from the United States and the policy of encouraging production in Canada. The total receipts from taxes would be $273,300,000. Collections from the various public services would total $54,000,000. Having accepted the principle of the moratorium, their debts from German Reparations had been reduced to $1,001,570, applicable to the period prior to 1st July. The total revenues were estimated at $334,741,000.

Ordinary expenditures were placed at $378,700,000, approximately $19,000,000 less than estimated. It was estimated that $16,975,000 had been spent for capital expenditures.

Special expenditures; Unemployment relief.

Special expenditures would amount to $55,100,000, the chief items being the wheat bonus ($11,000,000) and unemployment relief ($13,250,000). Provincial and municipal works involved an expenditure estimated at $70,469,675, of which the Dominion's contribution was placed at $26,586,763. For direct relief, the Federal contribution was estimated at $8,957,000. In order to protect the credit of Canada as a whole, temporary assistance had been given to certain of the Provinces in meeting their obligations (by way of loans). The sum advanced under this head totalled $11,637,190, while $10,794,000 had been loaned for internal purposes, including provincial share of relief work.

The total of the expenditures for the year was $454,246,000. The deficit on ordinary account was $51,024,000. The balance of special expenditures not provided for from income was $48,116,000. The total amount of the increase of the debt for the year was $119,505,000.

Loans; National Railway and steamships.

In regard to the 1931 Conversion Loan, of the $1,084,800,000 in bonds eligible for conversion, $638,600,000, or 60 per cent., had been converted. A major operation of the year had been the flotation of the 5 per cent. National Services Loan in November. The offering was $150,000,000 and had been substantially over-subscribed.

The year had been marked by a further severe drop in the gross earnings of the Canadian National Railway Company to a low point since 1919. The loss amounted to $52,200,000. In addition, it was necessary to provide for capital expenditures and the retirement of Railway debt, and the total financial provision which the Government was required to make in 1931 was $108,976,265. This constituted one of the country's major financial problems, and outside the interest on the National Debt was the largest single item in the Budget.

The steamship companies operated on behalf of the Government had received advances amounting to $1,360,853.

Trade.

Canada had continued to share in the pronounced shrinkage, both in volume and value, that had marked the commerce of the world. The following was a statement of foreign trade for the first 11 months of the past fiscal year compared with the same period in 1930-31 :—

(000 *omitted.*)

	11 months ended 28th Feb., 1931.	*11 months ended 29th Feb.,* 1932.	*Decrease.*
	$	$	$
Imports	831,232	521,056	310,176
Exports, Canadian produce ...	744,669	536,595	208,074
Re-exports, foreign produce ...	16,038	9,951	6,087
	1,591,939	1,067,602	524,337

In the last 11 months, however, the balance had been favourable to the extent of $25,491,000, compared with an unfavourable balance of $70,524,000 in the previous corresponding period.

The following summary showed the imports from and exports to the principal parts of the Empire :—

FIRST ELEVEN MONTHS.

(000 *omitted.*)

	Imports 1931-32.	*Decrease from* 1930-31.	*Exports* 1931-32.	*Decrease from* 1930-31.
	$	$	$	$
United Kingdom	94,579	42,842	163,152	43,922
Australia	5,357	1,495*	4,688	1,605
British South Africa ...	4,259	1,091*	8,011	1,554
New Zealand	938	5,347	3,433	8,777
West Indies	10,995	2,359	7,694	3,657
Newfoundland	1,465	1,007	6,320	3,987
Other	14,247	7,526	11,266	7,808
	131,840	61,667	204,564	71,310

* Increase.

Their largest trade continued to be with the United States to which exports in the 11 months ended 29th February, 1932, amounted to $227,000,000 and from which imports were $317,000,000, an unfavourable balance of $90,000,000 to Canada on the interchange. While exports had declined 32·5 per cent., their purchases from the United States had decreased 40·6 per cent. The following statement showed the percentage of their trade with the Empire, the United States and other countries :—

	IMPORTS.		EXPORTS.	
	Fiscal year 1930-31.	*First 11 months* 1931-32.	*Fiscal year* 1930-31.	*First 11 months* 1931-32.
	%	%	%	%
British Empire	22·6	25·3	36·6	37·4
United States	64·5	60·9	43·7	41·5
Other countries	12·9	13·8	19·7	21·1
	100·0	100·0	100·0	100·0

Having reached the conclusion that the interests of both contracting parties would be promoted by the negotiation of an entirely new Convention, Canada had given notice to France in December last of her desire to terminate the French Convention made in 1922, and to proceed to the making of a new agreement. The existing Treaty terminated on 16th June, and it was the earnest hope of the Government that its place would be taken in the near future by a commercial convention of mutual advantage.

Estimates, 1932-33.

It was estimated that the Revenues for the year 1932-33 would amount to $319,100,000. The ordinary requirements for Government services were estimated at $369,900,000 and $9,600,000 were voted for capital expenditures. A very considerable contribution to the balancing of the Budget had already been made in the reductions of the appropriations recommended to the House in the current year. Leaving aside the extraordinary expenditures on wheat bonus and unemployment relief, estimated expenditures for 1932-33 showed a reduction of $25,400,000 after absorbing an increase in interest on the Public Debt of $12,700,000. It was proposed to recommend measures which would increase the revenues by $55,000,000, thus balancing the current expenditures and leaving a surplus of $4,300,000. It was the considered view of the Government that reductions in expenditures and proposed additions to taxation represented a complete balancing of the Budget on the usual current Governmental services. While the estimates of revenues did not cover the special expenditures on unemployment relief or the liabilities arising out of the financing of the National Railways, it was a substantial step in the direction of providing currently for every responsibility as would be in the public interest to make effective in any one year under existing conditions.

Taxation.

It was proposed to raise the rate of taxation on incomes of corporations and joint stock companies to 11 per cent., to take effect in the 1931 taxation period, and in respect of personal incomes to repeal the deduction of 20 per cent. now allowed from the tax payable under the established schedule of rates. All taxpayers, including corporations, in receipt of net income in excess of $5,000 would be required to pay a surcharge of 5 per cent. of the amount of tax otherwise payable. The personal exemption, where heretofore $3,000 would be reduced to $2,400 and where $1,500 to $1,200. The exemption granted in respect of income from annuity contracts would be $1,200 instead of $5,000.

The sales tax would be increased by 2 per cent.

It was proposed to impose a tax of 1 per cent. of net premiums of insurance companies, authorised to transact business in Canada, other than life, marine and farm mutual. This tax had been in force from 1915 to 1929. British and foreign companies, not so authorised but maintaining deposits with the Dominion, would also be assessed at 1 per cent. Canadian policy holders who insured their property in Canada with companies other than those mentioned, would be charged a tax of 15 per cent. of the gross premiums payable.

The Stamp Tax on cheques, etc., would be increased. The present rate was 2 cents for each instrument exceeding $5. The new rate would be 3 cents over $5 to $100 and on instruments over $100, 6 cents. The tax on cable and telegraphic messages would also be re-enacted, but the rate would now be 5 cents for each message costing more than 15 cents, and the measure would include long distance telephone calls.

Tariff.

Having in mind the near approach of the Imperial Conference, it was deemed undesirable to make any tariff changes touching the British preference. With one exception, no tariff amendments were therefore proposed.

"The preservation of our national credit," concluded the Minister of Finance, "is an indispensable prerequisite of the return to prosperity. While the world is close knit to-day in matters of trade and finance as never before in its history—

and we cannot expect normal or prosperous conditions apart from the general world trend—nevertheless some one nation, or group of nations, must assume the leadership and point the way. To that end an opportunity unique in history is afforded to the British nations, whose representatives will assemble in Ottawa at the Imperial Economic Conference in July next. If the Delegates who assemble here in an atmosphere charged with determination to approach their deliberations from the viewpoint of mutual advantage, there will result measures which will give a marked stimulus to Empire trade. And while these measures are primarily designed to stimulate trade within the Empire, they will release forces and establish currents which may well flow beyond our borders to the eventual benefit of the world at large."

On 11th April,

Hon. J. L. Ralston (**Liberal**, *Shelburne-Yarmouth, N.S.*) complained that the Government had obliterated the Debt reduction made under the previous Administration. The mere fact that they happened to have a $15,000,000 or $25,000,000 favourable trade balance meant absolutely nothing under existing circumstances. The Liberal policy had always been to obtain a favourable balance by expanding exports; the present Government's policy had been to restrict imports. An adverse balance was a good thing if it indicated that the person against whom the balance was adverse had plenty of money to invest in foreign products. A favourable balance was a bad thing if it meant that the person in whose favour that balance was had starved himself to bring about that condition. There must be no mistake that this Budget was not a balanced Budget. The estimated expenditures did not cover unemployment relief or their liabilities with respect to the National Railways. The Government had become responsible, either by way of contribution to the Provinces and municipalities or by way of Dominion public works or direct relief for about $50,000,000; the Provincial and municipal authorities and the railways had become responsible for $96,000,000. He deprecated the practice which had grown up whereby the Federal Government was loaning to the Provinces certain amounts of money, and to some extent making the Provincial subservient to the Federal authority. What should take place was a reconstruction of the financial relationship between the Provinces and the Dominion so that each should be supreme in their own sphere.

On 31st March, 1931, the unmatured Debt represented by bond issues for which the Dominion was directly responsible was $2,319,196,847.39. According to the Minister of Finance this year the unmatured Debt amounted to $2,501,782,733.23, so that there was a net increase of $182,585,885.84. Successive Governments had advanced to the various constituent railways which made up the National system something like $604,000,000, in addition to which there had been appropriations on account of Government roads of something like $405,000,000, making a total of about $1,000,000,000. The National Railway was, however, entitled to the credit that it was doing as much business as the rest of the railways.

The burden of the income tax proposals fell not only on the man with the large income but the man with the small income which had already been considerably depreciated. This re-arrangement would be difficult to justify.

Rate of exchange and dumping duty.

He protested against artificial trade barriers. In 1930 the tariff was at an average of about 24 per cent.; this year, with the 3 per cent. Excise tax, it would be on an average of 35 per cent. Soon after England went off the gold standard they had witnessed in Canada an exhibition of juggling with currency and prices the like of which had never been seen. The Government had decided that they would not hold sterling up to 4.86⅔ but to $4.40. But the actual rate of exchange was $4 to the pound. Then the Government said: "Notwithstanding the fact that the pound may be worth only $4, we say that it will take $4.40 to represent it. Then if you import goods we will charge you the difference between $4 and $4.40 and put it on your invoice." That system was in force, and the Government issued Orders-in-Council from time to time which fixed the value of the pound as compared with the $4.40 rate. The Government had in this way added to its powers to fix the dumping duty to an unlimited extent. They could do anything they liked with the pound. The effect of this uncertainty was hard to estimate. There was not a man who, when he gave an order for goods, could be certain that the duty on them would not be changed overnight. The imports in 1930 were $149,000,000, and in 1931 $90,000,000. If there was that much less in the way of imports, there must have been correspondingly greater activity in Canada. But on 1st February, 1930, the employment figure was 103·5 and in 1932 96·3.

Imperial preference.

There was a chance now, if ever, to make a gesture towards Imperial preference, giving a reciprocal concession for that already extended by Great Britain. Great Britain had imposed a tariff on certain articles but provided that it should not apply to goods from Canada, and there was an opportunity to create an atmosphere in which a great deal of good might be accomplished. People seemed to have the idea that

Canada had been doing all the giving and Great Britain all the taking. But from 1921 to 1931 Great Britain had bought from Canada $4,057,000,000 worth of goods and Canada had bought $1,823,000,000; there had been a trade balance of $2,234,000,000 in Canada's favour.

Amendment.

Mr. Ralston concluded by moving the following Amendment:—

That this House is of the opinion that increases made by the present Administration in the Customs Tariff have been arbitrary, ill-considered and inordinate, and have had the effect of stifling agriculture and other industries, restricting trade and commerce and increasing unemployment;

That the fixing of values for duty purposes by Orders-in-Council is an infringement of the inherent right of Parliament to regulate duties and determine taxation, and has had an unsettling effect on commerce, a depressing effect on business, and has been detrimental alike to the interests of producers, importers, distributors and consumers;

That a reversal of the present fiscal policy in relation to Customs tariffs and an immediate resumption of Parliamentary direction and control with respect thereto are essential to a revival of trade and improvement of business and to the ultimate return of prosperity in Canada.

The Minister of Trade and Commerce (Hon. H. H. Stevens) declared that they had restricted imports when goods were entering under conditions prejudicial to the interests of industry. To the suggestion that they had increased unemployment he gave an emphatic no, because the measures about which Mr. Ralston had complained had, to a great extent, maintained employment, and in some cases increased it. In the case of the four western Provinces—three of them faced with collapse in their main item of revenue, the wheat crop—they found themselves, in face of the collapse of the international exchange market, unable to meet some of their obligations abroad except at costs that would be unwarranted. Rather than force them into a position of delinquency the Federal Government thought it the part of wisdom, in the interest of the credit of Canada, to render some assistance.

Economic factors: price levels; etc.

They heard a great deal about economic planning. Could they plan for the future? He thought they could. It could not be done by laying down precise schemes in which all humans were to be treated as parts of a machine, but it could be done by taking the known factors and directing them so that the results of their operation might move towards orderly progress. There were four factors—price levels, debt, interest and trade. Price levels were admittedly the most disturbing. If they could restore the levels of 1928 for wheat, copper, paper, lumber and fish they would restore prosperity. Gold was scarce or being hoarded, and the value of purchasing power or money vitally affected commodity prices. The most injurious thing in the economic world was the fluctuation in the value of money.

The first and most important step was to secure the stabilisation of the purchasing power of money. International debts were overshadowing the international relations of the various nations of the world as no other influence. The weight of debt had been doubled owing to the drop in commodity prices. Therefore the fluctuation in the price level was a vital factor in matters affecting debt. The debt burden could only be modified by the raising of the price level, and this reintroduced the currency question. Canada was at present paying to the United States $250,000,000 in interest a year. They exported nearly all their paper to the United States and in that way paid their indebtedness. But for every ton they fell down, as compared with the 1927-28 price levels, one-third in meeting that obligation. But suppose they wiped out all the tariff barriers between Canada and the United States, that would not increase their buying from Canada. No agriculturalist or industrialist could afford to pay 10 per cent. interest for the money he used in his business. That commodity prices had dropped to the unwarranted level of to-day meant that the farmer, in paying the interest on his farm, must take 266 bushels of wheat to do what he did with 133 bushels two years ago. So it again became clear that the price level was the chief factor in all their economic problems. They were a debtor country, and their obligations abroad in interest and recurring principal renewals amounted to $5,000,000,000. Assuming that a country with a depreciated currency suddenly commenced shipping goods into Canada at prices obviously below the cost of production, and that such goods were on the free list, would Canada be justified in adopting protective measures to prevent such goods from entering to the detriment of industry? Those were the circumstances which had been the basis of the action of the Government so bitterly condemned. The result of England going off the gold standard was that goods held in Great Britain at a pound value of $4.86 became available for export at $4. That was a condition that no country could meet. Recognising that there was a hiatus between the time that a country depreciated its currency and the time the costs in that country could equalise that depreciation, it became the duty of the Government to provide safeguards against an absolutely inequitable competition. That was all they did. They expected that the pound would drop lower, and two or three weeks demonstrated that they were right. They realised that $4.86 was too wide a

spread between the actual selling price of goods and the par value, and therefore lowered the fixed value to $4.40. They considered that this would serve equitably the purposes of Canadian industry and at the same time admit goods from the Old Country under conditions that were more favourable to them than before. There had been considerable increase in the exports of goods from Great Britain under the fixation at $4.40.

Free list and commodities.

It was said that raw materials should be on the free list, that there should be free movement. Mr. Mackenzie King had frequently used the phrase: "We must buy so that we can sell." He implied that the more freedem there was to the movement of goods, they got as a result an entry into the market of the other country. Let them look at certain articles on the free list that were very important to them—raw rubber, hides, silk, coffee, Egyptian cotton, pineapples. Anybody could ship raw rubber to Canada. Consequently they ought to have entry into the market where the rubber was produced. What were the facts? About 98 per cent. of their raw rubber they imported from the United States where there was not a pound produced. Here was a balance fatal to Canada. The Malay Peninsula, the Dutch Indies and Burma told their trade agents: "You buy no goods from us. The United States is our big buyer. Therefore we favour their goods against yours." The bars were down, but they got no return of trade. Where there was the fullest opportunity for the goods to flow in their natural channels they were not so flowing and they were not getting the benefit of their imports for the marketing of their goods in the producing countries. They had been told that if they addressed themselves to the problem they could buy this rubber direct from British sources. "These are the opinions," declared Mr. Stevens, "that this Government is seeking to work out in anticipation of the Imperial Economic Conference. My hon. Friend opposite . . . sought to instil into the public mind and to send across the water to Great Britain the idea that this Government was standing in a position of resistance against closer trade relations with the Mother Country. It is an absolute misinterpretation of our attitude. . . . What we are hoping to do is this: in connection with many of the things we are now buying in other parts of the world, by readjustment of our trade facilities and trade policies we want to give to the Mother Country a larger share of those markets in Canada; we want to buy more within the British Empire, direct from the countries of production, and thus open a larger part of their markets for our business."

Mr. A. A. Heaps (Labour, *Winnipeg N., Man.*) said that when they had wanted money recently they had offered the highest rate of interest ever known in the history of the Dominion, and that rate of interest on Federal bonds reflected itself on all other classes of bonds. Free exchange of commerce was one thing, but it was another thing to have a fairer distribution of products. Unless they had a more equitable distribution of wealth there was no hope of solving their economic problems. So far any efforts to bring about a state of prosperity by tariff adjustments within the Empire had proved more or less disastrous to Canada. He referred to the trade Treaties with Australia and New Zealand. One of the Australian Delegates had stated that the Empire would be disrupted if some satisfactory tariff adjustments were not made between the various parts. But closer relationships within the Empire could not be brought about by a process of tariffs.

Value of tariff: scientific treatment of industry.

Mr. J. R. MacNicol (Conservative, *Toronto N.W., Ont.*) stated that in spite of the world-wide economic dislocation, employment in Canada, although below normal, was better than it would have been had it not been for the tariff enactments of the Government. Four of the major objectives sought by Budget legislation with respect to the stimulation of employment were, first, more jobs for workers; second, greater purchasing power; third, contentment; fourth, increasing to the greatest possible extent towards 100 per cent. the Canadian content, both material and labour, in goods manufactured in Canadian factories by Canadians for Canadians. In spite of the dislocation the Government had achieved something worth while towards the realisation of each of these objectives. The Toronto Industrial Commission had stated that since August, 1930, some 67 new industries, mostly small, had been started in the Toronto district, and the Bureau of Statistics gave the names of 52 other companies, mostly small but a few large, that had started throughout the country. The large majority of these had come from the United States; a few of the largest were of British origin.

Mr. MacNicol proceeded to enumerate some of the industries which had benefited from the tariff, and mentioned the printing, electrical and steel industries. The making of steel was one line which added to the national wealth and benefited labour to a very marked degree, because about 80 per cent. of a ton represented labour. There were employed in the textile factories 109,575 operators, and he had been informed that were it not for the tariff legislation one-third less would have been employed therein. If industry were treated scientifically and considered with a view to the natural resources of a district, its proximity to water and other transportation facilities and to markets and a labour supply, millions of dollars could be invested in the erection of new plants to provide increased employment. There was no other way to encourage the erection of factories and the investment of capital than by adequate tariff regulations.

Bacon market.

On 12th April,

Mr. W. E. Rowe (Conservative, *Dufferin-Simcoe, Ont.*) stated that in 1920 they sold to the United Kingdom 26 per cent. of her requirements of bacon, while Denmark supplied less than 12 per cent. In 1930 Canada sold $1\frac{1}{2}$ per cent. while Denmark supplied 60 per cent. This market should have been retained for Canadian products. It would require 2,500,000 hogs to supply the bacon for one-half the sales in the United Kingdom, lost to Denmark, and the processing would give employment to 50,000 men. Great Britain bought more bacon and butter in one month from one foreign country than from Canada in one year, and she purchased that from a country that had a favourable trade balance against Britain of approximately $200,000,000 annually. The Conference offered possibilities in that regard. When they who inhabited the largest area, the richest in resources that any 10,000,000 people in the Empire inhabited, went to that Conference and received the benefits they expected, they must realise that to every privilege there must be attached its associate obligation, and he suggested that their obligation should be that Canada must have a new immigration policy; she must accept more people from Great Britain.

Nationalisation of currency.

Mr. R. Gardiner (Leader of the United Farmers' Party) thought that under their present system when those banking institutions which were responsible for permitting money to go into circulation charged a rate of interest above the cost of the service, they were creating a debt that could never be paid off. The only system that would be effective would be the nationalisation of credit and currency in the interests of the people, who would have the use of the credit and currency on a basis of cost. With the tremendous productive system and demand for goods, one of the things essential to producer and consumer was a medium of currency that would flow equitably and ensure that these goods were properly distributed.

One of the most important things after the nationalisation of currency was national planning. It would be well for the Government to take into serious consideration the creation of an economic research council. The capitalistic system was very efficient so far as production was concerned, but when it came to distribution it fell down badly. Within the borders of each country, with the exception of three, there was enough plant to provide for the needs of the people. What, then, were they to do with the surpluses produced in Canada, when other countries were capable of producing everything they required? In Canada there was more money on deposit than ever before. Since they had more than ample plant, and since that condition obtained in almost every other country, they were faced with the problem of what to do with the savings of the people.

Sub-Amendment.

He concluded by moving the following sub-Amendment :—

Whereas in Canada there exists an ample supply of natural resources to provide for all the primary needs, and

Whereas we have developed an efficient industrial machine capable of producing more than sufficient of the requirements of our people, and

Whereas notwithstanding this our external and internal debts are increasing enormously, large numbers of our citizens are in dire need and exist through Governmental and charitable relief, and a large proportion are faced with declining purchasing power involving a lower standard of living, and

Whereas in our opinion these conditions are attributable to fundamental defects in our present economic system, and

Whereas it is therefore necessary that Parliament, the agency with the widest legislative powers, should take the initiative in the task of reconstructing national production and consumption with a view to the widest possible use of commodities on a basis of human needs, and

Whereas the control of finance is a basic element in such reconstruction, affecting as it does industrial plant establishment and development, the distribution of goods and the price level of goods and services,

Therefore be it resolved that, in the opinion of this House, as a first step towards general economic reconstruction, our financial system should be nationalised, and provision be made to issue immediately sufficient money to bring the value of the dollar as speedily as possible to that point at which the major portion of our debts were incurred during the War; stabilise the dollar at this point internally and thereafter manage credit and currency issue to secure and maintain a stable price level within Canada.

On 13th April,

Mr. H. Bourassa (Independent, *Labelle, Que.*) did not think the situation in Canada or in any other country would be remedied until there was an international understanding to bring down all debts of all countries. The Government should miss no opportunity in their relations with the British and foreign Governments, at Geneva and elsewhere, to foster against all odds the need of a reduction and even a cancellation of all War Debts. The Minister of Finance could not expect the new taxation would overcome his deficit next year, and it would be far better to let the people know this.

On 14th April,

Miss A. MacPhail (Progressive, *Grey S.E., Ont.*) was not only in favour of increasing income tax on the larger incomes, but also of an inheritance tax. Canada's trade with the Empire had been declining. In 1931 they bought 75·8 per cent. of their imports and sold 63·6 per cent. of their exports outside the Empire. In 1914 the Empire took 55·3 per cent. of their exports and in 1929 only 39·3 per cent. But the share of their trade with the United States had remained fairly constant. Their trade had expanded more with "other foreign countries." It was foolish to hope that they would be able to build up Empire trade unless each part of the Empire made concessions to the others. It could not be done with the attitude which the Government had taken in Great Britain last year and which they had consistently held ever since. Unless they were willing to buy goods from Great Britain, they could not expect her to go on buying in large quantities from Canada.

Principles for the Conference.

On 18th April,

Mr. E. J. Young (Liberal, *Weyburn, Sask.*) thought that the guiding principle that should actuate their Delegates should be that the only way the Conference could be of any benefit to Canada, or any other part of the Empire, was by increasing trade, not by diverting it. Diversion of trade from one place to another did not add to wealth. More than two-thirds of their external trade was with countries outside the Empire, and it would be a calamity if the Government should jeopardise that two-thirds in the hope of increasing the one-third within the Empire. The Government might have some plan for making at the Conference arrangements under which tariffs would be so manipulated that goods from other parts of the Empire would receive a preference if they came directly to Canadian ports over similar goods by other routes. Such a notion was fraught with extreme danger. If their manufacturers were buying goods from other parts of the Empire, but not in the country of origin, it must be because it suited their convenience to do so, and any attempt to force them to buy where it did not suit them might have a disastrous effect on their business. They also heard rumours of plans for assigning different industries to different parts of the Empire. He did not think any Government would be foolish enough to adopt such a policy. But one matter of vital concern was those Sections of their Customs Act which gave the Minister power to fix values for duty purposes, and thereby raise the tariff wall. So long as those Sections remained any agreement entered into at the

Conference would not be worth the paper it was written on.

The Prime Minister had made a remark that was rather disturbing. He said that he hoped that at the Conference they would be able to find some means of stabilising the exchange values of the currencies of the Empire. If the various Governments were to agree on certain exchange values for their respective currencies, and if one of those countries were to see fit to act in such a way that its currency became worthless, how could they expect other parts of the Empire to redeem that currency at the price agreed upon ?

The object of the sub-Amendment seemed to be to stabilise the price level. The trouble with the price level was not that it was not stable but that it was not level. If they raised the whole level by inflating the currency, they would bring back the price of primary products and at the same time raise the price of manufactured goods. Could they solve the farmers' problem in that way ? And at what date would they stabilise the price level ? Let them name any date and he would prove that the price level as of that date was not equitable, that prices were not fair to all.

With reference to the suggestion that they might restore prosperity by artificially increasing the value of silver in its relation to gold and that they could increase the price of silver in China, if any increase in the price of their standard had resulted in disaster to Canada, would not an increase in the price of China's standard have the same effect in China ? Their values were still measured in gold, and when they divorced their dollar from gold, their dollar still dropped in value to the amount of gold it was worth. The metal had a certain quality in itself, and there was nothing produced to-day the labour-cost of whose production varied so little as that of gold.

Concessions to Great Britain.

Mr. M. N. Campbell (**Progressive**, *Mackenzie, Sask.*) suggested that the Government should go to the Conference prepared to make some substantial reductions in duties on British imports. If they expected to secure preferred treatment in the British market for their wheat, butter, cattle, lumber and copper, they must be prepared to make substantial reductions in the tariff on certain classes of British goods. Textiles would be one of the commodities the British people would be expected to ship to Canada. The textile industry was being more carefully nurtured and better protected than any other in Canada. Some lines were not indigenous, and they should be prepared to make some concessions to British interests. They could not deal with stabilisation outside an international agreement, but they could correct the position

to a large extent even without the assistance of the outside world. The United States and English bankers had deflated. But the action of the French Government was worthy of attention. They forbade their bankers to deflate ; and while in other countries prices were tumbling, commodity prices remained fairly stable in France, and every single man was working. It was not till 1927 that France went back on the gold basis, and she did it by establishing her currency at 25 per cent. of its normal value. That meant writing off 75 per cent. of her national debt, but she did not strangle her industries. Canada could do the same thing regardless of whether or not there was an international agreement. Until they got away from the habit of worshipping gold they could not expect to have prosperity. They must either inflate and get back to higher commodity levels in order to pay their debts, or cancel many of their debts.

They had the largest bank deposits they had ever had. If there were good investments available for business this money would soon find its way into those channels. They needed a lower rate of interest on Government loans.

On 20th April,

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) thought that they should allow their dollars to go to a greater discount in the United States. Although the Prime Minister could not keep Canada on the gold standard, he could keep as near as possible to that point and by doing so keep the value of exports down to a low level. He could, on the other hand, have thrown in his lot with Britain and kept Canadian currency at par with the British pound, and increased the price of exports. Canada might have been one of the *bloc* of sterling countries. He left it to the Minister of Trade and Commerce as to how the wheat producers of Canada with the pound sterling bringing them $4.18 could compete with the producers of Australia and Argentina when they were receiving the equivalent in their currencies of $6 to the pound. It could not be done. Had the Government kept their dollar in line with the pound there would have been no need to place a dumping duty against British goods or to fix the value of the pound for duty purposes at less than par. The root cause of their trouble was the gold standard. Gold had its use for the settling of international balances, and it should be used for that purpose only.

On 25th April,

The Minister of National Revenue (Hon. E. B. Ryckman) said that at the time the Order was made fixing $4.40 as the value of the pound on 23rd October, business in England had improved and so had wholesale prices, and in dealing fairly with England they were bound to fix the value in the neighbourhood of $4.40. That was used for dumping duty and for nothing else.

Silver.

Mr. W. T. Lucas (United Farmers, *Camrose, Alta.*) urged that if they should again reach 1928 price levels, the important task before them would be to see that they had a State controlled currency to prevent these ever-recurring cycles of depression. If the Empire at the Conference were to take the lead in restoring silver to its ancient position, it would not be long before the world followed her example. Silver was still the money of China and India. India, in part, was endeavouring to use a paper rupee based on gold, but only with a degree of success. The low price of silver was responsible for a lot of the unrest in India. If the value of silver was restored they would restore the purchasing power of one-half of the population of the world, and they would find possibilities for unlimited markets if only the purchasing power of the Orient were increased.

World conditions: effect of high tariffs.

On 26th April,

Rt. Hon. W. L. Mackenzie King (Leader of the Opposition) had hoped for evidence of a decrease in the cost of government, but there had been very little. The decreases in trade were considerably greater than at any time within a year. Unemployment was worse than it had ever been. World conditions had a great deal to do with it, but these had been greatly intensified by the policies of the Government. The tariff had ceased to be a protective tariff and had become a prohibitive tariff. It was uncertain and had caused the business community to be filled with dread from day to day as to the conditions with which they might be faced on the day following.

Speaking of world conditions, there were three which had affected the situation: first, Debts and Reparations; second, mishandling of gold and general disorganisation of currency; third, high tariffs which had been imposed against international commerce. More and more there had been pointed out the relation between high tariffs and the effect upon credit and currency in international relations. The tariff had been the most serious of all factors responsible for the intensification in Canada of adverse world conditions. It was the most immediate one in view of the matters to be considered at the Conference. There had been reason to hope that the Government would have done as the British Government had done—given some indication to the other parts of the Empire of its intention to proceed in a friendly way by means of preferences. The present economic system was something for which many countries were jointly responsible, and alteration would not be brought about by the action of any one country but by co-operative action on the part of many. The capitalistic system was largely organised on the basis of the single control of industrial policies by capital investors. In Russia the emphasis was laid largely on the single control of labour. The secret lay in the doing away altogether with monopoly of control and the substitution of joint control of industrial policy.

With respect to currency, it was very difficult to discover just what exact amount of inflation was going to serve the purpose that was in view. The question of a managed currency was a very large one. They were experimenting with it in Great Britain, but had she ever experimented with inflated currency?

The Report of the Tariff Board of Australia was one of the strongest condemnations of high tariff evils that had ever been put forward by any public body. It showed how they had operated against the interests of the people and even against those of the manufacturers on whose behalf they were supposed to have been passed. It stated, as Mr. Bruce had stated in London, that high tariffs had had their day.

Imperial Conference: freedom of trade.

They hoped that the Conference would help to increase trade between Canada and the other parts of the Empire, but this object would not be helped by super-exaggeration. He had been told by the Prime Minister that they could not have the agenda, but they made no secret of it in Britain. There was indignation being expressed at the lack of preparation on the part of the Government for this important event.

The Prime Minister (Rt. Hon. R. B. Bennett): "It is absolutely untrue."

Mr. Mackenzie King said that he had been informed that the matter had been left pretty largely in the hands of the Canadian Manufacturers' Association, that a committee of that Association had been meeting with committees from Great Britain and that they were trying to see how they could divide up the trade in manufactured articles between Great Britain and Canada. He hoped that the people were not going to be satisfied with a mere division of interests between Great Britain and Canada as a solution of the trade question as it concerned the Empire. What would be expected would be a greater opportunity to trade in a perfectly free way. If the Conference was to be a success there would have to be a better atmosphere created than prior to the Conference in Great Britain. He could not understand the point of view of the Government when, on the eve of the meeting of the Conference, on the top of all they had already done in raising the tariff, they added a 2 per cent. tax against all goods coming from Great

Britain, and that at the very moment when Great Britain, in imposing her tariff against foreign countries, took care not to put a single cent of new duty against goods from Canada. There would have to be a very distinct change in the method of approach. The Prime Minister had said before the last Conference that any policy he was prepared to consider must be based on protectionist principles; that the policy of his Government was known as "Canada first," and that the only basis on which he was prepared to consider any question of trade was that of Empire reciprocal tariffs. This was a preference to be created, not by reducing the existing rates of duty but by adding to them by 10 per cent. What he proposed was that Great Britain must change her fiscal policy, in consideration of which her people would be allowed to send to Canada such goods as could come in under a tariff wall which would keep out anything produced or manufactured in Canada. The Prime Minister would not be able to get anywhere with his "Canada first" policy as a basis of negotiation within the Empire. The people of Great Britain had stated very emphatically that they were not going to be satisfied with any trade agreement that would exclude from Canada all goods which could be produced in Canada.

How different was the attitude of Britain. All the public men of the different Parties had stated that their representatives would come to Canada, not riveted to any particular policy, nor to get what they wished particularly for themselves, but rather with an open mind to discover what might be for the common good. Whatever might be said for bargaining between Canada and foreign countries, the same arguments did not apply to any attempt to bring about agreements with the other Dominions and, in particular, with the Mother Country.

Preferences.

There were two methods of tariff preferences: one, the granting of preferences by voluntary act; the other, a reciprocal preference arrived at as a result of a joint agreement. The latter led to a locked agreement which set out in specific terms the basis of trading, restricting it as regarded both time and number of commodities and limiting the freedom of the nations to trade with the other countries of the world. Such agreements would not help to strengthen the ties of the Empire and would not improve trade relations between Canada and the Mother Country. For thirty-three years Canada had granted Great Britain a voluntary preference. Now that the British Government had changed their fiscal policy, they, too, were in a position to grant a voluntary preference; and they had done so. At the Conference Canada's interests would be more substantially furthered if the results were brought about by voluntary concession through concurrent legislation than by means of locked agreements. If they were to negotiate on the "Canada first" basis, it meant that Great Britain would have to put up her tariffs against Canada to a point equivalent to that at which Canada had put up her tariffs against Britain. That would prove a very serious thing for Canada. What benefit would they derive from an arrangement that would not permit any increase of trade worth having and which would threaten the very important position which they held in the British market? While Great Britain had a 20 per cent. tariff against foreign nations, that tariff did not come into effect so far as the Dominions were concerned until the 15th November. Great Britain had kept her bargaining power very much in reserve but it was none the less very real.

The Prime Minister would have to forego the attitude that there could be no alternative proposition. The last time Great Britain had hinted at a quota she had been told that it could not be entertained. The Prime Minister would have to consider the quota question very carefully and to make sure that the quota was after all going to serve Canada. A further matter he would have to change was legislation with respect to tariff by Order-in-Council. He had already received word from the British Government that it was impossible to make any trade arrangements if the Government was going to retain in its hands the power to change the tariff day by day.

Empire as economic unit.

"My right hon. Friend," continued the Leader of the Opposition, "will also have to change his theory of making Canada a national economic unit—this idea that Canada should be a self-sufficing unit, producing within its own borders everything that it needs. . . The countries of the world are all interdependent, and the economics that are going to suit the present day are those which relate to the interdependence of nations rather than to the idea of single States as international economic units. . . The economic unit idea, as far as Canada is concerned, is linked up with another economic unit idea which the Prime Minister might just as well dismiss as a subject of discussion at the Conference, and that is the conception of the creation of an Imperial economic unit. That is another theory which Imperialists have held for a great many years. . . I think what the Prime Minister has in mind is this very conception of the Empire as an economic unit. That is the significance, I believe, of the 3 per cent. excise tax imposed by the last and present Budget. I think what the Prime Minister is aiming at is to bring into being, when the Conference meets here, with the aid of others . . some kind of an Imperial zollverein whereby there will be imposed as far as the Dominions and Great Britain are concerned . . this 3 per cent. excise tax to unite them all in a manner which will also serve to separate them all from the rest of the world. The effort will be to have a similar tax imposed by Australia, New Zealand, South Africa, Newfoundland, the Irish Free State and Britain, to apply against goods coming in from foreign countries: so far as trade within the Empire is concerned the effort will be to have it agreed that this tax will be wiped out by each part against the others. . . The country will then be told that within the Empire tariffs have been lowered. . .

"If that is his objective," continued Mr. Mackenzie King, "I say that this will raise . . one of the most serious questions ever raised in this country, because along with that idea is associated the conception of some form of fund to be jointly and centrally administered. . . Once an economic unit is established, it is evident that to carry its policies into effect there will have to be something in the nature of a central organisation to administer the affairs of an economic Empire; and the moment centralised policies are discussed there is an immediate return to the political Empire which the Prime Minister says we have now got away from. If we have got away from the political Empire, do not let us attempt at the Conference or in any other way to bring about an Empire that is to be centralised for economic purposes, because that will work just as much injury to the interests of the Empire as the other kind of centralisation. So far as the Empire's interests are concerned they will best be served by allowing each part of the Empire to continue to enjoy complete freedom of fiscal control.

"There is one thing," concluded Mr. Mackenzie King, "to which we will take exception—and to which exception should be taken not only in Canada but in every Dominion and in Great Britain herself—we will take exception to any tariff arrangement which will shackle the freedom of any self-governing Dominion, or of Great Britain herself, in the matter of any trade arrangements which we or they may wish to make with countries outside of the Empire. We will oppose any measure that will bind subsequent Parliaments. . . But short of that . . the Government may rest assured that it will have the support of the Opposition in the furtherance of the largest possible measure of trade between the different parts of the Empire that it can bring about. . . We trust the Conference will mark the beginning of a closer co-operation in many directions among all parts of the Empire, and will point the way to a reduction in tariffs by the other countries of the world and to a beginning, as well, so far as Canada is concerned, of more in the way of trade with all other nations."

Need for tariffs.

The Prime Minister pointed out that almost every country had based its currency upon gold—Great Britain in 1925 and other countries at varying dates. Trade had expanded, according to the figures of the League of Nations, and crude products had increased at the rate of $4\frac{1}{2}$ per cent. per annum. World trade had outrun population—in 1929 the one had increased by 18 per cent. as against an increase in the case of the other of 6 per cent. By 1929 they had reached the peak of the cycle. In America speculation on margins reached a scale almost impossible to express. There was a constant drain on the resources of Europe in order to send money to the great centres of finance in America, and in the end the boom burst. In 1930 there were evidences of the foundations being more firmly established. But then there was an event the significance of which was not always fully realised. It was the passing of Great Britain from the gold standard. The effect of that upon the world was greater than any other single event which confronted them at the time. The Lombard Street system had become known all over the world. To-day, notwithstanding that the pound had not been stabilised, bills were still being drawn upon England from Scandinavia, Central Europe, every part of the world, and the sterling area was being extended because it still represented the medium of exchange with which men were accustomed to deal. What was Canada's position? They were caught in the current. If it had not been for abnormal conditions Canada would have attained that degree of prosperity which it had reached during the years when it had reflected the changed conditions of the world. They had marched forward rapidly. To-day, notwithstanding the greatest depression the world had ever seen, they stood fifth among the exporting countries of the world, being exceeded only by Great Britain, France, Germany and the United States. In 1929 the Dominion had a favourable trade balance of $123,000,000, but by 31st March, 1930, there was an adverse balance of $103,000,000. The cause was the conditions to which he had alluded and the fact that during the period following the War the then Government had lowered the Tariff of the country so that it had become the dumping ground of the other nations. From the end of the War to 1930 every country had raised its tariff barriers, not against Canada alone but against other countries as well, in order that they might build up a favourable trade balance, and not have to borrow money to pay their debts. Mr. Ramsay MacDonald had said: "If you continue thus to buy more than you sell, in the end you will become insolvent just as an individual." That was the position of Canada. The first thing they did was to provide against a continuance of a loss which meant the insolvency of

Canada. No one attempted for a moment to deny that unless some step was taken, disaster was inevitable.

Mr. Mackenzie King: "Is it possible for all countries to have a favourable trade balance at the same time?"

The Prime Minister replied that the real crux of the problem was that if every country imposed tariffs against the other the difficulty to pay obligations due abroad became increasingly great. But they had no power to control the tariff of other parts of the world. If all the countries were unwilling to buy the production of one country, and sought to dump their products on that country, was there a man who would not take the steps necessary to protect his country against them? Where it had been necessary for protecting the industrial life of Canada from being destroyed by the dumping upon their markets of the products of any country at any price, they had taken the proper steps to that end. He only looked upon tariffs as being the instrument that lay at their hand for the purpose of enabling them to accomplish the end indicated. It was a plan that so far as he was concerned and while those conditions obtained, would be the guiding principle in any policy they might place upon their Statute books.

Instead of their having a favourable balance of trade with Great Britain they had just the opposite. The visible balance was favourable, but they owed large sums of money to Great Britain estimated at \$148,000,000. They must have an increasing visible balance to overcome the invisible balance against them. Every lending country should have more imports than exports and every borrowing country should ship out more than it bought. Canada, being a borrowing country, was in the latter position. The United States should be in a different position. But she was not, and that was one of the great factors in the dislocation of world commerce.

It was suggested that they should cut their bonds in two. About \$150,000,000 of these securities changed hands annually through the Department of Finance. They were the recognised security of the country, and to say that the country should repudiate one-half of its obligations, part of which were payable in New York in gold, part in Canada in gold, and the balance in their currency, would be to create a condition that was unthinkable. The Amendment involved results which would be ruinous alike to the credit and future development of the country.

"I went to London," said the Prime Minister in reference to the last Conference, "with a very definite idea in my mind. I gave expression to it and I believed it would be received exactly as it was received. But I said there was a principle that had to be settled first. . . The electors of Great Britain settled it. As soon as they had settled it I invited the representatives of every part of the Empire to come to this city to a Conference. . . It has been suggested that this Government has not been making any active preparation with which to meet the Conference. This Government will discharge its duty to the full in that regard. . . The agenda for this Conference will be prepared . . after we have had what consultation it is possible to have by cable, and if those people who are desirous of attacking any effort which they think redounds to the credit of those making it will bide their peace and wait the event they will discover that this Government is prepared to deal with every problem that will be met with by that Conference in a manner worthy of the Dominion. . . This Party sat in opposition for long years. . . During all that time I kept one constant beacon light before me; I had the firm belief that in such a Conference lies the best assurance of the development of every part of the British Empire and of my own country as well. I deny the right of any man to say that you do not promote the growth and development of the Commonwealth of British nations as you promote the growth and development of that part in which you live. . . We believe that this Empire consists of an aggregation of units; this Commonwealth of Nations not of one but of many, and the development, the prosperity and the wealth of each makes for the advantage of the whole."

At the conclusion of the debate the sub-Amendment was negatived by 178 to 17 votes, and on 27th April the Amendment was negatived by 114 to 66 votes, the main Motion being passed by 108 to 72 votes.

IMMIGRATION.

(Admission of 500 boys to Ontario: Labour protest; Unemployment; Immigration policy; Recent immigration figures; etc.)

On 21st and 22nd April the House of Commons, in Committee of Supply, discussed various items on the Vote for Immigration.

DEBATE IN HOUSE OF COMMONS.

On 21st April,

Mr. J. S. Woodsworth (**Labour**, *Winnipeg N.C., Man.*) asked for a statement with regard to the influx of some 500 boys. Why should they have been admitted under the conditions which existed in Canada?

The Minister of Labour (Hon. W. A. Gordon), in reply, stated that as severe a restriction had been placed upon migrants as had ever been enforced by the Department since he had administered it. These British boys were being brought out at the request of the Province of Ontario. The United Church of Canada had asked for 800, but he had stipulated that the maximum movement should be 500, and it would not reach anything like that number. He was not persuaded at all that Canada was at a point where she could refuse admission to any desirable people, particularly British. Most of the boys were between the ages of 16 and 18.

Mr. Woodsworth thought it a very doubtful policy to permit boys from any other country, Great Britain included, to come to the country to take work from their own Canadian boys.

Mr. E. J. Garland (**Independent**, *Bow River, Alta.*) protested against the bringing in of these boys. In Toronto some 12·5 per cent. of the single unemployed were boys of teen age who had been brought to Canada within the previous few years. That should justify the complete abolition of this policy.

Mr. P. F. Casgrain (**Liberal**, *Charlevoix-Saguenay, Que.*) recalled the promises made by the Government that if they were returned to power they would see that the flow of immigration, which was the cause of the present depression, would be stopped.

Hon. W. D. Euler (**Liberal**, *Waterloo N., Ont.*) said that when men had come to Canada in good faith, perhaps at the invitation of the Government, had taken employment and conducted themselves properly, and when through no fault of their own but because of the depression they lost their employment, as many native-born citizens had done, they should apply the greatest judgment to any proposal that they should be deported.

The Minister of Labour said that he had come to the conclusion that they should take drastic steps to control immigration so that they might attract to Canada those best calculated to build up a strong and virile country. At times men had undoubtedly been induced to come by promises that could not be fulfilled. That was a burden which the Government must assume. But even though they were confronted with a severe depression it would take a great deal of argument to convince him that they should shut the door to migrants from the British Isles who paid their own way. While they encouraged no one to come, there would be no shutting of the door to British immigration. There was no case where deportation had taken place of a desirable citizen simply because he had become a public charge through inability to find employment.

Mr. G. Spotton (**Conservative**, *Huron N., Ont.*) presumed that if it had not been for the 750,000 immigrants brought into the country by the late Government during the last six or eight years they would not have such an unemployment problem to-day. The farmers in his county wanted more of these boys. He could not understand why hon. Gentlemen who were always talking about doing something that might block any arrangement with the Empire at the coming Conference, should a few weeks before it met tell the world that they could not take 500 British boys and assimilate them.

The Minister of Labour, in reply to further questions, stated that the policy of the Department with respect to the union of divided families was first to investigate closely that part of the family residing in Canada. If they found that the person in Canada was acceptable and that the person sought to be brought in would not be a burden upon labour, then an appropriate Order-in-Council was passed.

On 22nd April,

The Minister said that the whole question of State-aided colonisation was an intricate one, and their adventures into that field had not been crowned with the success hoped for.

The total immigration for the 11 months of the fiscal year ending 28th February, 1931, was 85,810, and for the 11 months ending 29th February, 1932, 24,313. In the former period British immigration amounted to 26,951, and in the latter 6,818. The corresponding figures for the United States were 22,877 and 13,394.

Mr. A. W. Neill (**Independent**, *Comox-Alberni, B.C.*) said that it might be gathered that the restriction of immigration was almost complete, but that was very far from being the case. The Government only restricted those from Europe, and practically no restrictions at all had been placed on those from the British Isles. Nevertheless, in view of present conditions they were not entitled to let immigration in at the figures mentioned even from the British Isles. Two years ago what had New Zealand done? Legislation was passed stating that because of the present conditions of unemployment they would not be able to permit any immigrants from the British Isles. That was the attitude they should adopt.

The Minister of Labour stated that of the 27,000 for the 12 months, 21,000 were wives and children coming out to relatives. But before permission was granted it must be abundantly apparent that the man was able to receive his relatives and take care of them.

The only Asiatics permitted to enter were the wives and children under 18 years of age of Asiatics residing in Canada, and who were willing and able to care for them.

NEW ZEALAND TRADE AGREEMENT ACT.

(Grant of Tariff Preferences: form similar to Australian Treaty; Mutual trade interests; Position of agriculturalists; etc.)

On 13th May, Royal Assent was given to an Act bringing into force a Trade Agreement between Canada and New Zealand.

The Agreement provides that whereas the Governments of Canada and New Zealand are desirous of extending the commercial relations between the two countries and affirm the principle of granting tariff preferences to one another, Canada grants (A) to the goods enumerated in Schedule A, being the produce or manufacture of New Zealand, when imported into Canada, the tariff rates indicated therein ; provided that such rates shall in no case be higher than the rates chargeable on similar goods under the British Preferential Tariff of Canada, and (B) to all other goods the benefits of the British Preferential Tariff. The tariff advantages shall only apply to goods imported direct into Canada, except in special cases where goods are shipped from New Zealand to Canada on a through bill of lading and the New Zealand Government certifies that direct shipment of such goods is not reasonably practicable (*Art.* 1).

Article 2 grants similar advantages to the produce and manufactures of Canada enumerated in Schedule B. These advantages shall apply only to goods which, after shipment from Canada, have not entered into the commerce of or been subjected to any process of manufacture in any country the produce or manufactures of which are not entitled to be entered for duty under the British Preferential Tariff.

Goods entitled to entry under Article 1 shall not be subject to Section 6 of the Customs Tariff of Canada unless previous notice has been given by the Government of Canada that the importation of such goods would injuriously affect the producers or manufacturers of similar goods in Canada, and if, at the expiration of 30 days from the date of such notice, remedial measures satisfactory to the Government of Canada are not put into effect by the Government of New Zealand, then the provisions of Section 6 may be applied to such goods. At the option of the Government of Canada any importation thus complained of, other than perishable goods, may be held in bond during the said period of 30 days (*Art.* 4). *Article* 5 makes similar provision in regard to Canadian goods imported into New Zealand.

Subject to the provisions of Articles 4 and 5, nothing in the Agreement shall affect the right of either party to impose any special duty or tax on goods imported into Canada or New Zealand, provided that, except where specially arranged between the Governments, such special duty or tax does not exceed that imposed on similar goods imported from Great Britain (*Art.* 6).

With respect to the goods enumerated in the Schedules, both parties agree not to impose any Customs duty on any such goods admissible free of duty or increase the rate of any Customs duty, except by mutual agreement, until after three months' notice (*Art.* 7).

Canada grants the benefits of the Agreement to Western Samoa, and New Zealand grants to goods imported into Western Samoa from Canada the benefits of the rates of duty for the time being applicable to goods imported from the United Kingdom (*Art.* 8). Similar provision is made in respect to Cook Island (*Art.* 9).

The Agreement is subject to the approval of the respective Parliaments and is to remain in force for one year (*Art.* 10).

DEBATE IN HOUSE OF COMMONS.

On 27th April,

The Minister of Trade and Commerce (Hon. H. H. Stevens) explained that certain minor arrangements had been made between the two Dominions between 1900 and 1925. In 1925 Canada and Australia completed a Trade Agreement, and on 1st October, by Order-in-Council, its provisions were extended to New Zealand. But on 12th April, 1930, notice was given to New Zealand for cancellation to come into effect at the end of six months. The withdrawal from New Zealand of the privileges of the Australian Treaty resulted in New Zealand, on 20th October, 1930, withdrawing the British preference applicable to Canadian motor cars, engines and tyres. On 2nd June, 1931, New Zealand further withdrew the British preferential tariff on all remaining items. This had resulted in a decline of trade. It was expected as a result of the present Treaty that trade would again rapidly increase. The Treaty was of a form similar to that with Australia. The main feature was that each of the Dominions extended to the other the British preferential rate with the exception of the two Schedules, under which each country extended to the other certain rates of duties specified therein. But the main emphasis should be placed upon the fact that the British preferential rate applied to all the other items not specified in the two Schedules.

Articles 4 and 5 suspended the anti-dumping laws of Canada and New Zealand as regarded each other, with this proviso : if one country notified the other of importations of any goods which would prejudicially affect producers or manufacturers of similar goods in the importing country, and remedial measures satisfactory to the importing country were not put into effect by the exporting country within 30 days, then the dumping law of the importing country might be applied. The difference between this procedure and that provided by Article 9 of the Australian Treaty was that the dumping law instead of the general tariff was applied to prevent the importation of goods detrimental to the importing country. Article 7 enabled each contracting party, upon three months' notice to the other, to increase the rate of duty on any goods in the Schedules and in form gave to the Schedules the flexibility which did not exist in the Australian Treaty. In regard to Article 6, the duties or taxes which were imposed must be applied to all countries irrespective of where the goods came from or what the agreements were.

On 29th April, on the Motion for the Second Reading,

The Minister of Trade and Commerce, further explaining the Agreement, stated that it included two principles which were somewhat new to trade agreements. One was in the Australian Agreement. It was a protective clause which permitted the two Governments by mutual agreement to come to an understanding upon any one item that might temporarily cause embarrassment to either country. They thought this a happy addition to trade agreements, and their experience in connection with the Australian Treaty had carried out their expectations in that regard. The other principle, which was not included in the Australian Treaty, was that it was possible for either country to vary the rate of duty on any item in the Schedule upon giving notice to the other contracting party. So that the Treaty was a little more elastic than any treaties which had been entered into by Canada. By this process they hoped that they would be able to avoid the necessity of abandoning a good agreement because of any difference over one or more items.

Their products were more diversified, and in the manufacturing lines more advanced, than those of New Zealand. Consequently they would perhaps profit more by the Treaty in the volume of trade than New Zealand. On the other hand, there were a number of articles in New Zealand of comparatively minor importance, but which they hoped to develop considerably. These were items which did not conflict with the products of Canada, but in relation to which up to the present very little trade had resulted.

In Committee,

Hon. I. A. Mackenzie (Liberal, *Vancouver C., B.C.*) declared that the situation of the dairy farmer and the agriculturalist to-day was infinitely worse although they had had the alleged benefit of the 8 cents tariff since October, 1930. In 1932, after New Zealand very properly had adopted a policy of retaliation, their exports to that country had dropped from over $19,000,000 in 1930 to $3,728,500. These figures formed the most startling figure picture of how the policy of the Government in raising the duty on New Zealand butter to 8 cents a pound had absolutely paralysed their export trade. He commended the Treaty as far as its general principle was concerned, but regretted the undue delay in bringing it before Parliament.

Mr. A. W. Neill (Independent, *Comox-Alberni, B.C.*) pointed out that the difficulty of negotiating a treaty of this kind

was due to the fact that New Zealand, more than any other country, was wholly agricultural and pastoral in its exports, so anything it exported to Canada must come directly in conflict with agriculture in that country. The only three products New Zealand exported which Canada did not produce were rabbits, flax and kauri gum. If the Government were not satisfied with the way goods were coming in they could give 30 days' notice and then apply the dumping duty. Under the Treaty with Australia they did not do that; if the remedial measures were not taken within 3 months the ordinary general tariff applied. The present Treaty gave a man whose goods were on the water at least 30 days in which to have those goods received and sold in Canada, but there was the further clause included:

> At the option of the Government of Canada any importation thus complained of, other than perishable goods, may be held in bond during the said period of 30 days.

That was the objectionable feature. The British Government had already expressed the opinion, in connection with the Conference, that Canada should abandon the system of enforcing the dumping duty overnight, because it led to great uncertainty when a man bought goods and did not know, while they were in transit, what was likely to be done by means of that duty.

The Minister of Trade and Commerce stated, in regard to the wool items, that they remained free as at present. They had decided that until the Imperial Conference was held it was inadvisable to disturb the duty on wool under the British preference, so that New Zealand had the same rate as the British preference. But it was proposed to impose a duty under the intermediate and general tariffs, while the preferential would remain undisturbed until the whole subject was discussed at the Conference.

A large proportion of the automobiles which they would export to New Zealand would come under the 75 per cent. Canadian content class which carried a rate of 20 per cent. in the case of Canada and 40 per cent. in the case of the United States. In the case of the 50 to 75 per cent. Canadian content, they had an advantage as against the United States but some disadvantage as against Great Britain. However, the cars manufactured in Canada were not the type manufactured in Great Britain, and their main competitor was the United States.

Hon. J. Malcolm (Liberal, *Bruce N., Ont.*) pointed out that New Zealand was one of the finest sheep-raising countries in the world; therefore she exported wool and mutton. She raised cattle; therefore she must export hides and beef. She had the finest dairy herds, and therefore all dairy products must be a substantial part of her export trade. No Minister of Trade and Commerce could make a deal with New Zealand without holding out some hope that they would endeavour to take a substantial amount of these products, and no politician need go to the farmers of Canada and tell them that their commodities would not have to compete with those from New Zealand if a satisfactory treaty was arranged. But there was one feature which was helpful, that their respective seasons were opposite to each other. The Minister would be well advised to remove from the Treaty every particle of influence of Order-in-Council legislation, and let the people of New Zealand and Canada know exactly what would be the rates of duty for the period of one year. The Minister had thrown his protective arm around the farmer's wife with a 5 cents tariff on butter, but it did not matter whether the duty was five or ten cents, because they were now on an export basis and it would take a considerable period of prosperity before Canadians would consume all the butter made in the country and be on an import basis. He had left the farmer himself to face the full force of New Zealand competition in wool. He thought the terms in connection with the automobile, lumber and pulp and paper industries very good. In fact, the Treaty was probably as good as could be made.

Mr. G. G. Coote (United Farmers', *Macleod, Alta.*) thought the advantages, as far as New Zealand was concerned, were for the farmers, and, as far as Canada was concerned, for the manufacturers. The concessions given by Canada were at the expense of the farmers. The currency of New Zealand was depreciated 10 per cent. below Great Britain's, and wool would come into Canada at less than the cost of production.

Mr. E. J. Young (Liberal, *Weyburn, Sask.*) suggested that it should be moved that Article 4 do not apply.

The Minister of Trade and Commerce stated that the Article had been drafted by New Zealand and accepted by Canada. The whole theory of the Treaty was that the two countries would carry on their business in an amicable manner with as little interference as possible with any of its terms, but in case such a condition arose it was thought desirable—first in the Australian Treaty, and then the principle was incorporated in this Treaty—not to have the whole Treaty upset because of disputes on one or more items. It must be shown to the satisfaction of the Government that interests in Canada or New Zealand were prejudiced. He was quite certain that no Government would invoke the Article unless there were very sound arguments for so doing. They had found the clause very acceptable in the Australian Treaty, and there had been no difficulty whatever in working it.

Mr. A. Speakman (United Farmers', *Red Deer, Alta.*) asked whether any discussion had taken place in regard to the depreciation of New Zealand's currency and whether there had been any suggestion that it might be necessary to take action with respect to New Zealand as was the case with respect to Great Britain ?

The Minister of Trade and Commerce replied that the exchange situation in New Zealand had obtained for some time, and price levels had risen in substantial measure to a degree commensurate with the depreciation of the currency. There was no occasion for alarm because of the depreciation of New Zealand currency, although they would certainly welcome the time when the currency of the British nations and of other countries might become stabilised.

Mr. Neill asked whether it would not have been better to have the Treaty remain in force until notice of abandonment ?

The Minister of Trade and Commerce said that the suggestion for one year had been made by New Zealand, due to the fact that the Imperial Conference was to be held. It was anticipated that some unforeseen principle might arise out of the Conference which would make it desirable to amend the Articles to conform thereto.

Hon. J. L. Ralston (Liberal, *Shelbourne-Yarmouth, N.S.*) said that 26 items in Schedule A had been reduced for the benefit of New Zealand, so that they were now below the regular British preference rate; and in the case of all items subject to the old Treaty, they were reduced below the old Treaty rate. Only two items had been increased, fresh meat and butter, but both these items were still below the British preference rate. What hole in the fence was New Zealand making ? There was not a single item in Schedule B which was lower than it was under the old Treaty. There was not a single item lower than the British preference. But there were five items increased against Canada to a rate higher than the British preference, which was the rate they got under the old Treaty. They were glad an arrangement had been made with the sister Dominion, but they ought not to be too sanguine about the result.

During Committee the items were agreed to, and at the close of the discussion the Bill was reported.

TRADE WITH RUSSIA.

(Shipments of wheat; Denial of negotiation for trade agreement.)

On 16th May, in the House of Commons, on the Orders of the Day,

Mr. J. S. Woodsworth (Labour, *Winnipeg N.C., Man.*)

asked for information with regard to the shipments of wheat from Vancouver to Vladivostok; was this wheat being paid for in goods or in gold?

The Minister of Trade and Commerce (Hon. H. H. Stevens), in reply, stated that he did not know how this wheat was to be paid for. Certain grain traders had sold wheat for export to Vladivostok, presumably to replace wheat in the northern section of Russia which had been marketed in excess of what they were warranted in doing. This wheat was to be used partly for seed purposes and partly for food. The whole matter was a trade arrangement between private traders and the Russian authorities.

On 20th May,

The Prime Minister (Rt. Hon. R. B. Bennett) stated that he had been advised that there had appeared in one of the leading United States' papers the statement that negotiations looking to a trade agreement between Russia and Canada were under way, and that it was anticipated they would be successfully concluded before the meeting of the Imperial Conference. No negotiations of any kind whatever had been, or were intended to be, initiated.

AGRICULTURE.

(Importance of British markets; Wheat production; Freight rates; Dairy produce; Organisation of production; Ottawa Conference and agriculture; Currency and exchange; etc.)

On 10th May and subsequent dates the House of Commons, in Committee of Supply, discussed various items in connection with Agriculture.

DEBATE IN HOUSE OF COMMONS.

Mr. J. L. Brown (Liberal, *Lisgar, Man.*) observed that there was a total reduction in the Estimates for Agriculture of $3,297,471.74. Since they could only hope for a restoration of favourable economic conditions by the rehabilitation of agriculture, it was false economy to make such drastic cuts. It was a mystery why men should persist in advocating a bonus on wheat and yet stand for high tariffs on everything the farmer bought.

The Minister of Agriculture (Hon. R. Weir) said that difficult as was the problem in 1929, due to the fact that the tariff barriers had been raised so high against the entry of their farm products into the United States, they found themselves confronted with another problem that was almost more

difficult, that of marketing through their eastern and western gangways. They must meet the question: what could they produce to the best advantage to compete with similar products on the European market? Because that was practically the only market that was left them, especially the British market. First, they had to consider the long freight haul. Then, due to their short summers the cost on certain types of farming was very much increased and seriously handicapped their farmers in competing in the world's market with the farmers of other nations. They must also take into consideration the products which they could produce in sufficient quantities so that once they obtained a foothold on the British market they could ensure a uniform continuity of supply of such high quality as would enable them to compete with the products of other countries. They could produce one product that could not be equalled by any other country—wheat. He thought they could produce wheat as cheaply as other countries, but they still had a big handicap because of their freight rates. In butter it had been proved that they could not compete with New Zealand or Australia as far as quality was concerned. However, there was another dairy product they could sell in the Old Country at a premium—cheese. In Australia they had set up a fund to be used by their Export Board to absorb a certain amount of the loss on each pound of butter exported. The scheme had worked very successfully in keeping the price of Australian butter higher than the world price. Although there might be some benefit in having a board set up before the Imperial Conference, there would be an advantage in not setting it up until they had had the benefit of the discussions which would take place and until they had seen the effect they might have on their relationships with other parts of the Empire.

Mr. E. J. Garland (Independent, *Bow River, Alta.*) would have liked to see their external trade handled entirely by import and export boards. Sooner or later they would have conditions that would compel them to adopt a policy of that kind. They would enter the Conference in a much stronger position if they had a marketing board.

The Minister of Agriculture said that one of the questions that would doubtless come up at the Conference was the problem of the various countries putting their goods on the market of the United Kingdom with a bonus, or supported by an artificial levy.

Mr. J. Vallance (Liberal, *Battleford S., Sask.*) declared that if they created a marketing board that operated on the principle of the Patterson Scheme, they would find every country applying dumping duties to prevent them doing the very thing they proposed.

On 13th May,

Mr. G. G. Coote (**United Farmers'**, *Macleod, Alta.*) said that in any of the basic lines the farmer's produce was selling at less than the cost of production. Farmers were selling as unorganised individuals to a highly organised world, and they bought as unorganised individuals from a highly organised world. The immigration policy of all Governments in the past had been the bringing into Canada of more farmers to compete with those already there. There was only one solution for the farmer's problem, and that was to raise price levels. If that was not done, his debts must be wiped out either in whole or in part. Another difficulty was that he sold at free trade prices, while he bought at protected prices. The price which the farmer received was fixed by the price their commodities would bring in England. If he wished to bring back goods from England he must pay high tariff charges, excise tax, sales tax and dumping duty, owing to the fact that the Department of Customs valued the pound for duty purposes at \$4.40. The first remedy should be to bring the dollar to par with the pound. Surely the British pound was good enough for Canada to tie her currency to. If their currency were at par with the pound, the average steer which they shipped to England would bring them an extra \$10. In meats they competed with Ireland and Denmark, but these farmers had a distinct advantage. If they attempted to ship chilled beef, they competed with Argentina and Australia, and a steer which would sell at £10 in Liverpool would bring the Canadian producer \$41 while it would yield the producer in Argentina or Australia the equivalent of \$60.

They paid their bills in the United States by exporting goods to foreign countries and selling foreign exchange to the United States. It would not make the problem of meeting their foreign obligations one bit more difficult to have their dollar at a discount of 30 per cent., instead of 10 per cent. as at present. When artificial action was taken to hold down the price of exchange, and hold up their dollar in the United States, it was equivalent to taking a forced contribution from their exporters. New Zealand had depreciated her currency, and the farmer was 25 to 30 per cent. better off than the farmer of Canada.

Mr. Garland said that if the Imperial Conference was to be a factor in the future prosperity of agriculture, it must entail a definite organisation of agricultural production. The proposed British quota system might increase slightly the wheat acreage in England, but could be of no permanent advantage to the Canadian farmer who raised more grain for export than the entire British market could absorb, and the only result might be the antagonising of other markets. A speech of the Prime Minister of Great Britain in 1930 confirmed earlier announcements that the Government's agricultural policy, which was then taking final shape, would contain important provisions concerned with better marketing through co-operative organisations. If one needed indication of the necessity for something of this kind, it was to be found in the present cattle situation. Up to a few months ago the live stock surplus in Canada was passing to Great Britain through the Canadian Live Stock Pool, whose contract with the Co-operative Wholesale Society made this possible. Unfortunately so far as the Canadian Pool was concerned this plan commenced in the middle of a good season, and shortly afterwards Great Britain went off the gold standard. The result was that on all their shipments they were losing \$10 a head.

On 18th May,

Hon. J. Malcolm (**Liberal**, *Bruce N., Ont.*) said that with regard to the Patterson Scheme in Australia—which he had no doubt someone was pressing the Minister to inaugurate—Canada did not permit dumping and ruled against Australian butter. Did Australia benefit in the British market with her butter? Did the Patterson Scheme help her? No. New Zealand and Denmark met the very low price at which Australia was exporting her butter resulting from the bonus payment. He doubted very much whether the price was not driven down 2 or 3 cents on the British market by virtue of the Patterson Scheme.

RADIO BROADCASTING ACT.

On 9th May, the Report of the Special Committee appointed to study the problem of instituting a Canadian system of radio broadcasting was presented to the House of Commons, and on 26th May an Act incorporating the Committee's recommendations received the Royal Assent. The following were among the more important recommendations:—

A chain of high-power national stations, operating on clear channels, located at suitable intervals; the cost of radio to be self-sustaining and only money available from licence fees and advertising to be expended; the appointment of a Commission of three, with an assistant commissioner in each Province; the Commission to be vested with, *inter alia*, powers to regulate and control all broadcasting, including programmes and advertising; to own, build and operate transmitting and receiving stations; to determine the number, location and power of all broadcasting stations; to prohibit the establishment of privately operated chains of stations. It is also recommended that one of the first duties of the Commission should be the establishment of trans-Canada chain broadcasting through the securing of the necessary landlines as soon as possible; that a nationally owned system of radio broadcasting be instituted; that all stations 100 watt and under, not required for the national system, remain under private ownership, but be regulated as to programmes and advertising by the rules of the Commission; that advertising be limited to not more than 5 per cent. of each programme period; that the developing of Canadian art and artists, and the securing of outstanding programmes from outside of Canada, be encouraged. Attention is called to the extreme importance that the Commission should not assume, or even be suspected of assuming, a political complexion.

DEBATE IN HOUSE OF COMMONS.

The Prime Minister (Rt. Hon. R. B. Bennett) stated that one of the outstanding difficulties in the establishment of a national system of broadcasting was that of co-ordinating the channels to be used by neighbouring countries. Because of Canada's proximity to the United States, where a highly developed system of broadcasting prevailed, this question of co-ordination and adjustment became one of peculiar importance. He had been asked to ascertain from the United States' Government if it were prepared to make such adjustments of channels in the broadcast band as would ensure the effective operation of the scheme. The note from the United States manifested a friendly desire to facilitate the effective development of the national project recommended by the Committee.

On 11th May,

Hon. R. D. Morand (Conservative, *Essex E., Ont.*), moving concurrence in the Report, said that radio was a weapon which if used in a destructive way could do a great deal of harm, or if well used could help to build culture and civilisation. Their references were very definite. They were asked first to study the Aird Report. In 1929 a Commission had been appointed which travelled through Canada, the United States and Europe making a study of radio, and a Report had been made that year. Their second instruction was to provide a technical scheme that would give Canada the type of broadcasting to which she was entitled. Up to the present they had been using a certain number of channels not in use in the United States, by word of mouth agreement. These channels were really shared and not clear channels for Canada. Under the proposed Agreement they had increased by 80 per cent. the number of clear channels and had now sufficient high-power channels to set up a thoroughly satisfactory trans-Canada chain. Care had been taken to see that both geographically and in so far as their relative positions in the spectrum were concerned these channels were as far removed as possible from powerful United States' stations. The Agreement definitely established a basis for the division of channels between Canada and the United States, should future radio conferences increase the number of frequencies allotted for broadcast purposes. Advertising was one of the primary factors in radio broadcasts in the United States. In England it was not permitted. But because they were in such close apposition to the United States it was felt that advertising should be permitted to a limited extent.

Hon. W. D. Euler (Liberal, *Waterloo N., Ont.*) stated that the Committee were opposed to private monopoly. They had recognised—and it was what they were trying to avoid in the presentation of the Report—that present conditions might so develop that outsiders might acquire control of radio broadcasting.

After further explanation the Report was concurred in, and on 16th May the Prime Minister moved the First Reading of a Bill embodying the recommendations of the Committee.

On 18th May, on the motion for the Second Reading,

The Prime Minister explained that in a general way the Bill followed the Committee's Report and was based upon principles which the Government believed should be adopted, because they fulfilled two essential requirements without which radio broadcasting in Canada must fail in service to the people. First, the country must be assured of complete Canadian control of broadcasting from Canadian sources, free from foreign interference or influence. Further, radio broadcasting, controlled and operated in this way, could serve as a dependable link in a chain of Empire communications by which they might be more closely united. Secondly, no other scheme than that of public ownership could ensure to the people equal enjoyment of the benefits of broadcasting. Equality of service was assured by the plan which called for a chain of high-power stations, and the particular requirements of any community might be met by the installation of low-power stations by means of which local broadcasting service might be obtained. Operation under the technical plan covered by the Bill had been made possible by an arrangement with the United States, by which the necessary channels when required would be available for effective domestic use. Thirdly, the use of the air, or the air itself, that lay over the soil of Canada was a natural resource over which they had complete jurisdiction under the recent decision of the Privy Council. He did not think that any Government would be warranted in leaving the air to private exploitation.

After further discussion in Committee the Bill was read a third time and passed on 24th May.

AUSTRALIA.

Commonwealth.

The following summary deals with proceedings of the First Session of the Thirteenth Parliament which began on 17th February, 1932, and is in continuation of the summary given in the last issue of the JOURNAL.

DISARMAMENT CONFERENCE.

(Attitude of Australia.)

On 3rd May, in the House of Representatives,

The Assistant Treasurer (Rt. Hon. S. M. Bruce), in the course of a statement in regard to the Disarmament Conference, said that a good deal of misunderstanding had been caused by the report of the speech made at Geneva by the Commonwealth Attorney-General (Mr. Latham), the Australian Delegate to the Conference. Before speaking about battleships Mr. Latham had announced, without reservation, Australia's support of the general idea of the progressive and immediate reduction of armaments, but having dealt with the broad and general question, he directed his attention to the specific proposals relating to the armaments that were "of most specifically offensive" character. It was in that connection that Mr. Latham had touched upon the subject of battleships. His first argument had been that battleships were not peculiarly of that type, but should be placed fairly low down in the list of armaments which it was imperative and desirable to abolish. He had put the whole case as he saw it from that angle; yet, at the same time, he had stated that Australia wholly subscribed to the view that the number and size of battleships should be progressively reduced.

Rt. Hon. J. H. Scullin (Leader of the Opposition) suggested that the Government should endeavour to obtain the full text of the speech and publish it, because there was not the slightest doubt that the cabled message, which had been published in the principal newspapers, conveyed the impression that Mr. Latham's only statement on behalf of Australia had been a plea for the retention of capital ships, and nothing else. If that were so, Australia would have been misrepresented. He was glad to hear that the Attorney-General had put forward a plea for substantial and progressive disarmament.

IMPERIAL ECONOMIC CONFERENCE.

(Financial questions.)

On 11th May, in the House of Representatives,

Mr. T. W. White (United Australia Party, *Balaclava*) asked whether the Government would include a recognised financial authority in the Delegation which was being sent to Ottawa?*

The Assistant Treasurer (Rt. Hon. S. M. Bruce) replied that the subject of exchanges, and the position of gold and sterling, were probably of greater importance than anything else which could be discussed at the Ottawa Conference. The Government sincerely hoped that these questions would be discussed at the Conference, and they were now in communication with the British Government in regard to the matter.

CUSTOMS BILL.

(Application of preferential tariff.)

A Bill to amend the Customs Act was introduced in the Senate on 28th April. The Bill was in the Committee stage in the Senate at the date of the last "*Hansard*" to hand.

The main provisions of the Bill, which relate to the application of the preferential tariff to British goods, were explained by the Minister in his speech on the motion for the Second Reading.

DEBATE IN THE SENATE.

On 29th April,

Senator the Hon. W. Massy Greene (Assistant Minister), in moving the Second Reading, said many difficulties had arisen from time to time in giving effect to the intention of Parliament with regard to preference to goods of British manufacture.

Senator the Hon. J. M. Payne (*Tas.*): "Is it the intention of the Government to give a real preference to genuine British goods?"

Senator Greene, in reply, said that intention ran through the tariff now. In the tariff schedule would be found about

* It has since been announced that Mr. Riddle, the Manager, and Professor Melville, Economic Adviser to the Commonwealth Bank, will accompany the Australian Delegation in an advisory capacity.

150 items and sub-items under which British goods entered absolutely free of duty, while similar goods made in other countries bore duties as high as 25 per cent. In all but five of those items the lowest preference in favour of British goods was 15 per cent.

The new provisions.

In explanation of the Bill, Senator Greene said that Section 151A had been added to the Act in 1925 with the object of defining the lines on which goods would or would not be regarded as of United Kingdom origin for the purposes of preference. Its wording was too restrictive and rigid. Manufacturers in the United Kingdom experienced great difficulty in determining whether or not their goods were entitled to preferential rates, particularly if any part of the material used was foreign. A number of cases had occurred in which anomalies had arisen. The proposed Amendments to the Section would rectify these anomalies.

A new feature.

A new feature introduced in the Bill related to goods of a class not made in Australia which were admitted at preferential rates when 25 per cent. of their value consisted of United Kingdom labour and material. It was proposed that where the Minister was satisfied that it was desirable in respect of any particular goods that 50 per cent. should be substituted for 25 per cent., he might determine accordingly. Some manufacturers limited the value of the United Kingdom labour and material to a minimum to qualify for preference. This operated to the disadvantage of other manufacturers who genuinely complied with the spirit of preference.

British films.

Special provision was made in regard to British films. A film might owing to location of the story need to be photographed outside the United Kingdom, thus technically disqualifying it for admission at preferential rates. Provision was made for admission as the manufacture of the United Kingdom of films, which, under British law, were registered as British films.

Senator Greene added that the Section, as amended in the directions indicated, would dispose of the difficulties which had been found to hinder the equitable application of the preferential duties. It would, in particular, result in the list of goods from the United Kingdom which might qualify for preference being substantially expanded.

(*Progress will be reported in future issues of the* JOURNAL.)

EMPIRE SHIPPING.

(United States' competition.)

On 10th May, in the House of Representatives,

Mr. W. M. Nairn (United Australia Party, ***Perth*****)** asked the Prime Minister whether he regarded the advent of the subsidised Matson shipping line as a challenge to British and Australian shipping and an attempt to divert Australian traffic through America? Was the Government taking any action in consonance with the legislation passed in New Zealand* to empower that Dominion to co-operate with other Governments in the protection of Empire shipping? What steps, if any, did the Government propose to take to impose against the American line at least the same restrictions as were imposed by the United States of America against British and Australasian ships trading in American waters?

The Prime Minister (Rt. Hon. J. A. Lyons), in reply, said that he was unable to express an opinion on the first part of the question, but the whole matter was engaging the earnest attention of the Government, which was in communication with the British and New Zealand Governments in reference to the matters involved.

IMMIGRATION BILL.

(Deportation of undesirable immigrants.)

The object of this Bill is to amend the Immigration Act in certain respects. It was introduced in the Senate on 28th April, and was finally passed by the House of Representatives on 24th May.

The main provisions were outlined by the Minister in his speech on the Second Reading of the Bill.

DEBATE IN THE SENATE.

On 29th April,

The Minister for Defence (Senator the Rt. Hon. Sir George Pearce), in moving the Second Reading of the Bill, said the principal object of the Measure was to extend, within reasonable limits, the powers of the Commonwealth Government to deport undesirable immigrants. If persons who had been admitted to the country subsequently resorted to disloyal, seditious or criminal actions, the Government should have the power to send them back to the countries from which they had come.

Senator the Hon. J. Barnes (Leader of the Opposition): "Have we not that power now?"

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* *Vide* JOURNAL, Vol. XIII., No. 2, p. 459.

The Minister for Defence : " We have it in a very limited form." With regard to persons who had entered the Commonwealth illegally, the Government was not limited as to the time within which action could be taken to deport them; but in the case of those who had been permitted to land and had subsequently become a burden on the community or had proved undesirable, it was necessary to take action against them within three years after their arrival. It was proposed that the three-year period should be extended to five years.

Dictation test abolished.

Another important Amendment was that any aliens who, on demand by an officer, failed to satisfy him that they were holders of landing permits, or that their admission had been authorised by the Minister, might be prevented from landing. Experience had shown that the best method of control was to require any alien who wished to settle in Australia to obtain a permit to enter. This afforded the Minister an opportunity to see whether authority might safely be given without the migrants proving competitors in the labour market. At present if an alien came along who was not eligible for admission under the present conditions, it was necessary to subject him to a dictation test in some language with which he was not acquainted before he could be formally restricted. This course was not altogether desirable. The requirement of a permit was much simpler, and quite reasonable. It was not intended that any difficulties should be placed in the way of temporary admission of *boná fide* tourists and commercial visitors.

Undesirable immigrants.

The Minister added that the purport of the other Amendments was to tighten up the provisions that enabled them to deal with undesirable persons in the Commonwealth. These provisions, in conjunction with those that would be embodied in another Measure* would afford the Commonwealth better protection against certain undesirable features in the body politic, which had been asserting themselves within the last few months.

On 3rd May,

Senator Barnes said the Bill made very drastic alterations of the existing law. He directed attention to the very wide powers which it proposed to place in the hands of the Minister, even to the extent of empowering him to interfere with a person's liberty. It was proposed to abolish the dictation test under which it had been possible for the Administration to do almost anything it wished to keep out undesirable aliens.

* *Vide* p. 687, "Crimes Bill."

He knew of no case in which it had proved to be ineffective. The extension of the period during which an immigrant might be deported to five years would require some justification. If an immigrant conducted himself properly for a period of three years, he should be entitled to citizenship rights.

The Minister for Defence : " The period has been extended to bring it into line with the probationary period before a certificate of naturalisation is issued to a foreigner."

CRIMES BILL.

(Unlawful associations; Deportation of undesirables.)

This Bill to amend the Crimes Act* was introduced in the Senate on 28th April, and was finally passed by the House of Representatives on 24th May.

The following are the main provisions :—

The Minister is given power to direct that any member of an unlawful association may be deported from Australia.

Authority is given for the High Court or the Supreme Court of a State to declare any organisation of persons an unlawful association.

The Attorney-General may demand documents and information relating to offences under the Act.

The Postmaster-General may reject newspapers and cancel broadcasting licences concerned in the activities of unlawful associations.

Members of an unlawful association may be disqualified from voting.

Police officers are given authority to arrest, without warrant, or search any vehicle, vessel or building if they believe that a person liable to deportation is present.

DEBATE IN THE SENATE.

On 5th May,

The Vice-President of the Executive Council (Senator the Hon. A. J. McLachlan), in moving the Second Reading, said that the existing law created offences and disabilities in relation to unlawful associations and membership thereof, but did not provide machinery for securing an express declaration by competent authority as to whether or not any particular body was an unlawful association. One of the purposes of the Bill was to enable declarations to be obtained from the High Court or the Supreme Court of a State that a particular body of persons was an unlawful association. Once the unlawful character of an association had been established, the offence and disabilities connected with the membership, property, and propaganda of that association might be readily enforced.

* *Vide* JOURNAL, Vol. VII., No. 2, p. 340.

Deportation.

Power was taken to deport members of unlawful associations and persons who committed seditious offences, or who took part in or encouraged industrial disturbances. That power was not limited by the fact of a person not being a migrant; its application was general, provided the person concerned was not born in Australia.

Communist activities.

Senator McLachlan added that the danger to the body politic was to be feared, not from the Communist Party directly but from various other organisations, dissociated in name, but in reality directing Communist activities in the Commonwealth. Friends of the Soviet Union, the League against Imperialism, and several other bodies really directed Communistic activities, while pretending to be dissociated from them. They advocated the same vicious principles as the Communist Party, and against them this legislation was directed.

On 17th May,

Senator the Hon. J. Barnes (Leader of the Opposition) said that while criticising certain features of this Measure, the Opposition (Labour) would accord to the Government all the support that was necessary to maintain law, order and good government. The Party he led in the Senate had always stood for the maintenance of law and order and had never had any sympathy with Communism or any other "ism" whose object was the destruction of everything that they valued in their social structure.

They [the Opposition] were the more determined to stand behind the Government in this matter for the reason that the Labour Party at all times had been the worst sufferer because of the existence in their midst of the so-called Communist Party. That was particularly the case on the eve of a general election, when the statement was made from every platform, and by the whole of the Press, that the Labour Party was allied to the "Red" element. The (recent) attack on the Labour leader in Victoria (by Communists), and the fact that at the elections the Communists always advised their supporters to give their last preferences to Labour candidates, went to show that in the past the Labour Party had been charged falsely and maliciously with having been hand and glove with this element. Nationalist Governments had been responsible for flooding the Commonwealth with this element. Had Labour been in office from the inception of federation, their immigration law would have been so strictly drafted, and so closely administered, that it would have been impossible for these people to get into this country, and they should not now be put to the trouble of making provision to deport them.

FINANCIAL AGREEMENTS ENFORCEMENT ACT.

(New South Wales default.)

This Act was assented to on 29th April. It is the first of three Acts passed in quick succession to amend the Financial Agreements Enforcement Act,* all of which make further provision to enable the Commonwealth Government to exercise its powers of legislation to enforce the carrying out of the Financial Agreements between the Commonwealth and States.

Under the original Act it was doubtful if Parliament could by Resolution specify any new class of revenue of a defaulting State for seizure except upon the issue of an entirely fresh certificate of the Auditor-General. The Act under review provides *inter alia* that after any Resolution has been passed by both Houses, each House may, at any time and from time to time, pass a further Resolution specifying any additional class of State revenue to be attached.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 27th April,

The Prime Minister (Rt. Hon. J. A. Lyons), in moving the Second Reading of the Bill, said the introduction of this Measure was the taking of another step towards the recovery by the Commonwealth Government from the Government of New South Wales, of moneys that had been paid by the Commonwealth on behalf of the State.

New South Wales default.

When the Financial Agreements Enforcement Bill was under consideration the New South Wales Government had defaulted only in respect of external interest payments; but since then it had defaulted also in regard to internal interest payments. Although the validity of the Act had been upheld,† the Premier of New South Wales [Mr. Lang] and his Government had continued to default and to resist the efforts of the Commonwealth Government to recover from State revenues the amount which the Commonwealth had paid on behalf of New South Wales in respect of its default. If the State continued to default in its internal and external interest

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 447.
† *Vide* JOURNAL, Vol. XIII., No. 2, p. 451.

payments until the 30th June, the gross amount of its default would be £7,200,000.

The action of the New South Wales Government was a definite menace to the financial stability and solvency, not only of New South Wales, but of every State in the Commonwealth. The actions of Mr. Lang and his Government were also destroying the credit of the country overseas at a time when it was essential that they should maintain their credit.

A sense of duty to the taxpayers of the Commonwealth had actuated the Government in proceeding to recover for them the money it had expended on behalf of the taxpayers of one State. Having taken the first step, the Government in this Measure now proceeded to take another step, and it would see this matter through until finality had been reached. This legislation would make it possible for the Commonwealth Government to do certain things it had set out to do; it would also remove certain doubts which had arisen regarding the existing legislation.

Attitude of the Opposition.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said the Government and the Party he had led, with one or two exceptions, had opposed the policy laid down by Mr. Lang, and they had never swerved from the attitude they had then taken up. It was not now a question of their antipathy to a declared policy of repudiation. The issue between the Opposition and the Government was one as to methods, and he still disapproved of the methods adopted by the present Government. The feeling had been created in the country that two Governments, with great and equal powers, each commanding powers of force, were at loggerheads, and there was sound reason for the belief that the feud was actuated on both sides by bitter political hatred. He looked with apprehension on what was taking place in New South Wales. He did not excuse that Government for failing to meet its obligations. But over 400,000 men were out of work. They were living in an age when the Governments of practically every country regarded it as their first responsibility to refrain from doing anything that might create disturbances and precipitate disaster. They had been particularly fortunate in Australia in avoiding trouble of that kind. But he did not like what was happening in New South Wales.

Had the Commonwealth Government in the early stages adopted a more reasonable attitude it would probably have obtained more money to meet obligations it had incurred on behalf of the States than it was likely to get by proceeding along the lines proposed.

Reduction of interest rates.

Dr. the Rt. Hon. Earle Page (Leader of the Country Party) said that Mr. Lang had said that he desired to bring about a reduction of interest, especially on debts owed overseas. He [Dr. Earle Page] was satisfied that Mr. Lang, by his actions, was preventing that restoration of confidence which was absolutely necessary if they were to effect a big consolidation of this overseas debt that carried *a high rate* of interest. Had there been no talk of repudiation by the Government of New South Wales he was confident that by now their interest rate would have been reduced by 1 per cent. or 1½ per cent. on that portion of their debt which carried a high rate of interest.

Mr. Lang's policy.

Mr. R. James (State Labour, *Hunter***)** said Mr. Lang was merely expressing the will of the people of New South Wales and conserving their interests when he declared that those who were unemployed and in need of the necessaries of life should be fed before interest was paid to overseas bondholders. Mr. Lang did not desire to repudiate; on the contrary, he had instructed Mr. Willis, the Agent-General for New South Wales, to negotiate in London for the suspension of interest payments.

Overseas debt.

The Assistant Treasurer (Rt. Hon. S. M. Bruce) said there was considerable misunderstanding about the rates of interest charged on Australia's indebtedness. Their total external indebtedness was just short of £600,000,000. Of that they had borrowed £97,000,000 at rates less than 4 per cent.; £166,000,000 at 4 per cent., or under 5 per cent.; £237,000,000 at 5 per cent., and £98,000,000 at over 5 per cent. It was only in respect of those securities bearing the higher rates of interest that they could expect to negotiate profitable conversions.

Prospects of conversion.

It was only with high credit that they could get low rates. The £13,000,000 loan which fell due in November, 1932, represented only a small portion of the vast sum, amounting to hundreds of millions of pounds, that must be converted or paid off within the next few years. Unless they went forward in a determined manner to re-establish their credit abroad they would find when the time came to convert other securities that their interest burden, far from being lightened, would become even heavier than it was to-day. Therefore, the Government intended to press forward with its action under the Financial Agreements Enforcement Act.

FINANCIAL EMERGENCY (STATE LEGISLATION) ACT.

(Invalidating New South Wales legislation.)

The Bill for this Act, which was declared an urgent measure, was introduced into and passed through both Houses on 13th May.

The Act provides for the peace, order and good government of the Commonwealth with respect to taxation, insurance, banking, foreign corporations and trading or financial corporations formed within the Commonwealth; and its object is to prevent from becoming law the Bill [Mortgages Taxation Bill] passed by the New South Wales Parliament on 12th May, providing for a tax of 10 per cent. on the amount secured on every mortgage existing in New South Wales.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 13th May,

The Prime Minister (Rt. Hon. J. A. Lyons), in moving the Second Reading of the Bill, said that the Government of New South Wales did not really believe that it would be able to collect this revenue, because it must know that it was impossible for the taxpayers to find the money demanded. The attempt to collect the money would bring about the destruction of their financial institutions, of their economic and political organisations, and even of the very social order that existed in Australia at the present time.

Raiding people's savings.

The New South Wales legislation could best be described as a raid on the savings of the people. Everything that had been achieved in the direction of developing their industries had been done out of the accumulated savings of the people, properly invested. The banks, insurance companies, building societies, and trustee companies of Australia were no more than the repositories of savings almost entirely made by the people of Australia. The advances made by the trading banks in New South Wales totalled £98,000,000. The amount invested by life insurance corporations in land mortgages in Australia was £35,000,000, and whereas only about one-third of the policy-holders were in New South Wales, four-sevenths of the money lent in connection with mortgages of land had been advanced in New South Wales.

Confiscation.

This State legislation amounted to confiscation of the funds of the life insurance societies, and of the other organisations that collected the savings of the people and made use

of them in the development of the country. All the States were involved in this plan of destruction. But they were unable to protect themselves against this man (Mr. Lang) and his Government, so that the responsibility devolved upon the Commonwealth Parliament to protect the States which could not protect themselves. The proposal of the Government of New South Wales was to collect 10 per cent. of the value of the mortgages, and to enforce a penalty of 10 per cent. per annum for any delay, with a final drastic provision to seize the mortgage altogether. The legislation the Commonwealth Government was submitting had the effect of declaring that of the Government of New South Wales on this subject invalid. Its whole object was to prevent that legislation from becoming operative, and to prevent the Government of New South Wales from imposing anything in the nature of a capital levy.

Opposition view.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said he had not seen the Bill that had been passed by the Government of New South Wales. From what he had read in the Press, he had not one word of commendation for it. It was desperate, blundering, inequitable legislation. He had never been able to support any legislation providing for capital levies, because, ultimately, the money must come from the incomes of the people. A capital levy of 10 per cent. was a tax of 140 per cent. to 200 per cent. in one year on the taxpayer's income. Since they could not take more than 100 per cent. of anyone's income, such a tax was not practicable. Nor was it just. He did not think the Government of New South Wales could force its legislation. He regarded it as only so much bluff.

Unification advocated.

If this (Commonwealth) legislation was constitutional, then this Bill meant unification. If they took from the States the right to control their finances, they took from them their greatest power. He did not object to unification. Indeed, he suggested that the time had arrived when they should go straight for unification. The people should be approached by referendum to say whether they were prepared to give complete control of the country to the Commonwealth Parliament. If the people agreed, they should then have no further enforcement Acts, or other intrusions on the sovereign rights of the States. If it could be shown that in this Bill the Commonwealth was acting within its constitutional rights in order to protect the people of the Commonwealth from unjust impositions, he was prepared to consider legislation to that end; but he should not vote blindly on a Bill which he had not had time to read or study.

standard. That legislation had given the Commonwealth Bank complete control of all gold. The Bank had also been relieved of the obligation to hold gold against notes, for although notes were still redeemable in gold, anyone who presented notes for gold could have the gold requisitioned immediately. The gold was, therefore, now valuable only to meet overseas obligations when such obligations could not be met by surplus exports or other means. Such resources were just as effective to meet these obligations if held in British securities as if held in gold. Therefore, the gold which they held now could be sold and the proceeds invested. Instead of it being a dead asset it could be earning interest which could be used in part to meet their overseas obligations. This policy was sound and sensible, and should have been put into operation long ago. It was sheer waste to have large amounts of gold held sterile in the vaults of banks when they were straining every nerve to meet their national obligations.

AUSTRALIAN BROADCASTING COMMISSION ACT.

(National control of broadcasting.)

This Act was assented to on 17th May.

The provisions were explained by the Minister in his speech on the Motion for the Second Reading of the Bill.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 9th March,

The Postmaster-General (Hon. J. E. Fenton), in moving the Second Reading, said the system of control proposed was, as near as practicable, that which was in operation in Great Britain. It was intended to introduce the Commission system of broadcasting control. The Bill provided for the appointment of a Commission of five members. The Chairman was to receive £500 per annum, the Vice-Chairman £400, and the other Commissioners £300 each. If they were to set out to obtain the whole time services of first-class business men, they should have to pay large salaries. The Government felt that it should embark upon this new era of broadcasting carefully.

Functions of Commission.

The Commission would be expected to "undertake the provision and rendition of adequate and comprehensive programmes." The care of the technical side of broadcasting would remain the responsibility of the Postmaster-General's Department. The Commission would appoint a general manager and such other officers as it thought necessary.

Licence fees.

It was proposed that 12s. of the licence fee should be made available to the Broadcasting Commission. Of the remaining 12s., 3s. would be set aside for patent rights, and 9s. would be taken by the Government.

Opposition support.

Hon. A. Green (Labour, ***Kalgoorlie*****)** said the Postmaster-General had been generous enough to admit that this Bill followed very closely the draft which he (Mr. Green)* was about to present to Parliament prior to the General Election. The Scullin Government had proposed to pay the Chairman of the Commission £1,500 per annum. They had had in mind the appointment of a Commissioner who would devote the whole of his time to national broadcasting and, in addition, be a direct liaison with other members of the Commission.

Ministerial control.

The Bill had been tightened up by placing upon the Commission the obligation to refer certain matters to the Minister. He trusted that the Government would exercise proper control without hampering the Commission with red tape. An important provision gave power to the Minister to prohibit the Commission from broadcasting any matter. If that power was used wisely it would be beneficial; if unwisely used, it would prove disastrous.

In the Senate the Bill was amended, *inter alia*, by the insertion of a new Clause empowering the Commission to determine to what extent and in what manner political speeches may be broadcast. This Amendment was accepted by the House of Representatives; the Postmaster-General (Mr. Fenton) in moving its adoption, said that it would remove from the Ministry the responsibility of determining whether this or that political speech should be broadcast. It was in accordance with the practice of the British Broadcasting Corporation.

LOAN (UNEMPLOYMENT RELIEF WORKS) ACT.

(Reproductive works; No sustenance; Loan expenditure.)

This Act was assented to on 11th May, 1932. Its object is to authorise the raising and expenditure of £1,800,000 for purposes of financial assistance to the States in the provision of relief to persons out of employment.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 5th May,

The Prime Minister (Rt. Hon. J. A. Lyons), in moving the Second Reading, said the Bill provided for the carrying out

* Mr. Green was Postmaster-General in the last Administration.

of the arrangements made by the Commonwealth Government in Melbourne.* The amount involved under the scheme was £3,000,000. Of this, £1,200,000 was to be raised by the States and £1,800,000 by the Commonwealth. The Loan Council had given the States and the Commonwealth authority to borrow money by the issue of Treasury Bills, and it was intended to finance the proposed relief works in that manner.

None of the money was to be used for sustenance. It must be spent on works and, as far as possible, on reproductive or revenue-producing work. In all States except New South Wales employment councils had been appointed, upon which were to sit two representatives of the Commonwealth Government. Before Commonwealth money would be spent on any proposed work, the undertaking had to be approved by the two Commonwealth representatives on the Council.

Assistance to primary producers.

In some of the States work was being done under unemployment schemes in country districts where assistance was being afforded to primary producers in carrying out developmental undertakings. Schemes of that kind might come under the provisions they had now before them. Works which would provide increased facilities and services to municipal authorities and local governing bodies would also be suitable.

Opposition support.

Rt. Hon. J. H. Scullin (Leader of the Opposition) said that because this was a step in the right direction he welcomed and supported it. As the Prime Minister had said, it was a special winter unemployment relief. He took it that it was intended to cover the few months of winter pending such time as further conferences could be held with the State Premiers to evolve some more permanent solution of the grave problem of unemployment.

Loan expenditure.

To give some idea of what Australia had suffered as a result of the cessation of expenditure on public works, Mr. Scullin mentioned that Australian Governments had borrowed and expended some £43,000,000 on loan works in the year 1927-28, £40,000,000 in 1928-29, £30,000,000 in 1929-30, in 1930-31 £15,000,000, and for this financial year £8,000,000. He recalled the years 1922, 1923 and 1924, when employers found difficulty in obtaining workers in many avenues of industry. Yet those were the years when Governments were borrowing extensively and spending lavishly, employing men on public works which could have waited until the lean years came. He hoped they had learned a lesson.

* At a Conference of Premiers.

INSURANCE ACT.

(Protection for policy holders.)

The object of this Act, which was assented to on 12th March, is to secure uniformity of practice as to deposits by insurance companies throughout Australia.

The main provisions are as follows :—

Companies carrying on life insurance business are required to deposit with the Treasurer of the Commonwealth money or securities to the value of £50,000, or where net liability is less than £250,000, £1,000 for every £5,000 of the net liability.

In the case of companies carrying on insurance other than life, the required deposit is £1,000 in respect of each £5,000 of the annual premium income, with a maximum of £40,000.

New foreign companies must deposit £50,000 in respect of each class of business, but if the foreign company is incorporated outside the British Empire the deposit is £60,000. New companies formed within the Commonwealth are required to deposit £5,000 for each class of business to be increased correspondingly with any increase in business until the maximum for the respective classes of business is reached, viz., £50,000 life and £40,000 other than life.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 4th March,

The Assistant Treasurer (Rt. Hon. S. M. Bruce), in moving the Second Reading of the Bill, said insurance was one of the matters in regard to which the Commonwealth was given power to legislate under the Constitution. In 1908 a Royal Commission had recommended that it was desirable that there should be uniformity in insurance legislation, and that the Commonwealth Parliament should exercise its powers. No serious effort had been made to give effect to that recommendation.

Protecting the public.

The present Measure related only to the deposits which must be lodged by insurance companies for the protection of their policy holders. At the present time, the law in some States required that deposits should be lodged by insurance companies while there was no such requirement in others. It was undoubtedly desirable that deposits should be lodged and that they should be uniform throughout the Commonwealth. A deposit of £50,000 was relatively small in relation to the business carried on by a big insurance company, but it provided some protection against bogus companies.

In his explanation of the provisions of the Bill, Mr. Bruce said that special provision was made with regard to insurances that were effected with Lloyds, whose operations in Australia were carried out through a number of agents. The ordinary deposit requirements were not abolished, but a number of Lloyd's agents might register themselves as a group and a deposit might be made on behalf of the group instead of for each individual.

Exemptions.

Mr. Bruce added that the Bill provided exemption for friendly societies, also for trade unions and associations of employees carrying on small insurance schemes. Provision was also made to exempt superannuation schemes which were sponsored by a number of large businesses.

COST OF PARLIAMENTARY GOVERNMENT.

(Australia and New Zealand.)

On 5th May, in the House of Representatives,

The Prime Minister (Rt. Hon. J. A. Lyons), in reply to a question as to the cost of parliamentary government per head of population in Australia compared with that of New Zealand, said he was in a position to furnish the following figures:—

Commonwealth and States (total).—Year ended 30th June, 1930, 4s. 4d. (Includes expenditure on General Elections—Commonwealth, Victoria, South Australia and Western Australia—during the financial year.)

New Zealand.—Year ended 31st March, 1930, 3s. 2d. (No General Election held during the financial year.)

States.

New South Wales.

DISMISSAL OF GOVERNMENT; PROVISIONAL GOVERNMENT; GENERAL ELECTION; RECONSTRUCTION OF THE CABINET. (*Note.*)

The Government of New South Wales (Hon. J. T. Lang, Premier) was dismissed by the Governor (Sir Philip Game) on 13th May, 1932.

According to Press reports, the reason for the Governor's action was the refusal of Mr. Lang to withdraw a circular letter which he had issued to the heads of Government Departments, instructing them not to hand over revenues to the Federal Government in accordance with the Financial Agreements Enforcement Act.*

The Governor then requested Mr. B. S. B. Stevens, the Leader of the Opposition, to form a Provisional Government, pending a Dissolution.

* *Vide* p. 689.

The provisional Ministry, which was announced on 16th May and was a coalition of the United Australia Party and the Country Party, was as follows:—

Premier and Treasurer	Hon. B. S. B. Stevens, M.L.A.
Deputy Premier, Minister for Transport and Local Government ...	Lt.-Col. the Hon. M. F. Bruxner, D.S.O., M.L.A.
Minister for Public Works and Health	Hon. R. W. D. Weaver, M.L.A.
Colonial Secretary and Minister for Mines	Capt. the Hon. F. A. Chaffey, M.L.A.
Minister for Lands	Hon. E. A. Buttenshaw, M.L.A.
Minister for Education	Hon. D. H. Drummond, M.L.A.
Attorney-General and Minister for Justice	Hon. Sir Daniel Levy, M.L.A.
Minister for Labour and Industry ...	Hon. J. M. Dunningham, M.L.A.
Minister for Agriculture and Forests	Hon. H. Main, M.L.A.
Vice-President of the Executive Council	Hon. J. Ryan, M.L.C.

The Legislative Assembly was dissolved on 18th May, and the General Election was held on 11th June.

The result showed the state of Parties as follows:—

United Australia Party	41
Country Party	23
Labour (Lang) Party	24
Unity Party	2
	90

In the last Parliament the state of Parties was as follows: Labour (Lang) Party, 55; United Australia Party, 23; Country Party, 12.

On 17th June, it was announced that the Cabinet had been reconstructed as follows:—

Premier and Treasurer	Hon. B. S. B. Stevens, M.L.A.
Deputy-Premier and Minister for Transport	Lt.-Col. the Hon. M. F. Bruxner, D.S.O., M.L.A.
Attorney-General and Vice-President of the Executive Council ...	Hon. H. E. Manning, K.C., M.L.C.
Minister for Lands	Hon. E. A. Buttenshaw, M.L.A.
Chief Secretary	Capt. the Hon. F. A. Chaffey, M.L.A.
Minister for Education	Hon. D. H. Drummond, M.L.A.
Minister for Labour and Industry ...	Hon. J. M. Dunningham, M.L.A.
Minister for Agriculture	Hon. H. Main, M.L.A.
Minister for Local Government ...	Hon. J. Jackson, M.L.A.
Minister for Mines and Forests ...	Hon. R. S. Vincent, M.L.A.
Minister for Justice	Hon. L. O. Martin, M.L.A.
Assistant Ministers	Hon. J. Ry[illegible], M.L.C. Hon. R. [illegible] S[illegible], M.L.A. Hon. [illegible] Hawkins, M.L.A.

Victoria.

GENERAL ELECTION: NEW CABINET (*Note*).

Following the defeat of the Government on 12[illegible] April on a vote of want of confidence, the Lieut.-Governor (Sir William Irvine), at the request of the Government, dissolved the Legislative Assembly.

The General Election was held on 14th May, as a result of which the state of Parties in the Legislative Assembly is now as follows:

United Australia Party	33
Country Party	14
Labour Party	15
Labour (supporting Mr. Hogan*)	2
Independent	1
	65

Subsequent to the Election a new Government, a coalition of the United Australia and Country Parties, was formed, under the Premiership of Sir Stanley Argyle, United Australia Party. The constitution of the new Cabinet is as follows:

Premier, Treasurer and Minister of Health	Hon. Sir Stanley Argyle, K.B.E., M.L.A.
Chief Secretary and Minister for Electrical Undertakings	Hon. Ian Macfarlan, M.L.A.
Attorney-General, Solicitor-General and Minister of Railways	Hon. R. G. Menzies, K.C., M.L.A.
Minister of Agriculture	Hon. J. Allan, M.L.A.
Minister of Lands and Forests	Hon. A. A. Dunstan, M.L.A.
Minister of Education	Hon. J. W. Pennington, M.L.A.
Commissioner of Public Works and Minister of Immigration and Mines	Hon. J. P. Jones, M.L.C.
Minister of Water Supply and Labour ...	Hon. G. L. Goudie, M.L.C.
Ministers without Portfolio	Hon. A. E. Chandler, M.L.C. Hon. H. I. Cohen, M.L.C. Hon. W. S. Kent Hughes, M.L.A. Hon. T. C. Manifold, M.L.A.

GOVERNOR'S SPEECH.

(Trade balance; Economies; Unemployment; New legislation.)

The Fourth Session of the Thirtieth Parliament was opened on 6th April. The following are summarised extracts from the Speech of the Lieut.-Governor (Sir William Irvine):—

TRADE BALANCE.

Despite low prices for primary products, the quantities exported had been maintained at a high level. Oversea trade returns for the first eight months of the financial year showed a favourable trade balance of £4,500,000.

ECONOMIES.

Substantial savings had resulted from the enactment of the Financial Emergency and Debt Conversion Agreement Acts, whilst other economies had brought about a considerable reduction in expenditure. Although a deficit was inevitable, it was estimated that it would be within the revised deficit allowed to Victoria under the Premiers' Plan.†

UNEMPLOYMENT RELIEF.

Of £3,071,200 estimated to be available under the Unemployment Relief Acts, £2,600,314 had been actually expended, of which £1,196,511 had been devoted to relief works. A sum of £20,500 has been expended on the settlement of 160 families of unemployed persons on the land.

The Government, with the aid of a body of representative citizens, had formulated a scheme to provide relief work on a part-time basis for unemployed persons. In addition to the necessary measure for the imposition of the unemployment relief taxes, proposals for the raising of a loan within Victoria of £2,000,000, repayable in annual instalments over ten years, for use during the ensuing year, would

* Mr. Hogan, the Premier, who was absent in Europe at the time of the elections, was returned as a supporter of the Premiers' Plan.

† *Vide* JOURNAL, Vol. XIII., No. 1, p. 169.

be submitted, the amount to be expended on works of a reproductive or permanent nature.

NEW LEGISLATION.

A Bill providing for a Ministry of Transport would be submitted; and a Marketing Bill, providing for the organised marketing of primary products, would again be introduced.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 12th April,

Hon. Sir Stanley Argyle (Leader of the Opposition) said they were informed that there would be a deficit this year; how much it would be remained to be seen. On the original Budget estimate it was to have been £800,000, but that had taken into account the 25 per cent. increase in income tax to which Parliament did not agree. The actual deficit would be something over £1,000,000. Probably it would be £2,000,000 in the final analysis.

Unemployment.

The problem of unemployment was so serious that he regretted that it should have become a matter of Party politics. There were some points upon which the two sides of the House were not likely to agree, one being the question of the rate of wages paid for relief work. But, apart from that, the manner of raising the necessary funds and the directions in which they should be spent, were questions which they should not regard as Party matters.

The Premiers' Plan.

The Lieut.-Governor's Speech was remarkable, not so much for what it contained as for what had been left out. The most important legislation, possibly, with the exception of measures to deal with unemployment that they could be asked to deal with, was that for re-enacting essential portions of the Premiers' Plan, with the object of balancing the Budget. That matter was not even an "also-ran." He regarded that as a very serious omission indeed. The honour of the State was bound up in giving effect to the Premiers' Plan. The Government was obliged to carry out the policy of balancing Budgets. The Government had given no indication that it would continue that policy. The Acting Premier (Mr. Tunnecliffe)* would attend the Premiers' Conference to-morrow and the question must be considered at that Conference. They had only a few weeks left in which to re-enact the Financial Emergency Act.†

Mr. Tunnecliffe had not thought fit to indicate what he proposed to do in the matter. Meanwhile the finances of the State were drifting. They read in the newspapers of threats held out by an outside body to Ministers and members of the Ministerial (Labour) Party. Those members were told that if they did not do certain things they would be expelled from the Labour Party and probably be deprived of their positions as representatives of the people. The Government was under a threat as to what would happen if it did its bounden duty and carried

* Mr. Tunnecliffe was Acting-Premier during the absence of the Premier, Mr. Hogan, in Europe.

† *Vide* JOURNAL, Vol. XIII., No. 1, p. 169 (Budget Speech).

out its pledged obligations to the people, not only of this State, but of Australia as a whole. He regarded this omission from His Excellency's Speech as most serious. Consequently he did not feel disposed to let the matter drift. He moved that the following words be added to the proposed Address: "and to inform Your Excellency that the Government does not possess the confidence of the House."

On 13th April,

Hon. J. Allan (Leader of the Country Party) said they had come to what might be the parting of the ways. The Government had made a decided mistake in omitting from the Lieut.-Governor's Speech all reference to the Premiers' Plan. Had the Government made a clear statement of their policy with respect to the Premiers' Plan legislation, and had stated definitely that Parts I. and II. of the Financial Emergency Act would be re-enacted, all would have been well. That plan was intended to rehabilitate Australia. It was to operate for three years. They had had a reduction of interest and a 20 per cent. reduction in salaries. The legislation to give effect to the curtailment of expenditure on salaries and pensions had been enacted for one year. The refusal of any Government to re-enact it would be to break down the Premiers' agreement.

Reduction of Overseas interest.

He had seen references to the matter of a reduction of interest in London. He was one of those who wanted the interest rates in London reduced. But unless the people of England had confidence that they could manage their own business and would succeed in balancing their Budgets in a very few years, how could they expect them to say that they would give Australia cheap money?

Political control.

In conclusion, Mr. Allan said that when he saw the way in which the Government was controlled by outside bodies, it was his duty to tell it that it did not have his confidence. He realised that there was a big task before the Parliaments in rehabilitating Australia. They (Opposition) had not criticised the Hogan Government in regard to the Premiers' Plan, because the plan was a definite attempt to rehabilitate Australia. He hoped that any Government that honestly endeavoured to put Australia's finances in a sound position would receive fair treatment.

The Government's record.

The Acting Premier (Hon. T. Tunnecliffe) said the record of this Government would stand comparison with the record of any Government that had ever occupied the Treasury Bench in the State. An unbiased examination of the figures would show that the attitude and the accomplishment of the Government would compare favourably with the attitude and accomplishment of any State Government in Australia during the crisis. The Nationalist Government of Western Australia had simply sat tight and had not seriously attempted to implement the Premiers' Plan; the Nationalist Government of Tasmania had been severely reprimanded by the Commonwealth Treasurer because it had failed to implement the Premiers' Plan; the Nationalist Government of Queensland had also been taken to task because it had failed to implement the Premiers' Plan. South Australia and Victoria, both governed by Labour Governments, were the only two States that had lived right up to the expectations of the Premiers' Plan.

The Premiers' Conference.

In regard to the forthcoming Premiers' Conference, Mr. Tunnecliffe said that the proposals contained in the Agenda were of such an appalling character that anyone who had glanced at them must hesitate before giving them his endorsement. The conclusions of the economists* were that wages must come down. There must be a 10 per cent. cut in real wages, based on the cost of living. If the minimum wage was £3 per week, and that was the minimum wage that would allow a man to keep a wife and three children, that minimum wage must be cut by 10 per cent. There was no mention by the economists of the fact that if overseas interest rates were reduced on the same basis as the interest rates on their internal debt had been reduced, that reduction, plus the benefit of lower payments in exchange, would provide more than £900,000 to bring about the balancing of the Budget. First, there had been a reduction of wages to correspond with the fall in the cost of living. It had been followed by an arbitrary cut of 10 per cent. Now, Commonwealth Ministers drawing high salaries and economists who were paid salaries of £1,000 per annum and more, proposed with smug complacency a cut of 10 per cent. in real wages, and the Commonwealth Arbitration Court and Wages Boards were to be urged to bring this about. Knowing nothing, only the anticipations of these people, they (the Government) were asked to make a definite statement in regard to their intentions. When they were fully informed as to the proposals for balancing the Budget, when they knew something of the intentions of those who had been elected to authority in the Federal arena, they might be in a position to declare themselves in regard to their finances. As the position stood at present, their withers were unwrung. Their record was one which future generations would honour, even if the petty Party politicians of to-day felt themselves under the necessity to condemn it.

The Amendment was carried by 29 votes to 25.

Queensland.

General Election; New Government (*Note*).

A General Election of Members to the Legislative Assembly was held on 11th June.

The result showed the state of Parties as follows:—

Labour Party	33
Nationalist Party	28
Independent	1
	62

In the previous Parliament, in which there were 72 seats, the position of Parties was: Country-Nationalist, 43; Labour, 29.

* A Committee appointed by the Commonwealth Government to make a preliminary survey of the economic problem. The report of the Committee was submitted to the Premiers' Conference, Melbourne, on 14th April.

Consequent on the Elections, the Government (Hon. A. E. Moore, Premier) resigned, and a new Government (Labour) was formed on 17th June by Mr. W. Forgan Smith. The constitution of the new Government is as follows :—

Premier and Treasurer	Hon. W. Forgan Smith, M.L.A.
Secretary for Public Lands and Deputy Leader	Hon. P. Pease, M.L.A.
Secretary for Transport	Hon. J. Dash, M.L.A.
Secretary for Labour and Industry...	Hon. M. P. Hynes, M.L.A.
Secretary for Mines	Hon. J. Stopford, M.L.A.
Attorney-General	Hon. J. Mullan, M.L.A.
Home Secretary	Hon. E. M. Hanlon, M.L.A.
Secretary for Public Instruction ...	Hon. F. A. Cooper, M.L.A.
Secretary for Agriculture	Hon. F. Bulcock, M.L.A.
Secretary for Public Works	Hon. H. A. Bruce, M.L.A.

NEW ZEALAND.

The following summary deals with some of the earlier proceedings of the First Session of the Twenty-fourth Parliament which began on 23rd February, 1932.

THE ADDRESS: GENERAL DISCUSSION.

(Ottawa Conference; Trade Agreement with Canada; Exchange; "No-Confidence" Motion; Unemployment; Borrowing; Interest rates and contracts; Primary and secondary industries; etc.)

A summary of the Governor-General's Speech at the opening on 23rd February of the Special Session of Parliament was given in the last issue of the JOURNAL.* The following is a summary of the debate which followed.

DEBATE IN HOUSE OF REPRESENTATIVES.

On 25th February,

Mr. A. J. Murdoch (**United Party**, *Marsden*), in moving the Address-in-Reply, said there had been a gradual shrinkage of all the sources of revenue, with the consequence that it had been found necessary to call Parliament together in order to provide further ways and means of meeting the deficiencies. They recognised that New Zealand's welfare and financial position depended upon that of the Old Country, which for many years enjoyed great prosperity but during several decades had been drifting back, partly as a result of trading conditions and partly because of the world-war. Among the trading conditions perhaps the principal was the system that prevailed. England alone stood out as a free-trade country and finally became the dumping ground for much of the produce from other countries. They in New Zealand, who had a tariff, had realised for some time that Britain's one hope of salvation was to meet the opposition of other countries by some form of tariff. The Government of Britain had now imposed a tariff of 10 per cent. on certain commodities, which would render a great deal of help to the producers of New Zealand. Help would be given to the Britisher himself in the way that further trade would be developed and further wealth created in Great Britain, with consequent decrease in the necessity for payment of heavy sums in the way of doles, leaving more money for the greater development of industry.

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 457.

Ottawa Conference.

Although the last Conference of Dominion and Imperial Government representatives did not produce any very great results, there were signs that the Conference to take place in Canada would be productive of important and beneficial results as far as the British Empire was concerned. All hon. Members would agree in the belief that not only would the Conference result in cementing more closely the ties between the several Dominions and the Motherland, but also that its decisions would give a decided impetus to trade within the Empire. It might be necessary for them to prepare to make alterations in their present tariff in order to give further preferences to the Motherland in return for preferences given to them.

War Debts and Reparations.

One of the causes of the chaotic condition of finance in many countries to-day was the repayment of War Debts and Reparations. The time was not far distant when there would have to be a definite cutting down of War Debts to permit every nation to make another start, with a clean sheet, more or less. New Zealand must increase her production to meet the lower prices she was receiving.

Mr. H. E. Holland (Leader of the Opposition): "Can the hon. Gentleman guarantee a market for the increased production?"

Mr. Murdoch: "It is impossible to guarantee a market, but it is probable that as a result of the general arrangements which, I believe, will be effective after the next Conference, we will have a ready market for as much as we can produce in this country and, further, that the market will be maintained by reason of the trade that will accrue from a general tariff agreement between the Motherland and the Dominions."

Trade Agreement with Canada.

Recently the Minister of Finance had paid a visit to Honolulu, where he met the Trade Commissioner from Canada. He was not in a position to say what was the result of the Conference; that would be announced in the House. In 1929 they exported to Canada £3,353,000 worth of goods and imported £4,774,000 worth, leaving a trade balance in favour of Canada of £1,120,000. In 1930 they exported £2,539,000 worth and imported £3,804,000 worth. In 1931 they exported £256,000 worth and imported £1,217,000 worth. These figures showed clearly that New Zealand had done her part, yet they were told they had closed the door against Canada. They were ready and willing at all times to trade with their neighbour. All they desired was a square deal.

Exchange position: farmers' attitude.

Mr. J. Bitchener (Reform, *Waitaki*), in seconding the Address, said the depressed condition of the Dominion was largely due to the parlous situation of the farmer. Of 43,000,000 acres of land in occupation no less than 20,000,000 were not paying their way. Unless something was done, more and more acres would be added to those 20,000,000 unprofitable acres. Retail prices were 42 per cent. above the 1914 level, wages 47 per cent., and farming costs 49 per cent. above that level, but export prices for their goods were 23 per cent. below the 1914 level, though Britain's wholesale prices were only 9 per cent. below that level. People in the cities and towns did not seem to care one iota who bore the burden so long as it was put off their shoulders. There should be a free exchange system. They saw the great fight being put up by the commercial institutions to get the exchange-rate pegged at the 10 per cent. now ruling. No body of farmers had ever suggested that the rate should be pegged at 25 per cent. or 30 per cent. All the farmer asked for was his just reward for his labour in producing the goods sent Home. It seemed to him hard and unfair that the farmers' produce should be selling at the low level of to-day and that they should not reap the full benefit of the exchange.

"No-Confidence" Motion.

On 3rd March,

Mr. Holland, in proposing a "No-Confidence" Amendment to the Address, said that when the Government went to the country in November and December last it announced that it would make no definite promises, but that if given a free hand it would immediately after the Election prepare remedial legislation which would have the effect of solving the economic problem so far as New Zealand was concerned. Instead of preparing the remedial legislation promised, the Government proceeded to set up a procession of Commissions and Committees to find a policy for it. The Government had called Parliament together without having any programme of legislation to put before Members. Having come to the House without a policy, the Prime Minister had announced that he was not going to allow any lengthy discussion of the proposals the Government would eventually put before them. All they knew was that what the Government had in mind constituted a series of devastating attacks on the wage-earners. They certainly had what the Government might call a policy with regard to the Conciliation and Arbitration Act, but he suggested the Prime Minister had not got his own Party with him on the matter.

The mover of the Motion had made reference to the Honolulu meeting between the Minister of Finance and the

Canadian representative. That was another of the matters of which they were not permitted to know the result while they were being called on to discuss the Government's policy.

Savings of unemployed.

While the Prime Minister had declared that they must not call upon the big landowners to touch their reserves for the purpose of paying the graduated land-tax, he was refusing to give any work at all to men who had a few pounds saved up; and not only that, but the returned soldiers, whose pensions were given to them in the form of a solemn undertaking from the country, now had their pensions practically abolished as soon as they were out of work. If an ex-soldier was given relief work the pension was counted against the amount of work to which he was entitled. Even on the basic wage, men in some industries were not able, owing to the high cost of living, to decently maintain their families, and now that men were employed only for half or quarter time they could not possibly maintain themselves and their families anywhere above starvation level. Every time a blow was struck at the wage workers the position of the farmers would become worse. The Government could see only one way out of the difficulty—by a pulling-down process. The Labour Party, on the other hand, said that it was only by a building-up process that they could save the country.

Local market and purchasing power.

What was wrong in New Zealand was loss of purchasing power and there could be no restoration of normal conditions until purchasing power was restored. The biggest market for New Zealand products was in New Zealand. Exports in 1929-30 amounted to £46,223,057 and local consumption to £72,949,503. The principal market for pastoral, agricultural and dairy produce was overseas, and it was a very important market, but it could not be overlooked that they had a bigger market in New Zealand than overseas. Consequently they had got to pay attention first to the New Zealand market. If they would recognise that their first business was to restore purchasing power within New Zealand and that this could only be restored by getting the men and women now unemployed and those intermittently employed back into industry, they would really be doing something for the country.

The Prime Minister (Rt. Hon. G. W. Forbes): "That is the Patterson Scheme."

Mr. Holland: "No, it is not the Patterson Scheme; it is the Labour Party's policy."

Why was it that men, women and children were starving in New Zealand to-day in the midst of plenty? Simply because the farmers could not sell their foodstuffs, while the wage workers could not buy because they were denied the right to work. The Labour Party was insisting that men must be brought back to work, but it must be work of economic value to New Zealand. The first move was to organise the industrial forces of the country and then make their credit arrangements fit in with their productive enterprises. In the War years they raised within New Zealand something like £55,000,000 in four years for destructive purposes. In their efforts towards reconstruction they would be arranging credits for the creation of social values which would be more than equivalent to the credits.

Shorter hours of labour.

Machinery was coming into industry year by year and adding enormously to the number of unemployed, and part of the reorganisation of their productive and distributive processes would have to take the form of reduced hours of labour. The Prime Minister was proposing to abolish arbitration awards and agreements for the purpose of making it possible to keep men working longer hours at lower rates of pay. That was the very method that was going to intensify the unemployment problem.

Trade agreements.

One thing needed was definite trade agreements—an agreement with Great Britain in the first place because Britain was their best customer. That agreement should provide for the export to Britain of stated quantities of New Zealand's primary products, with a reciprocal arrangement as to their imports from the Old Country. They could then turn their attention to Australia and Canada and other Dominions, and then go further afield and make trading arrangements with any other countries willing to enter into commercial relationships with them.

The Minister of Public Works (Rt. Hon. J. G. Coates), after pointing out that the Speech from the Throne contained references to the proposed amendment of the Mortgagors Relief Act and the Industrial Conciliation and Arbitration Act, said that it was beyond question that the Government would present its programme. That there were several matters that required final touches was true, but there was plenty to occupy the time of the House and there would be no delay.

Unemployment.

With regard to unemployment, if the hon. Gentleman would consider what had been done in other countries he would find that New Zealand's efforts compared more than favourably with anything done in any other part of the world. One would draw from the hon. Gentleman's remarks that New Zealand was one slave camp. It was nothing of the kind. The single men who were working in camps were provided with food and shelter and were able to earn something between 8s. and 10s. a week. That was not a wage but sustenance, and that was all it was intended to be. It was only temporary. New Zealand would come through the storm in a comparatively short time if they faced the situation.

Soviet system and profits.

Mr. Holland had said that the solution of the problem was to pay high wages. Was it his solution to give back the 10 per cent. cut to the Civil Servant and to give back the 10 per cent. cut in wages made by the Arbitration Court? If so, would he carry it further and provide an increase of wages beyond that?

What was wrong with New Zealand to-day was that there was no profit in industry.

Mr. F. Langstone (Labour. *Waimarino*): "Is not profit the cause of the trouble?"

The Minister of Public Works replied that they might say: "We will follow out some system of State enterprise similar to that under the Soviet, by which everybody is supposed to share in the profit," but the objective was the same—to have a profit. British people did not believe—and rightly so—that such a system was satisfactory or would work out. They believed that private enterprise, with profit in industry, was the preferable system.

Mr. Holland: "Would you mind explaining why it is that Russia has no unemployment?"

The Minister of Public Works replied that it was hardly correct to say that Russia had no unemployment problem. The men in what the hon. Gentleman called "slave camps" in New Zealand received three square meals a day and a bed and 10s. per week, and that was more than the employees of the Russian Government could get.

It was the Government's job to endeavour to bring back profit in industry. The only action they could take at present was to remove some of the shackles that were preventing industry from going ahead. In the meantime they could, as far as practicable, provide what relief the country could afford.

Borrowing: London market unavailable.

The hon. Member had said they proposed to reduce the expenditure of borrowed money by £4,000,000. It was not a question of the Government reducing its expenditure by £4,000,000. The position was that they could no longer rely on getting money from London and must rely on their own resources.

The suggestion of the Leader of the Opposition that they must shorten hours but not decrease the pay was ridiculous. He seemed to think that by waving a wand, or printing a certain number of notes, the whole difficulty was overcome. The fact of the matter was that the value of their exports was the basis of the country's prosperity. Prices in New Zealand must normally follow British market parity.

Mr. C. A. Wilkinson (Independent, *Egmont*) thought it would have been more fitting for the Prime Minister to have replied to the Leader of the Opposition. It seemed to him that the country was carrying out the Reform Party's policy and that they were being led in politics through its Leader. To-day, to all intents and purposes, they had a Reform Government on the Treasury benches.

Interest rates and contracts.

They had been summoned by the Government to deal with Governmental proposals, but those proposals had not yet materialised. The Government had absolutely failed Parliament and the country and he moved the following further Amendment:—

> That the following words be added to the Amendment moved by the Leader of the Opposition: "because of its failure to submit proposals to reduce interest-rates on both public and private debts, to reduce bank overdraft rates and rents; and, further, because it has not taken steps to provide for a full and open investigation into the banking, currency and credit systems operating in this Dominion."

His object in moving the Amendment was to bring before the country the absolute necessity of getting the overhead charges on the farmers, business people and workers reduced. The drawer of interest to-day could buy more with his money. To that extent he was actually profiting by the dire condition of the country. The greatest moneylender in the land—the State itself—was offering no relief to those to whom it had lent money. The only way of grappling with the situation was by Act of Parliament, making a universal reduction of interest. It had been urged that this constituted the breaking of contracts. By the Mortgagors Relief Act they had broken practically every mortgage contract already. What about the Arbitration Amendment of last year empowering a general reduction of wages? Contracts were broken wholesale, and there was no reason why other contracts should not be broken if the interest of the country demanded that this course should be taken. What was the use of putting working-men out of their homes and reducing the farmers to a state of slavery under the present policy?

Rate of exchange.

Continuing, Mr. Wilkinson urged the Government not to be stampeded into agreeing to fix an artificial rate of exchange. The camouflage should be torn aside from this proposal, which was for an extra 15 or 20 per cent. to be paid on all export values. Many people seemed to have the idea that if this were done they would get an extra price for their produce in London. Nothing of the kind could happen. Every penny of the extra money would be found by the people of New Zealand. Not only would all imported goods be high in price but all local goods as well. If the exchange proposal were given effect to it would mean, in effect, an added Customs tax of 15 to 20 per cent. on all British goods. If their Delegates went to the Ottawa Conference handicapped by an added Customs tax of 15 to 20 per cent. by reason of exchange manipulation, they might quite fairly expect to have their goods taxed when they went to England. The Old Country was not too satisfied to-day, and a Customs tax on New Zealand goods was only withheld until after the Conference took place.

Mr. Wilkinson's Amendment was lost by 49 votes to 26.

Committees to assist Ministers.

Mr. A. E. Jull (United Party, *Waipawa*) suggested that a number of Committees should be set up, corresponding to the number of Ministers; that the Minister concerned should be head of the Committee, which should meet monthly and carry out a great deal of the actual administrative work of the various Departments under the control of that Minister; that the Committee should have no power to initiate policy, but should have a power of recommendation to the Minister who would carry such recommendation to Cabinet, and Cabinet would be entirely responsible for the introduction of the necessary legislation. An arrangement of that kind would make for real administration on the part of the whole House and also for a reduction in the time taken for the legislative effort of the House, and the Government would have a better idea of what Members themselves were thinking.

World crisis.

Mr. J. Connolly (United Party, *Mid-Canterbury*) said that in 1926, 1927 and 1928 their total exports amounted to £150,000,000. Those were great years for the producers and for the people generally. What happened during those years? Did they live within their means? Certainly not. They borrowed £23,500,000 over and above the value of their exports and used £1,800,000 of the Reserve Fund. While the world-wide depression had intensified the situation, the cause of their troubles was greatly owing to bad administration and failure to live within their income.

Mr. J. A. Lee (Labour, *Grey Lynn*) asked what was the world problem but the sum total of national problems? If, in every country, responsible individuals ceased to apply themselves to the solution of national problems, undoubtedly the world problem must continue.

Case against high exchange rate.

On 4th March,

Mr. A. Harris (Reform, *Waitemata*) said the delay of the Government in coming to a decision on the exchange question had already done a great deal of harm to New Zealand. Commercial houses had been feverishly remitting large sums of money to London with the object of saving what they could should the rate soar—the belief being that the intention of Cabinet lay in that direction. He drew attention to a statement in the "*Economist*" that the raising of the New Zealand exchange rate on London to the Australian level would weaken the credit of the Dominion and create a false economic atmosphere. The proposal for a high exchange, so assiduously advocated by farmers' representatives, if adopted, would have the immediate effect of bringing down the credit of the country overseas to the standard of Australia's.

During the last twelve months the value of their exports had been approximately sufficient to pay for all their imports, plus their external national loan interest and their external local-body loan interest. There seemed, therefore, little, if any, justification for an adverse exchange rate at present. The exchange crisis had been brought about as the result of the money market in London being virtually closed to New Zealand for loan purposes.

The Customs revenue had suffered enormously as a result of importations falling. If the exchange rate were allowed to rise to 30 per cent., importations would to all intents and purposes disappear, with the result that they would quickly have huge credits in London and the proposal would break down of its own weight in a few months. Importers, recognising this, would have an additional reason for refusing to order. The severe curtailment of imports would also have the effect of restricting the ability of the British market to absorb their goods, thus conceivably still further lowering the prices of their primary produce exports.

Since wages were reduced last year, the cost of commodities in New Zealand had dropped and in some cases was still dropping, but if the proposal for an artificial depreciation of their currency were put into operation, the production cost of commodities would rise to the former level, and probably considerably higher, and the purchasing power of wages would be so much lessened.

To artificially increase the rate of exchange to, say, 30 per cent. was virtually to impose an additional taxation on the country of £8,500,000 to £9,000,000 solely for the benefit of the primary producer and at the expense of every other section of the community. Further, it was not in keeping with the alleged policy of New Zealand of giving preference to Britain. It was tantamount to placing an additional 20 *per* cent. duty on British goods.

The Government has arranged to remit £14,000,000 to London this year—including £4,000,000 for repayment of Treasury Bills. If the exchange rate went to 30 per cent. the Government would have to arrange for another £2,400,000. Local bodies were in the same position, and those that had borrowed money outside New Zealand would be seriously embarrassed. Unemployment would be seriously aggravated, railway freights would suffer as a result of greatly lessened imports and Customs duty to the value of £2,000,000 would disappear.

Need for markets.

On 8th March,

Mr. J. Hargest (Reform, *Invercargill*) pointed out that in 1930 they exported to the United Kingdom £36,000,000 worth of goods and imported goods to the value of £21,000,000, leaving a favourable trade balance of some £15,000,000, but all but £2,000,000 of that favourable balance was dissipated throughout the rest of the world. They had an adverse trade balance with the United States of something like £5,000,000 and with India of £700,000. The Dutch East Indies import trade reached £75,000,000, of which New Zealand's share was £7,680, while New Zealand's purchases from them were £811,000. If they were going to maintain their place in the sun they must set about expanding their markets and insist that where they bought they must sell—on a "fifty-fifty" basis. Otherwise they would be compelled to send the whole of their produce to London, which was already overcrowded with goods and unable to pay the prices they must get if they were to avert the possibility of disaster.

Russian petrol and New Zealand wool.

They bought last year from America and the Dutch East Indies petrol to the value of about £4,000,000 and to these foreign countries they sent nothing in return in comparison with what they bought. They were in the position to-day of being able to do scarcely anything with their wool. The Prime Minister might seriously think of buying from Russia the bulk petrol required for the country, and so establishing credits in New Zealand which would allow Soviet Russia to purchase their wool.

On 9th March, the "No-Confidence" Amendment was defeated by 48 votes to 26 and the Address-in-Reply adopted.

DEBATE IN LEGISLATIVE COUNCIL.

On 27th February,

Hon. J. B. Gow (*Auckland*), in moving the Address-in-Reply, said that not only the position in New Zealand but the world position was really an aftermath of the War. It was hoped at the conclusion of the Great War that a spirit of peace would prevail among the nations. Unfortunately that spirit had not been very apparent and a veiled warfare—the warfare of tariffs—had been going on throughout the world, preventing that intercourse among the nations that was essential to the true prosperity of each and every one of them. They had the spectacle of what was practically the destruction of the monetary system of the world. That which was the standard of value—that which should be used as the medium of exchange—was rapidly being treated more as a commodity and being hoarded by certain nations.

Primary and secondary industries: borrowing.

Their primary products, which were the only means by which they could maintain their economic position had fallen in value. It was a sad commentary on their so-called secondary industries that not one of them could sell its products outside New Zealand. The circumstances to which he had referred were beyond the control of the Dominion and they could do little to improve the situation, but the natural advantages of New Zealand were such that they should not have felt the position so acutely had they fully availed themselves of them. For a period of years, when fair prices prevailed, instead of going warily, the Dominion borrowed extensively and proceeded to live up to that artificially-created prosperity and their extravagance was reflected in both public and private life. In the expenditure of borrowed money, carried away by a wave of optimism, they created a Civil Service far greater than the normal requirements of the country warranted. They also embarked upon many social schemes—of a desirable character but quite beyond the powers of a small country to carry out. The time had come to face realities, which was why this special Session of Parliament had been called.

Arbitration Court.

In order to find a remedy it was necessary to ascertain the cause of the trouble. First and foremost he placed the influence of the Arbitration Court. The fact that its jurisdiction was limited to unions formed in certain industries restricted very much the scope of the Court's work. The major industries of the country—including the great primary industries which were essential to the life of the Dominion—could not have carried on at all had they been compelled to carry out the conditions and regulations and observe the scale of wages laid down by the Court. What he condemned was the constitution of that Court, which prevented the great third party—the public of New Zealand, and the essential industries of New Zealand—from having a voice in the matter. They could quite understand the representative of the employers saying: "We shall just have to give way, and raise our prices." Two things were constant—the demand on one side for increase of wages, and the giving way on the other side. The Court had a false standard on which to base its estimate of the wages necessary—it based them on a conjectural cost of living, and the system worked in a vicious circle. These things had been the means of strangling many industries and preventing natural expansion, and bringing about the drift into the cities which had been so much deplored. If they made it easier to live in town, was any man going to live out in the country to combat nature, deprived of pleasure and recreations he could enjoy in cities?

Land settlement—defect of State schemes.

Their legislation for many years had frowned on the man who had capital and employed it on the land. If they had not, by penal legislation, virtually ostracised men with capital who might have brought in large tracts of virgin country, they would have been in a better position to-day. Any practical man knew, when he looked at the job as being done by the State, that the land could not be sold for what it cost the State to bring it into cultivation. Unless they were going to put on those who settled on the land a burden they would never be able to carry, a vast sum of money must be written off and charged to Public Account.

Control of exchange.

He was happy to see evidences of returning sanity. While they had with them great troubles—the unemployment problem and others—they had also with them in a wonderful degree that tenacity of purpose among their settlers that was reflected in the increased production from the land. The Legislature should see to it that nothing was done to prevent the producers from receiving the fullest reward they could gain in the markets of the world. He feared they would be discouraged by the action taken to prevent their using those credits that they had established in the Old Land. Were those credits to be taken from the producers and all driven into a neutral hand, so that the producers should have no say in the disposal of that which actually belonged to them? Prior to the latest move, the banks handled a large portion of the exchange business, but a large portion was dealt with privately, and it was only because the exchange was in more than one hand that there was a market and it was possible to ascertain, by the law of supply and demand, what was the value of credit in London. If, by legislation or Order in Council or any other means, all these credits were put into one hand the market would automatically be destroyed and the authority holding everything could call the exchange anything it liked.

Rt. Hon. Sir Francis Bell (*Wellington*): "That is exactly what the hon. Gentleman wants—the authorities can fix the exchange as high as he likes."

Mr. Gow replied that he did not want it fixed at a high rate or fixed at a low rate, but fixed as their prices had to be fixed, and as the exchange had been in the past—by the law of supply and demand in the open market.

Sir Francis Bell: "The country has to take its chance."

Mr. Gow: "Is not the farmer a part of the country?"

Sir Francis Bell: "Yes; but there is the country as well as the farmer."

Mr. Gow: "I say that if a burden has to be carried by this country, the farmer, along with everybody else, should carry it, but it is improper that, by a dispossession of a part of the farmer's property, a tax which the whole country should bear should be imposed upon the farmer and the primary industries alone."

Imperial development.

In what was taking place in the Old Country, the fiscal changes and so on, he saw a desire to bring about more co-operation and mutual assistance throughout the Empire. If Great Britain only realised her strength and ceased to dissipate her energies in the development of foreign countries, developing rather along the lines of family and kinship, in a few years they would find the Empire moving from strength to strength, the admiration of the rest of the world.

Trade with Canada: Comparisons with Great Britain.

On 4th March,

The Leader of the Council (Hon. Sir James Parr), referring to the mention, in the Speech from the Throne, of the Canadian Treaty, said he was most anxious that they should come to terms with Canada, but not at the expense of, or to the injury of, the Motherland. One of the Federal Ministers of Australia had declared recently that the Canadian-Australian Treaty, made last year, was in some respects made at the expense of Great Britain and somewhat to her injury: and there was no question that when Australia at Ottawa came to deal with the Motherland for a trade agreement, she would be somewhat embarrassed and hampered. He hoped that aspect of the matter would be very carefully considered when the New Zealand Treaty came up for confirmation. For example, Canadian cars had come into the country by millions of pounds worth. Was this great importation to be resumed? Should they not prefer to buy British cars and British parts, made with British labour, in place of cars made in Canada, often with American money, while in many cases the parts of Canadian cars were made in America? Should they not take care that this new Treaty did not let in a flood of Canadian cars to the injury of their best customer, the Motherland? If it was to be a matter of preference, surely they must always prefer the Motherland, which needed all the trade they could give her. Britain spent £2 with them for every £1 they spent with her. Excluding butter, the position with Canada was the other way about, for she spent with them about £1 for every £2 they spent with her. This was very disproportionate and he hoped the new Treaty, when they saw it, would show that Canada had reduced her duty so as to give New Zealand butter the place in her market that it enjoyed—nearly £2,000,000 worth a year—before the unfortunate differences between their Government and Canada arose. If the new Treaty should show that the duties had not been lowered sufficiently to let their butter into Canada, then Canada could not reasonably object if they preferred to place their orders for all motor-cars with the Motherland.

Reciprocity must be the basis of all coming inter-Empire agreements, and the closer they could get to evenness of trade the better. He pleaded for very careful study of the question whether they might not give away valuable bargaining-counters at Ottawa in making a Treaty with Canada now.

Interest rates and taxation.

With regard to the suggestion that there should be a statutory reduction of all interest on mortgages, bonds and so forth of $33\frac{1}{3}$ per cent., Sir James Parr pointed out that last year the Minister of Finance added $33\frac{1}{3}$ per cent. to the ordinary income tax in respect of interest incomes. Every large lender in the Dominion was already mulcted in the sum of nearly £2 out of £6 that he collected as interest but he had not heard of any mortgagee objecting. It was his fair share of the common sacrifice. If Mr. McIntyre's proposal were carried into effect, another £2 out of the £6 per cent. would be taken for the benefit of the mortgagors. The plain truth was that the Minister of Finance had taken in taxation a good deal of the relief which might have gone to the mortgagors. No one outside of a lunatic asylum would, in the future, lend money where it ought to be lent—on the land—if treatment of the kind he had discussed were meted out to them. If Parliament reduced interest-rates, it should, in fairness, reduce the gruelling taxation imposed on lenders last year.

Exchange rate and tariffs.

As regards the exchange question, any manipulation of the exchange would not bring any new money into the country. It was a mere reshuffle of their own moneys. A good tariff would benefit the country much more than would the manipulation of their internal moneys by an exchange process. What a change since it was decided to impose a tariff of 10 per cent. in the Old Country! Free trade had gone—gone with a majority never equalled in any Election for 100 years; but much more significant from their point of view was the fact that of a House of 615 Members, over 400 were pledged not only to give the English manufacturer an advantage, but to put a duty on foreign foodstuffs for their benefit. Surely here was an opportunity: were they going to avail themselves of it? The tariff had not been permanently imposed; it was only to be effective until the 15th November—only until the Ottawa Conference was over. That was rather significant. The tariff covered dairy-produce and fruit, but meat was omitted. Could they afford to let meat be omitted? At Ottawa, they should seek to bring meat under the English tariff duty. Australia and New Zealand could supply all the mutton needs of Great Britain if guaranteed a market. The Argentine should be satisfied with the £40,000,000 a year she got for chilled beef and leave mutton and lamb supplies to them. Public opinion and the Press in England would support them if New Zealand asked for preference for its lamb and mutton, and they should ask for that preference at Ottawa. Of course they would have to pay the price demanded. They must plan to increase their purchases of British goods. A business arrangement must be sought on business lines.

Need for a "quota" system.

As regards butter, the tax of 10 per cent. was not going to be paid by the consumer in England. The Danes would be unable to add the tax to the price of their butter exported to England, as this would make it 4d. a pound in excess of the New Zealand price and the English people would not pay that additional sum. Competition was so keen that undoubtedly this handicap of 10 per cent. added to the costs of their competitors was very useful to New Zealand. But, helpful as the tariff was, it would not give them effective protection. They must ask that the tariff be supplemented by a quota system. The Empire Economic Union and the Empire Producers' Societies were already pointing out that England could not stem the flow of foreign imports by means of a tariff alone. England was the only market open to the exports of foreign produce: consequently the foreign buttermaker would get over the wall of 10 per cent. and his butter would go into England all the same, even if he lost money over it—as he would. A "quota" system, by which Britain would determine what proportion of imports should be Imperial and what share foreign would help them tremendously, while at the same time giving the foreigner an opportunity to sell his goods somewhat in proportion to his purchases from England. The 10 per cent. tariff was helpful. It would be a great misfortune if they lost it, but a tariff, plus a quota, would increase their production and exports right away. The tariff and the quota were absolutely necessary to one another.

Reciprocal advantages.

They must be prepared to pay the price for such privileges, which would put New Zealand 50 per cent. back on the road to recovery. The price was that they must buy manufactures from the Old Country—their best customer—and not from foreign peoples who took little or nothing from them. They must bring about the diversion of their orders from foreign countries to England, to help her factories, to put her people off the dole and on to work and wages. And they would have to consider lowering their duties on British goods, even if that meant some hurt to some of their local industries, for that would be the price asked for a protective tariff and a quota.

New Zealand had increased her production 400 per cent. since 1902, and he believed it would be possible, in twelve or fourteen years, given a guaranteed market and the necessary capital, for the farmers to double their present production. If asked: "Can Britain consume this remarkable increase in production," his reply would be "Yes." The British market has much yet to offer. Every year Britain bought £300,000,000 worth of foreign foodstuffs. The Dominions could supply most of that; but what did they do for Britain? The Dominions, the Colonies and India spend with foreign peoples over £500,000,000 a year—at least half of which could be spent with Britain. Why should not they get round the table and supply each other's needs.

The old constitutional ties between the Dominion and the Motherland were gone. The only constitutional tie holding them together was that of kinship. The declaration of Lord Balfour in 1926 that the Dominions were equal in status with the Motherland and the Statute of Westminster that followed had resulted in that position. The old political bonds were no longer there and there were now obvious cracks in their Imperial structure. There never was a time when they needed so much another bond to hold them together, and the best way of cementing together the different parts of the Empire and the Motherland was by keeping together in trade and arranging their mutual affairs so that they dare not leave one another and so that their commercial interests should lie together in the true spirit of their great Commonwealth of Nations.

IMPERIAL ECONOMIC CONFERENCE.

(Export industries: consideration at Ottawa; Views of primary producers and manufacturers.)

On 17th March, in the House of Representatives,

Mr. W. J. Polson (Independent, ***Stratford*****)** asked why, seeing that their export industries would be the most important consideration at the Ottawa Conference, the manufacturing organisations in the cities had been circularised by the Government and asked to state their views, while the organisations representing the primary producers had been entirely ignored?

The Minister of Customs (Hon. W. Downie Stewart) replied that the Government fully realised the outstanding importance of the primary industries and their claims were receiving the most careful consideration. The sub-Committee of Cabinet dealing with the matter proposed to ask the Meat-producers' Board, the Dairy-produce Control Board and other interested organisations to meet them in direct consultation. The same action would probably be taken later in connection with the manufacturing organisations. It was necessary, however, to get from each individual manufacturer a statement as to his position in his industry—his capital, protection, and so on—whereas the same problem was not involved in regard to the individual farmer, whose problem was wrapped up with the great organisations which had been built up to represent him.

On 23rd March,

Mr. H. G. Dickie (Reform, ***Patea*****)** asked whether, in view of the approaching Economic Conference, the Prime Minister would arrange a conference, at which the primary producers would be adequately represented, to endeavour to formulate a scheme whereby their producers might offer definite preferences to Britain, as far as her requirements were concerned, in return for the same treatment towards New Zealand's primary products.

The Prime Minister (Rt. Hon. G. W. Forbes) replied that the Government would welcome expressions of opinion from all sections of the primary producers, and suggested that representative bodies such as the New Zealand Farmers' Union and the Control Boards should, after careful deliberation, prepare a statement for submission to the Government embodying the considered opinions of the primary industries.

PUBLIC WORKS.

(Ministerial statement; Drastic reductions in capital expenditure; Public works on relief basis.)

On 1st March, in the House of Representatives,

The Minister of Public Works (Rt. Hon. J. G. Coates) made a statement with regard to the Government's Public Works programme for the ensuing year.

He said that, owing to the depression brought about by economic disturbance, the Government was faced with the difficulty of providing capital moneys to pursue new works or complete scheduled undertakings. Some little time previously he had advised the spending Departments under his control, particularly the Public Works Department, that a very heavy cut in expenditure of capital moneys was unavoidable and that in the meantime they should assume that expenditure by the Department must be reduced by half as compared with the previous year. Since then it had been found necessary to recast the programme on a fresh assumption that less than half of the one-half referred to would be available —in other words, not much more than £1,000,000. Apart from the separate funds found for main highways construction,* the borrowed money appropriation would run into £5,542,000 for the financial year ending on 31st March, 1932. To reduce borrowed money expenditure from £5,542,000 to £2,800,000 in one year itself presented difficulties, but when, owing to their general position, it was necessary to reduce to slightly over £1,000,000 expenditure in one year the resultant disturbance was much more severe. However, the country must face the facts, a survey of which showed clearly that there was no alternative.

In reference to hydro-electricity, the estimates for 1931-32 provided £1,069,000 for capital works in hand. It was proposed to reduce expenditure to less than £300,000 in 1932-33. The current estimates for railway construction provided for

* By a Customs duty on petrol.

£700,000. It was proposed to reduce the amount to £100,000 for 1932-33. For the current financial year £540,000 was provided from borrowed money for construction works on main highways. The highways were in satisfactory order and work on them for the present must, generally speaking, be confined to maintaining them in good order. In connection with roads, bridges, etc., excluding highways, the current estimates provided for £1,325,000. On these works it would be necessary to curtail heavily and he proposed to control expenditure to £250,000. What money might be available for roading would be directed towards providing access to settlers on much reduced widths, grades and curvatures, but nevertheless constructed so as readily to permit of improvement when that was possible.

The Government felt that, of all the branches of development, the country would benefit to a greater degree by carrying through work which, when under way, would make it possible to increase the volume of production and add to the rural population. Therefore a sum of £150,000 would be devoted to land improvement and reclamation.

Works on relief-pay basis.

In the last year or so, much of the work put in hand was mainly for the purpose of providing employment. The work provided had been mainly roading—entered upon for two reasons, finding work for men and simultaneously taking a long view ahead of future requirements. Deliberately to reduce the number of men engaged on ordinary public works was a very serious step, especially when it was known that there was but little opportunity for those leaving the works to find other occupations immediately. Rather than adopt the method of wholesale reduction, it was felt that, to prevent undue hardship, the better course would be to employ as many men as possible, and in order that this policy might be followed it was proposed to turn the whole of public works undertakings on to a purely relief-labour basis until conditions improved. Until the financial storm was over the work provided could only be looked upon as relief and shelter, but by this means it would be possible to provide many more men with help than could be done by maintaining the present standard wage. All men so employed were provided with huts, shacks and tents, and could at least be said to have the advantage of being provided with accommodation at a minimum charge for rent. The Government regretted the necessity enforced upon it, but there was no practicable alternative in present circumstances.

UNEMPLOYMENT.

(Rate of increase arrested; Subsidised labour on farms; Camps for unemployed; Rural allotments for married men; Relief arrangements; Unemployment tax.)

On 23rd March, in the House of Representatives,

The Minister in Charge of Unemployment (Rt. Hon. J. G. Coates) made a statement with regard to unemployment. He said that in reviewing the position it was necessary to keep in mind the effect of burdens of taxation, for it was obvious that the more the public was taxed the greater would be the decrease in spending ability, which brought its own reactions in industry. On the other hand, they must not merely say reasonable relief should be granted to those in distress, but must take every step within their power to ensure that no citizen prepared to work should go short of the minimum necessities to keep together body and soul of himself and his dependants.

In reviewing the past few months they were able to see some cause for satisfaction. The rate of increase in the number of registered unemployed had at least been arrested. The total stood at 51,408 on 5th October, and had now been fairly constant at about 45,000 for several weeks. At the same period a year previously the steeply rising figures of unemployment showed no slackening whatever.

Subsidised employment on farms; Camps for unemployed.

The total placements of men in subsidised employment on farms were 17,000. Every care had been taken to see that the men had not displaced regular employees. The number actually on farms as additional labour was 7,000, compared with 2,000 in October last. This effort to assist at once the unemployed and the man on the land appealed to him as thoroughly sound, for it was upon the farmer and the unemployed that the burden of the depression had fallen most heavily. Their intention was to extend to the utmost the means of placing men on existing farms.

About 1,000 single men had been moved from city areas into camps for highway construction. These camps were in the nature of an experiment. They had been judged satisfactory and the principle would be further extended, but the purpose would not be confined to road works. A start had been made in establishing camps for married men to enable them to engage in more useful work than could be found in the cities. The marked revival in gold prospecting was due in part to the assistance given by the Unemployment Board, co-operating with the Mines Department. The Unemployment Fund would be recouped to the extent of 10 per cent. of the gold won. Under Scheme 5 some 10,000 men were engaged in work of a definitely productive nature, such as land drainage and improvement. The Unemployment Board, by rigid economy, had managed to live within its income, but there were many deserving citizens whom the Board had been unable to help at all.

Rural allotments for married men.

While the total of single men registered as unemployed in the four main cities had fallen from 9,000 to 7,000, the number of unemployed married men in the cities showed a negligible drop of 2 per cent. The first measure which they proposed for the further relief of married men was a scheme of rural allotments. Sections of from 5 to 10 acres would be acquired by any form of tenure most suitable to the case and a cottage of the public-works type would be erected thereon. The allotments would be distributed throughout rural districts. The occupant would work some of the time on his place, in providing his own sustenance, and part of the time for a nearby farmer or anyone in the locality who could employ him. Relief workers thus moved out would not immediately be able to earn an independent livelihood. Some part of the present relief allowance must therefore be continued. This matter of placing unemployed on rural allotments had been carefully considered. They were well aware of its difficulties and of its limitations; it was not wholly a land-settlement scheme, but rather an emergency measure to move some thousands of persons into an environment with opportunities for the individual. At the least, it would provide a shelter until the storm had passed over, and was certainly preferable to keeping families in congested areas with very little hope or opportunity. The Government had agreed to recommend Parliament to provide a fund in the nature of capital expenditure to help finance this scheme.

Relief expenditure and Unemployment Fund finances.

It had been the practice for Hospital Boards to provide sustenance for registered unemployed, particularly in the stand-down periods. Waste was caused by duplication and overlapping. It was therefore proposed to remove from Hospital Boards the necessity for assisting. Any relief it might be possible to give to registered unemployed, apart from wages, would be given from the Unemployment Fund, while Hospital Boards would be responsible for relief to those whose distress was due to causes other than unemployment.

An increase in the income of the Unemployment Fund was imperative. The present income was £2,500,000 a year.

Outgoings, at the rate of £50,000 per week, could not be much reduced as long as the unemployed numbered some 50,000—as they did when men in subsidised employment on farms and gold-prospectors were included. They were faced with the responsibility for taking over from the Hospital Boards the relief of able-bodied unemployed. Men moved from cities, where little work was offering, to country districts, would be more usefully employed and would be giving some definite return, but the initial cost would be higher. Apart from any other increase, a considerable proportion of men who had been employed on public works and paid out of capital funds must come on the Unemployment Fund. The Consolidated Fund would not be able to contribute anything in the ensuing year by way of subsidy to the Unemployment Fund, nor would the special tax on wages and income equal the amount received during the financial year, 1931-32. It was therefore necessary to ask Parliament to increase the unemployment tax to 1s. in the pound.*

Mr. J. McCombs (Labour, *Lyttelton***)** pointed out that it was proposed to increase the tax on women. Was anything substantial to be done for them?

The Minister in Charge of Unemployment replied that they were already doing quite a lot. The Unemployment Board had made quite handsome contributions to social organisations for the purpose, and there was the closest co-operation between those organisations and the Board.

* The tax for 1931-32 was 3d. in the £, but the fund was subsidised from the Consolidated Fund to the extent of £1 for £1.

UNION OF SOUTH AFRICA.

The following summary is in continuation of that given in the last number of the JOURNAL, *and deals with further proceedings of the Fourth Session of the Sixth Parliament which opened on 18th November,* 1931.

EXTERNAL AFFAIRS.

(South-West Africa; Position of Natal in the Union; Oath of Allegiance: position in Irish Free State and the Union; Ottawa Conference: status of advisers; League of Nations; Disarmament; etc.)

On 18th April a debate took place in Committee of Supply on the Estimates, Vote 4, "Prime Minister and External Affairs," £74,716.

DEBATE IN HOUSE OF ASSEMBLY.

South-West Africa.

Rt. Hon. J. C. Smuts (Leader of the Opposition) asked for some information about the deputation from South-West Africa which had had an interview with the Government. Referring to the statement that the Prime Minister had agreed that German should become one of the official languages in South-West Africa, Gen. Smuts said it was stated that the Prime Minister had agreed to this as it was a fair and reasonable request to make. He himself did not dissent from that view. The language, though not officially recognised as of equal authority there, in actual practice was used on a footing of equality from one side of the Territory to the other. It was the general view that that had been official.

There was no doubt that this remained a sore point with the German population. They deemed it a question of honour and prestige, and from time to time the question had cropped up whenever there had been difficulty. Their object was to carry the people of South-West with them, to see a working settlement there, to see the new population and the old German population pulling together as well as possible.

Regarding future candidates to the Public Service with a knowledge of all three official languages having preference, he quite agreed that there should be a requirement laid down that a knowledge of two official languages should qualify for appointment and promotion, and so on, in the Service in South-West Africa; but he questioned whether it was wise to go further and to lay down, as the Deputation in their statement put it, that the Prime Minister was agreeable that a knowledge of all three languages would mean preference. The effect of that would be that in the long run there would be a strong tendency for the Service in South-West to become almost entirely German. He did not think they should go further in declaring German an official language, and in making the two official languages a *sine qua non* for promotion to the Service they should not go further in giving preference to candidates who knew the three languages. He did not think that the door should thus be opened to a Service that was almost predominantly German, whilst the population would be very largely of a different character.

Naturalisation was another matter. The German population was very anxious that it should be put on a par in regard to naturalisation of German immigrants, as compared with immigrants from the Union. Legislation would be necessary if the matter was pushed further.

There was another point. The Government undertook, if a petition in terms of the South-West Africa Act came to that House, that they would consider it sympathetically. In regard to certain powers, all that was necessary under that Act was that there should be a petition framed by a two-thirds majority and sent to the Union Government, and then, in regard to certain matters, the Union Government could act without reference to the House of Assembly. Police, civil aviation, primary and secondary education, the Land Bank and land settlement were matters which could be dealt with in that way. If South-West Africa was financially able to deal with them, he (Gen. Smuts) did not think they need object to those powers being given, but the delegation of these powers to South-West Africa would involve her in a great deal of fresh expenditure.

League of Nations.

Mr. R. A. T. van der Merwe (Nationalist, *Bethlehem, O.F.S.*) drew attention to the large amount on the Estimates for the League of Nations. They knew with what great ideals the League was established, the fulfilment of which rested on the honour and unity, on the good faith of the world, and it had stood its test. After thirteen years the smaller nations were already coming and giving expression to the view that the League had not justified its existence. They knew what had happened between China and Japan, and only that night "*The Cape Argus*" said "League sanctions drop." They could not, he said, attain the result they would like to when a bond was based on honour and the nations concerned did not have the same code of honour.

The Oath of Allegiance.

Mr. J. S. Marwick (South African Party, *Illovo, N.P.*) drew attention to the attitude of the Orange Free State towards the Union, and to the growing movement in Natal for the separation of that Province from the Union. The Orange Free State by a natural course of events became a home of the movement aiming at the secession of the Union from the British Empire.

In connection with the Irish situation, they had recently had Mr. de Valera objecting to the present form of the Oath required to be taken by Members of the Irish Parliament. The gravity of the crisis brought about by his attitude was such as to cause the exchange of Notes between the Governments of Great Britain and the Irish Free State, and to invoke the intervention of their [South African] Prime Minister.

But in the Orange Free State, as far back as 1920, they had a Member of the Provincial Council—now a Member of the House of Assembly—successfully refusing to take the Oath, although the Standing Rules and Orders required him to do so before being permitted to sit in or take part in any proceedings of the Council. The Supreme Court held him to be entitled to refuse because of the wording of the Act of Union, but his objection to the taking of the Oath, and the similar objection of the Administrator of the Transvaal, were interpreted throughout South Africa as a complete departure from the spirit in which the Act of Union was conceived.

Natal and the Union.

From the recently published correspondence between the Minister of the Interior and the Leader of the Opposition, it was quite evident that the Government contemplated the abolition of the Provincial Council system of the Act of Union, as foreshadowed in the Prime Minister's authoritative statement [on 16th September last]. Natal went into the Union on a definite contract. At the referendum on this question her people were asked to vote for or against the draft South Africa Act, and that draft placed in its forefront the Provincial Council system for the four Provinces "with powers of legislation and administration." The importance of these provisions was emphasised by the fact that any Bill repealing or amending them, or abolishing Provincial Councils or abridging the powers conferred upon them, was to be subjected to a safeguard at that time considered more effective even than the Joint Sitting of both Houses.

It was expressly laid down that any such Bill had to be reserved for the King's Assent; and though the Prime Minister might now maintain that he and his Ministers, under the changes made in their constitutional relationship since 1926, would be the advisers of the King as to the disallowance of such a Bill, Natal's remonstrance against the deliberate breaking of one of the most sacred pledges held out to her as an inducement to enter Union would lose none of its moral force.

Mr. Marwick emphasised the point that the Prime Minister, and some of his colleagues in the Cabinet as well, and the entire Nationalist Party, were committed to the granting of Natal's release from the Union, should she ask for it, as a document issued under the imprimatur of the Prime Minister before he was called to that high office showed.

Expenses of the League.

Dr. H. D. van Broekhuizen (Nationalist, *Wonderboom, T.P.*) said they were asked to contribute £20,000 to the expenses of the League of Nations, which meant an increase of £1,360 on last year. Many of those who cherished high expectations of the League felt deeply ashamed about what took place recently in connection with Japan, in consequence of which Japan had succeeded in making the League ridiculous in the eyes of the world. If the great Powers wished to do anything the League was powerless.

Prime Minister's reply.

The Prime Minister (Gen. the Hon. J. B. M. Hertzog) said there could not be the least doubt in his mind—and he repeated it recently to the Deputation that came there—as to what the ultimate destination of South-West Africa would be. That South Africa would actually come into close association with South-West Africa was as certain as the fact that South-West formed a portion of South Africa. He had not the least doubt either that, so far as the population of South-West were concerned, they desired it. It was said that there was a question of union with Rhodesia. He was not afraid of that at all. Even if South-West Africa united with Rhodesia they would eventually, with Rhodesia, have to come to the Union.

In regard to what had been said about Natal and devolution, they saw from that how correct the attitude was which he had always taken up in connection with what they ought to do about South-West or any part of South Africa, namely, that that part must not be incorporated into the Union except with their own free will. Poor Natal! It amused him when he heard of secession by Natal! If fate decided that they must secede he wanted to ask what would become of Natal, not within twenty years but within two years.

With reference to the League of Nations, the Prime Minister said he did not believe there was anybody anywhere in the world who could exactly say that what had happened recently in connection with its action on the Japanese-Chinese question had met with approval; but in his opinion that was

not at all a sufficient reason to condemn the League of Nations as something which ought to be abolished.

They could not forget that the League had no force behind its authority—and he would be the last person ever to advocate that it should have an armed force at its disposal. Gen. Smuts fought at the time against armed authority; he was quite right. One fault perhaps was made—that was, the few sanctions that were given to the League. In his opinion they ought not to be there. If they did not exist, they would have had a very great moral expression of the national will which would have given the authority of the nations.

"We can really make the League of Nations a world force," the Prime Minister continued, "along the lines of an authoritative moral force. I would even say that there may be sanctions, but they must only be applied in certain given cases where a moral expression of the League is not enough to produce the desired effect, and where we have to do with circumstances where the sanctions can actually be applied. . . . Do not have any illusions; if it were not for the League of Nations then, in this case, too many other things would probably have taken place which have not happened now."

League of Nations; Disarmament.

On 19th April,

Mr. E. R. Roper (South African Party, *Wynberg, O.F.S.*) asked the Prime Minister what instructions were given to their Delegates at the Disarmament Conference? With this question of disarmament was bound up the efficacy of the League of Nations as an instrument of peace. It seemed to him that the League at the present time was attempting too much. States which had no responsibility in the matter had a great deal to say in its deliberations, and the result was that there had been a tendency to legislate in advance of public opinion, to attempt to go too fast.

As to disarmament, they, the British Commonwealth of Nations, had already disarmed to a point which was inconsistent with public safety; and this was admitted by everybody who had studied the question from the point of view of the special requirements of the Commonwealth in regard more particularly to naval defence. He was glad the Prime Minister had announced that the Government would have nothing to do with the suggestion that there should be an international police force to take action against aggressors. He (Mr. Roper) hoped he would go further and would not countenance the idea that the armed force of any nation could be used at the request of the League to enforce sanctions, or that any one nation should be obliged to use its armed forces in support of a nation which the League might find to have been attacked.

Brig.-Gen. the Hon. J. J. Byron (South African Party, *East London, N., C.P.*) claimed that there was a great deal to be said for what the League of Nations had done already. Surely they saw that one great result had happened which they might attribute to its influence. War had been prevented from extending on a very large scale between two of the most populous countries in the world. At all events, the League had apparently kept the ring. It had kept the dispute between China and Japan isolated and prevented other Powers from coming in.

They had had the preliminary stage of the Disarmament Conference, he added, and they had a right to be hopeful when they found such a country as Soviet Russia advocating at the Conference proposals for the total disarmament of the world. The League of Nations deserved well; it had done a great work in the past and engaged in considering the most important problems that affect the human race.

Status of expert advisers at Ottawa.

Gen. Smuts referring to the Ottawa Conference, said he understood that the Government had intimated to the commercial people and the industrial organisations that they would be free to send their representatives to Ottawa in a private capacity, to be available for consultation by the South African Government deputation. To some extent, he said, that was a concession to the interests concerned; but he would like to go a step further, and he would ask the Government to give an official position to those who would go over representing agriculture, commerce and industry. He understood that was the action taken by the British Government.

From every point of view it seemed to him that if these gentlemen were going to be consulted at all at Ottawa they should be in some official and responsible position, and not there simply as private individuals who might pass information to and fro and probably create difficulties hereafter. He said this because he thought their representatives would really find having an expert Delegation to consult very helpful.

The Minister of Finance (Hon. N. C. Havenga) said he was not aware that the procedure which the British Government proposed to adopt in regard to the representatives of various interests was going to be different from what they in South Africa were going to do. There would be grave difficulties, he added, if the Government officially made provision for the representation of various interests. They would not know where to stop. He did not think that if the Delegates went in the manner suggested they would be irresponsible. Members must realise that they must go representing their particular interests, conflicting interests in many cases. It would be for the Government, being responsible for determining the policy to be adopted as a whole, very often to reconcile those conflicting interests.

The Vote was agreed to.

SOUTH-WEST AFRICA.

(Resolution by the Legislative Assembly.)

On 29th April, in the House of Assembly,

The Prime Minister (Gen. the Hon. J. B. Hertzog) laid upon the Table a Resolution adopted by the Legislative Assembly of the Territory of South-West Africa recommending (1) the delegation by the Government of the Union of South Africa to the said Legislative Assembly of the power to make Ordinances in respect of all subject matters reserved under Section 27, and in respect of certain subject matters reserved under Section 26, of the South-West Africa Constitution Act, 1925 (Act No. 42 of 1925); (2) the acknowledgment of German as an official language of the Territory; (3) the automatic naturalisation of all European persons domiciled within the Territory on 31st December, 1931; (4) the application of the Naturalisation of Aliens Act, 1910, to persons who may in the future become domiciled within the Territory; and (5) the extension of the life of the present Legislative Assembly of the Territory for a period of one year.*

* *Vide* this JOURNAL, pp. 729-732. *Vide* also Vol. VI., No. 4, p. 866. Section 26 restricts the Assembly from legislating (except with the consent of the Governor-General) on certain classes of subjects, including native affairs and the taxation of natives, mines, minerals, mineral oils and precious stones, and money derived therefrom or payable in respect of licences and taxation; railways and harbours; conditions of employment, payment and pensions, etc., for persons in the employment of the railways and harbours administration and in the public services; constitution and jurisdiction of courts of justice; postal, telegraph and telephone services; military organisation, movements or operations of the South African Defence Forces within the Territory; entry of immigrants or of other persons; Tariffs, Customs and excise duties; currency and banking.

Section 27 also restricts the Assembly, for at least 3 years from the date of its first sitting (except with the Governor-General's consent), from making Ordinances in relation to (A) the establishment or control of a police force; (B) civil aviation; (C) primary or secondary education in schools, supported or aided from the revenues of the Territory; (D) the establishment, management or control of any land or agricultural bank; and (E) the allotment, sale, lease or disposal of Government lands in the Territory.

The Prime Minister said that according to the Constitution of South-West, it was required that if an extension of the powers under Sections 26 and 27 was desired, they must, first of all, give notice thereof. Within a month of this notice that House [House of Assembly] must indicate its disapproval; if it did not, then the Resolution would go to the Governor-General, who would act in the matter as he thought fit. It was now merely a submission of the Resolution which their House [in South-West] had taken.

THE BUDGET.

(Economic position; Decline of trade; Great Britain and the gold standard; Ottawa Conference: preference policy of Great Britain: opportunities at the Conference; Government's policy, financial and economic; Empire markets; Equality of status; Oath of Allegiance in Irish Free State: South African action; Discontent in Natal; Native territories; etc.)

On 23rd March, in the House of Assembly, in Committee of Supply on the Estimates, the Minister of Finance submitted his Annual Financial Statement.

DEBATE IN HOUSE OF ASSEMBLY.

The Minister of Finance (Hon. N. C. Havenga), referring to the world-wide financial stringency and the disastrous fall in commodity prices, said that nothing had occurred since he made his Budget statement last year to check this state of affairs; on the contrary, as a result of Great Britain's departure from the gold standard, the position had been aggravated. The effects were reflected in their finance accounts, and practically every head of Revenue showed a shortfall as compared with the original Estimates. Last year a surplus of Revenue of £284,000 was anticipated and a saving of expenditure of, at least, £200,000, making the excess of receipts over expenditure £484,000. The revised receipts for the year were now placed at £26,900,000, a drop of £2,773,000 as compared with the original Estimates.

Revenue, trade and debts.

The heavy shortfall in receipts was partly bridged by savings in expenditure amounting to £1,289,000, a reduction which, except for £550,000 saved on the Public Debt, was

due to the continuous endeavours of the Government to curtail expenditure in all directions. The revised expenditure forecast for the year was £28,100,000; he therefore anticipated that the current year would close with a deficit of £1,200,000 which, together with the deficit of last year, would make the Revenue account short by £2,100,000 at the end of the [present] month.

Customs Revenue for 1931-32 as revised would be £7,690,000, or £310,000 more than that for the previous year, but £1,140,000 less than the estimate. This decrease, largely attributable to a decrease of £9,600,000 on the total imports of merchandise other than Government stores for 1931 as compared with 1930, and an even greater relative decrease in the last quarter of the current year, could be discounted to the extent of, say, £2,000,000, due to the depreciation of sterling and the currencies of other off-gold countries.

Under the various heads were the following: Post Office, decrease of £273,000; diamonds, decline of £270,000 in exports duty, £54,000 in State mining and £14,000 in income tax; income tax, exclusive of mining, decrease of £305,000, super-tax, £100,000. Stamp duties, although the original estimate was reduced by £83,000, gave a yield of £48,000 over that of last year; death duties, decrease of £100,000.

Exports in 1931 were £72,840,000 against £83,428,000 in 1930—decrease £10,588,000; imports were £53,012,000, against £64,575,000 in 1930—decrease, £11,563,000.

An amount of £600,000 had been paid to date in subsidies in respect of wool, mohair, hides and skins, eggs, fruit, minerals, ores and metals, etc.

The expenditure from Loan Funds for the year had been approximately £10,438,000. The total Debt at the end of the financial year would be £263,980,000, *i.e.*, external debt, £159,661,000, and internal debt, £104,319,000, an increase of £7,136,000.

Estimates for 1932-33; New taxation.

The total provision was £27,479,000 or £1,910,000 less than the original estimate. A determined effort had been made to prevent a drift, and numerous reductions had been made in public services.*

The anticipated deficit of £1,635,000 for the coming year, taken with the deficits to be carried forward, gave a total of £3,735,000—a formidable figure. Of this he proposed to raise £3,535,000, leaving £200,000 to be carried forward. The new taxation included an increase in the rate of tax upon profits derived from gold mining of from 3s. in the £ to 4s.; also a

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 515, for statement by the Minister of Finance on the reduction of Public Service Salaries.

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special surtax on fixed interest received by those in receipt of a taxable income exceeding £300, including interest received by insurance companies. These were estimated to yield respectively £380,000 and £350,000—total, £730,000.

In this connection, he said, for some time he had been concerned with the growth of what might almost be described as a definite movement for the evasion of income tax. Throughout the Union persons with large incomes had been forming companies for no other purpose than to avoid contributing according to their ability to the upkeep of the country, and he therefore proposed to make all private companies liable to super-tax, and power would be taken to group companies for taxation purposes where the control was exercised directly or indirectly by one individual.

Additional Customs Duties; Banking position; etc.

Expressing himself as in agreement with the general feeling that the fairest method of obtaining additional Revenue was a general levy on imports, the Minister said he proposed a 7½ per cent. surtax, to be levied on the gold value of all imports, except those goods which were predominantly, if not solely, used for agricultural purposes, such as fertilisers, harvesting machines, windmills and tractors. This surtax was expected to yield £2,600,000. On certain specific commodities—whisky, rice, tea and fish—additional duties would be levied at rates approximately equal to the balance in favour of the importer due to exchange, after taking account of the existing 5 per cent. primage and the proposed 7½ per cent. surtax.

It was proposed to increase a few protective duties because the particular industries concerned had been badly hit by the abnormally low price at which goods were being imported. The total revenue estimated from all these additional sources was £2,805,000.

With respect to the difficulties of the banking situation, it had been estimated that a sum of about £9,000,000 in excess of normal requirements had been remitted overseas since 21st September last, but it was well known that in this amount were included large amounts that had gone out in anticipation of sterling liabilities falling due at a later date, in respect of payment for imports, interest and dividends, etc., for fear of a less favourable rate of exchange on due date. It was also known that several countries which had hitherto allowed, say, three or four months' credit on sales to the Union, now demanded cash for fear of the Union going off gold in the interim.

From the banking point of view this loss of capital and these advance payments had been made good, for the time being, by the creation of fresh Reserve Bank credit and by

the commercial banks drawing on their sterling balances. According to its latest weekly statement [11th March] the Reserve Bank had a ratio of cash reserves to its notes, deposits and other liabilities to the public of 55·9 per cent., *i.e.*, 15·9 per cent. above the legal minimum reserve ratio. This meant that on that day the Bank had free gold to the amount of about £2,000,000, which was available for conversion into sterling or other currencies for sale to the public in the Union or as a basis for the expansion of credit in the Union if considered necessary, or partly for the one and partly for the other.

For months the gold reserve of the Reserve Bank had been at least about £7,000,000, and it had the unique advantage of regularly replenishing its gold reserve every week by the substantial weekly output of gold on the Rand. Although six months had passed since the suspension of gold payments in England, the Bank was fully capable of maintaining the gold standard and fulfilling all its functions as a central Bank effectively in the present emergency.

Referring to the economic depression, the Minister said there was not a word of truth in the rumours widely circulated that the Government intended to undertake a measure of devaluation of their currency. Devaluation would have to be preceded by depreciation or debasement, and they were not prepared to fall into line either with the inflationists or with the false coiners.

On 6th April,

Hon. P. Duncan (South African Party, *Yeoville, T.P.*) said the Government had told them that they had come to a point at which they had to intervene in order to effect a transfer of wealth between one class and another. They had chosen the wrong way—the way most oppressive to the country.

Ottawa Conference.

The forthcoming Conference at Ottawa was an event of very great significance, which had become of much greater significance owing to recent events than it was thought to be when it was first called. He did not in any way wish to press the Government for a definite declaration of what their policy was going to be when they got there. The whole situation was so difficult and changing from day to day that, personally, he did not think it would be desirable that they should go there with their hands tied by any declaration of policy which they were likely to be able to make now. But it was desirable that the House should know with what ideas they proposed to enter the Conference.

"We do not propose," Mr. Duncan continued, "that they should go there to lay any bonds upon the industry or the economic life of this country which are not in our power to bind or to loose as our own interests demand. . . . We do not ask them to enter into any agreement which will fetter our economic independence unless they bring to us an advantage which is fully corresponding with what we are asked to give up. What we do ask them to do is to go there with open minds ...... free from prejudices of past political controversies and from the catch-words which have arisen out of those past political controversies, and to be in a position to take full advantage of all the benefits which our connection with the British Commonwealth has to offer."

Paying off debt: gold standard.

Mr. J. F. T. Naudé (Nationalist, ***Pietersburg, T.P.*****)** said it was South Africa's good fortune that it had the present Minister of Finance holding the reins in these difficult circumstances. He had surpluses for six successive years up to a total in all of £6,185,000. Of these surpluses about £2,487,000 was used to pay off debt, £2,640,000 was put into the Loan account, and £808,000 was used to pay off the accumulated deficit of the previous Government. Moreover, £250,000 was used to put insolvent pension funds on a sound footing. Because the surpluses were used to pay off the National Debt, or were put into the Loan account, they would be paying about £280,000 less in interest every year.

Referring to the External Debt, Mr. Naudé said if they assumed that England would stabilise the £ at 15s., it meant that South Africa would have to pay considerably less—it would be a reduction of 25 per cent. or £40,000,000 on their debt of £160,000,000, owing to their remaining on gold. This was a very important point and ought to be brought to the notice of the country.

Mr. L. Blackwell (South African Party, ***Bezuidenhout, T.P.*****),** comparing countries which were on with those which were off the gold standard, said England went off the gold standard about six months ago, and one of the most amazing things that ever happened within the knowledge of generations was the speedy financial rehabilitation of Great Britain, which had astonished the whole world. As long as, under present conditions, South Africa stayed on gold and England was off gold, the Minister of Finance would never balance the Budget, and the country would sink deeper and deeper into the financial mire.

Mr. A. Friend (South African Party, ***Dundee, N.P.*****)** said the House was deeply disappointed with the silence of the Minister of Finance with regard to Ottawa. For more than a year primary producers had placed their last hope on that Conference. He hoped the Minister of Finance and also the

Prime Minister would make a statement, and that the formidable array of Ministers going to Ottawa would find time to see that South Africa got a due share of the inter-Dominion trade to which they were entitled.

Union stocks and British securities.

Mr. W. Rockey (South African Party, ***Parktown, T.P.*****)** pointed out the fallacy of thinking that while they remained on the gold standard they must be solvent. Their solvency did not depend on the amount of gold they had to back their currency, but on the assets they had in the country to meet the creditors who had lent them money. If Great Britain, by going off the gold standard, had gone to Hades or elsewhere, South Africa would have gone with them, and the whole world as well.

Not so long ago they were talking of how high their credit stood in Europe and how people tumbled over themselves to take up South African Loans. During the last six months they had seen a great depreciation, both in South Africa and in England, in the value of Union stocks. Before 21st September last Union Loans were looked upon as the most gilt-edged security in the world. People paid £102 10s. for £100 of their stock; that same stock was sold the other day at £88 10s.

The investing public throughout the world believed, and quite rightly, that British securities were more stable than the securities of a young country like South Africa, and the world knew that British currency and securities were built up on something more than gold and infinitely more precious; they were broad-based on the honour and integrity of the British people, on the commercial morality of British merchants, the high standing of British bankers and, above all, on the inviolable sanctity of the British judiciary.

"A historic change" and "a unique opportunity."

On 7th April,

Gen. the Rt. Hon. J. C. Smuts (Leader of the Opposition) said he did not think there was any coming event more likely to influence future Budgets of South Africa than the success or failure of the Ottawa Conference. "In the *malaise* in which we are to-day," he continued, "in the difficulties through which we are ploughing our way, no greater opportunity has come to this country than that which will be presented at Ottawa. We have had a preference policy for a lifetime as between this country and Great Britain, but it has always been hampered by the fiscal policy of Great Britain. Now for the first time a historic change has taken place, and it is possible for Great Britain to enter into fiscal arrangements which might help the two countries and the other countries of the Commonwealth. It is a unique opportunity, and I hope, and the whole country hopes, that every possible means will be exploited in order to make that opportunity a success so far as South Africa is concerned."

He did not know what steps the Government were taking to make necessary preparations. From the English papers and the papers of other Dominions he found that elaborate machinery was being instituted. Committees of the Governments, with the various interests likely to be affected, were being formed, and every means being taken to prepare the ground carefully. In South Africa they were somewhat in the dark. They did not know, except from rumour, how the Delegation was to be constituted. The country looked to the Prime Minister for a reassuring statement.

Gen. Smuts then moved the following Amendment to the Motion :—

To omit all words after "that," and to substitute "having regard to the fact that the financial and economic policies pursued by the Government have resulted in the proposed imposition of harsh and excessive taxation and the application of drastic reductions to the emoluments of public servants, both of which could otherwise have been avoided, the House is not prepared to go into Committee of Supply on the Estimates presented by the Minister."

The Amendment, Gen. Smuts said, was intended to challenge the financial policy of the Government in the directest and clearest terms. The Budget reflected the results of that policy as it had matured over seven years, and it was a policy and a result which at long last were appalling the country. Last year the Minister of Finance estimated that with the surplus that was being carried forward they would have a surplus of almost £500,000. That surplus turned out to be a deficit of £1,200,000. Now, he estimated, apart from the taxation measures proposed, there would be a deficit of £1,600,000. The Minister would again be hopelessly out, and he would find the deficit and the financial position far worse than he anticipated.

Government's financial policy: position of gold.

In adversity the Government went in for a policy of contraction and deflation which had been inflicting undeserved and almost impossible suffering on the country. Now the Minister said it was Great Britain going off gold that had caused this. If South Africa had been wise and had adopted an equally wise policy as the British Government had done, the position would have been very different. But they backed gold and sneered at sterling. What was the position of gold, which meant the position of the dollar? The dollar which

they backed in their short-sighted policy had been falling for months. Sterling had been rising, and they saw a phenomenal recovery in Great Britain which was the astonishment of the world. If they had been off gold and on sterling they would have had a Budget without cuts, without any fresh taxation, and with a big surplus left.

The Government's policy had not only driven money out of the country, Gen. Smuts continued, but had prevented money which should have come from coming there; for any man who brought his £100 from overseas to the Union would not receive more than £80 when he arrived. Nothing would induce money to return there unless the Government reversed the wrong decision it came to last November. If they did reverse it they were not only going to get the money back and change things very rapidly, but they had the further prospect of setting on its legs and lengthening the life, even doubling its life, of their biggest industry.

They were told by every authority on the subject that a 20 per cent. gain in the exchange, 4s. in the £, would more than double the life of the mines. They had the official statement of the Government mining engineer that in ten years' time the gold industry would have diminished by more than half, and that after that it would be on the down grade very rapidly. They had been trying to build up a system which could take the place of the gold mines when they had dropped out of their economic life, but they had not succeeded. What was going to happen in ten years' time when their gold production, instead of being £46,000,000 a year, would be only £20,000,000?

Subsidy for the export farmers.

Mr. F. C. Sturrock (South African Party, *Turffontein, T.P.*), who seconded the Amendment, criticised the policy of giving a subsidy to the export farmers who were suffering; they could not produce and sell at world prices without losing money, because their costs of production were too high. They would never be able to compete against the Argentine or New Zealand until they faced the question of reducing these costs. Did primage duties, surtaxes, increased Customs duties or increased direct taxation reduce costs? Did subsidies to farmers reduce the cost of land? Did an 8 per cent. bank rate reduce the cost of overdrafts? Every day and in every way the Government was doing all it could to put up costs on the farms, and this was very largely because of the policy of doles to the export farmers.

Even the subsidy in itself was of no use in certain cases. They could not send subsidised goods to America or to Italy because those countries would not have them. Now that

Britain had established a tariff wall, Britain herself would have to protect herself against taking in subsidised goods. The Italian meat contract could not be obtained for South Africa by any subsidy.

What, Mr. Sturrock asked, was the Minister going to do with this subsidy when he got to Ottawa? Was he going to bargain with other Dominions on a mutual tariff basis, and then get behind his bargain with a subsidy? The farmer who relied on the internal market got no direct help from the subsidy. He had to pay his share of the dole and the rest came from his internal market. The balance must be found from the gold, coal and base metal mines. If they taxed the mines that would inevitably raise the cost of operating them. It had been estimated that for one man put out of work on the mines six were put out of work throughout the country. Any increase in the costs of the mines from the imposition of taxation to pay a dole meant a curtailment of the farmers' internal markets.

Ottawa Conference; Empire markets.

Dr. A. J. Stals (Nationalist, *Hopetown, C.P.*), referring to the discussions at Ottawa which, he said, were calculated to be economic deliberations, suggested that other motives might also be hidden behind the expectations from Ottawa. If the intention was to create the opportunity for easier barter within the British Empire no objection could be made. It was in the interest of South Africa to extend the trade opportunities of South African producers throughout the whole world, beginning with the British Empire. But he wanted to say emphatically that the eyes of South Africa must be fixed on the whole world and not only on trade within the Empire.

Regarding what he described as "just a little Imperialistic policy behind Ottawa," Dr. Stals expressed the hope that when their representatives went there none of those Imperialistic considerations and sentiments would be raised, but that the various proposals would be considered on their merits on a purely economic basis. There were people who took the view that something in the direction of replacing the Statute of Westminster should be done, along with the economic discussions. If that was the object he trusted the representatives of the Nationalist Government of South Africa would not take part in them.

Hon. P. Duncan (South African Party, *Yeoville, T.P.*): "Who said that?"

Dr. Stals referred to a quotation from an article in "*United Empire*" based on the speeches of Mr. J. H. Morgan, K.C., and Lord Hailsham, and said that if that were to be held by hon. Members opposite they knew only too well what the position in the future would be.

Dr. Stals also referred to a report in the Press from Canada a few days ago with reference to the state of affairs in Ireland, which said that if the position in Ireland remained as it then was, no representatives from Ireland would be welcome at the Ottawa Conference.

Mr. Duncan: "The report was not correct."

Dr. Stals: "I would like Members who are interested in the future of the Empire to contradict this sort of thing. . . When the Report of the Imperial Conference of 1926 and subsequently that of the Commission of 1929 were debated here we know what the attitude of certain hon. Members opposite was . . Members who put political Imperial unity in the foreground. We know what the attitude of hon. Members was regarding the German Treaty, and we have again heard this afternoon from the hon. Member opposite that the Government should withdraw the German Treaty. . . I believe that the great and continuous agitation about the gold standard has its origin in the desire to reinstate the political Imperial union. . .

"I am certain that sound sense will prevail at Ottawa. I want to suggest certain things to our representatives at Ottawa which I regard as axioms and which should serve as a guide—the first is that produce shall remain produce of every Dominion, and shall not become produce of the Empire. It must remain produce of the Dominion until it is disposed of.

"The second point is that each Dominion is entitled to maintain its own economic independence as it thinks fit. . . The third is that each Dominion is compelled to protect and maintain its existing industries. I do not want to go into details, but there are important principles which must be upheld, and each Dominion should be able to obtain the best markets for itself. The Empire is not able to consume everything produced by the Dominions, and therefore other markets and other selling areas must be created. At the Imperial Conference of 1926 the Minister of Finance took up a certain attitude. I hope the Conference at Ottawa will further uphold the basic principles which were there adopted. It reads:—

"'South Africa is herself entering a field of industrial development, and the Union Government is determined to assist in building up her manufacturing industries as well as supporting her primary producers. But there will be, doubtless, many commodities which the Union itself is unable to supply economically, and to maintain a trade therein my Government will be in favour of considering arrangements which will be to the mutual advantage of the nations of the Empire.'"

Japanese goods; The German Treaty.

Mr. M. Kentridge (Labour, *Troyville, T.P.*), referring to the £2,600,000 which the Minister proposed to obtain by means of the surtax of $7\frac{1}{2}$ per cent., pointed out that this surtax might encourage the importation of goods from Japan, for that country, showing more wisdom than the Union, had gone off the gold standard.

The cost of production in Japan was so low that it could produce goods cheaper than almost any other part of the world; hence their importers would be encouraged, if not almost forced, to buy from Japan, because they would have to pay less Customs duty on goods from there than from other countries. Thus the revenue accruing to the Minister would be less, and goods from Great Britain would be discouraged from coming into South Africa, while the competition between the importer of Japanese goods and goods manufactured in South Africa would still further be increased. That was the tariff policy which was being pursued by the Minister.

With reference to the German Treaty, Mr. Kentridge emphasised the difference between South African policy and that of Great Britain which had now a great bargaining power, and had refused to enter into negotiations with other Powers until after Ottawa.

Dr. N. J. van der Merwe (Nationalist, *Winburg, O.F.S.*): "She entered into a Treaty with Germany before we did."

Mr. Kentridge: "But she protected her Colonies and Dominions."

Question of remaining in the Empire?

Continuing, Mr. Kentridge drew attention to a statement in "*The Times*" concerning the policy of Mr. de Valera—"and if you substitute 'Hertzog and his Government' for 'de Valera,'" he said, "it would be quite appropriate."

As a South African and as one who was anxious for the development of South Africa, Mr. Kentridge said that they had to decide whether they were going out of the Commonwealth or whether they were going to remain in and consolidate it. "We shall be the greater loser if we do nothing to consolidate the position, and not Great Britain, which is already being asked to take the hegemony of the federation of Europe. We will look to a shrunken country, a country of unemployment and a country which is undeveloped, due to the policy of the Minister and the Government. . . What is needed to-day is a national effort. The duty rests upon the Prime Minister to put the interests of the country above Party."

Dr. van der Merwe pointed out with regard to Ottawa that the country knew where they stood in connection with that matter, adding that though they were anxious to develop their trade with England to the fullest extent, if they excluded

gold, Great Britain, as a separate market, took hardly 25 per cent. of their produce; and the Minister of Finance at Ottawa would have to be very careful not to enter into agreements and give a slap in the face to the rest of the world, which took 75 per cent. of their produce.

If Members thought that they must go to Ottawa to repel their trade with the rest of the world and to give exclusive preferences, then it would be far better to abandon the whole Conference.

Position in Natal.

Mr. F. H. Acutt (South African Party, *Durban, Umlazi, N.P.*) referred to the grave situation in Natal owing to Asiatic penetration. He spoke on this subject with diffidence in view of the Conference which had just been held between Delegates of the South African and representatives of the Indian Governments.* The people of Natal, he said, would be very disappointed at the result of that Conference. With regard to the Agreement he hoped that some future good would result from it; that evidently was its purpose, and he hoped that the Minister of the Interior would proceed to arrange for the colonisation scheme which was the intention.

The Asiatic problem was a Nationalist question, and if it was peculiar to Natal at the present time, it was only a question of time and it would spread to the whole of South Africa.

On 11th April,

Mr. G. H. Nicholls (South African Party, *Zululand, N.P.*) referred to the position to which they were drifting, and to the desperation that had given impetus to the movement in Natal, and said that he thought it was his duty to advise the people of the country and the Government not to treat that movement lightly. It was gaining ground, and after twenty-two years of Union they were witnessing a most unmistakable verdict on the Union contract. The movement was based on the firm belief that the solemn covenant of the Union had been completely changed in its nature, so as seriously to prejudice the rights of Natal; that the centralised administration of the country had placed serious handicaps on the people in the public service of the Union; and, finally, that their sentiments and traditions as British subjects, desiring solely to maintain their place in the British Commonwealth of Nations, had been completely ignored.

South Africans and Oath; Statute of Westminster.

During the week-end, he continued, they had had the most amazing evidence of those who had taken the Oath of

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* *Vide* p. 754.

Allegiance to the South African Constitution and to the King, cabling to the President of the Irish Free State in these terms :—

Senator Dr. C. T. Visser, Chairman of the Republican Bond, has sent Mr. de Valera the following cable : "We admire your manly attitude in negotiations British Government and hope you will insist on the rights you and we obtained under the Statute of Westminster."

What an extraordinary state of affairs! Here they had a Senator who had taken the Oath of Allegiance, represented as Chairman of an organisation which existed for the purpose of destroying the Constitution. Dr. van der Merwe, who had also taken the Oath of Allegiance, cabled :—

"Thousands of South Africans admire your unflinching determination for liberty. Your stand on Statute of Westminster will test the sincerity of England."

The Prime Minister and Mr. de Valera.

The Prime Minister's message was couched in very diplomatic language and revealed a sincere desire to assist in a spirit of Empire co-operation and unity. It was a friendly act and in accordance with the best traditions of their own statesmanship. The messages of these other supporters of the Government were gratuitous and in the worst possible taste. Their action had left bewilderment in the minds of the people of South Africa.

Either they were in the Empire or they were out of it. The 1926 Declaration, which had been adopted by that House, stated that—

"The British Empire is not founded upon negations; it depends essentially, if not formally, on positive ideals; free institutions are its life blood. Free co-operation is its instrument."

"We all subscribed to that," Mr. Nicholls said, "and if the Oath of Allegiance is merely taken to preserve the semblance of loyalty to the Empire, whilst carrying out an intensive campaign to get out of it, then there is nothing left of the spirit of the Union but the dead ashes of forgotten hopes. . . We are trying to stand by the Constitution of South Africa. If the Government of this country is influenced by Republicanism which is inimical to the Empire, every action it takes is necessarily examined in the light of that fact.

"South Africa is not Ireland."

"We have come to a stage when some clarification seems to be necessary. South Africa is not Ireland. There was no coercion whatever about our entry into the Union. All the States of the Union entered into this compact as free members. In this crisis of our history, when forces are rearing themselves up to demand the destruction of the Union, its English-speaking citizens have a right to know whether the compact of 1910 is to be kept or broken—whether any trust can be placed in the policy of the Government to maintain South Africa as a co-operative member of the British Empire."

On 13th April,

The Prime Minister (Gen. the Hon. J. B. M. Hertzog), referring to the question of the gold standard asked: "What, in the name of Heaven, have the circumstances of Great Britain, which, *inter alia*, was forced off the gold standard because she could not pay her external debts in gold, to do with the circumstances of South Africa, where, *inter alia*, we are able and will continue to pay every £ of debt, within or without the country, in hard cash? If the restoration of the economic *malaise* in England requires an increase in every £, then I ask what reason is that for our assuming that here also we should increase our currency to the same proportion? The reason for the folly of wanting to make the curing of our economic *malaise* dependent on the depreciation of sterling is, accordingly, not to be sought for on economic grounds either. There is nothing but politics behind it. Who is there, in fact, who can tell us how long it will last before Great Britain returns to gold again? Who can tell us what the further fluctuations of sterling will be before gold is returned to, and who can say at what amount, at what value, the return will take place?"

It must still be stated, the Prime Minister added, that in case they did link up with sterling, they in South Africa would not have the least say either as to the period when gold should be returned to, or as to the amount of the depreciation. South Africa would literally be bound by the caprice, as well as the interests, of Great Britain.

Native territories: equality of status; etc.

Col. the Hon. D. Reitz (South African Party, *Barberton, T.P.*) emphasised what he termed "the moral damage which the Nationalist Party had inflicted on South Africa." Their road to the north was cut off, and they had lost markets which for 15 years they had tried to build up. Another weakening factor that they owed to the Nationalist Government was that they had also lost Swaziland, Basutoland, and Bechuanaland. They had lost everything, and the goodwill of the people in those countries, which was even more important.

There had never been so much disunity as since the Nationalist Party took office. He did not know that his views were those of his Party, but at any rate they were the views of a large number of the people of the country. A large measure of the discontent was caused by the fact that many citizens believed that the Government was trying to get them out of the British Commonwealth. As a citizen who was born a republican he would like to state his views on this matter.

"If our partnership with the British Commonwealth," Col. Reitz continued, "denoted anything of subserviency or of domination by Great Britain over this country, I would not tolerate it; but I hold that with South Africa, situated as she is, a mere outpost at the far end of the 'dark Continent,' with not much more than a million and a half Europeans, for biological and physical and climatic reasons it probably will be necessary for all time—but it certainly will be necessary for another century—for us to be linked up with a big nation overseas. . . The best nation for us to be linked up with is the British Commonwealth. We know them, we are friends with them, they have treated us justly and generously, and it is necessary for South Africa to remain a voluntary partner of the British Commonwealth."

It grieved him to say that English-speaking people who had been proud to become Afrikaans-speaking were now beginning to hate Afrikaans. Did they think they were going to spread a language by thrusting it down peoples' throats? The Nationalist Party had misconstrued and mishandled the language question.

Mr. A. S. van Hees (Nationalist, *Brakpan, T.P.*) asked why was not a single step taken to assume the administration of Bechuanaland, Swaziland and Basutoland? They were trying to take steps to solve their great problems, but at the same time they left the control of those territories in the hands of Great Britain. It was said that their Cabinet was equal to the Cabinet of His Majesty in Great Britain. Why was it that an equal Cabinet in South Africa had no instructions to assume the administration of those countries? The Cabinet in South Africa was surely more fitted, knowing what their conditions in South Africa were, what their native troubles were, and what the troubles of their poor people and settlements were.

Regarding the crisis which arose in Imperial relations in consequence of the Prime Minister's telegram, Mr. van Hees said: "Not only we, and not only Ireland, may dispose of our constitutional status, but all the Dominions must stand together. That is the position that is being emphasised to-day. The mere fact that our Prime Minister has been called upon to say so shows what the meaning of it is. The only form of Government for this country is the Republican form. Every hon. Member feels this in his soul, and they, along with me, do not feel happy about the Prime Minister interfering in such a way in matters of this kind."

Government policy at Ottawa: relations with Canada.

On 14th April,

The Minister of Finance, replying, explained what action had been taken by the Government in regard to the Economic Conference to be opened in Ottawa on 23rd July. The Delegates who would represent the Union would be the Ministers of Mines and Industries, Lands, and himself, accompanied by the necessary technical advisers. The Conference was convened to resume the examination, postponed from the Imperial Conference of 1930, of the various means by which inter-Commonwealth trade might be best maintained and extended, with a view to adopting the methods most likely to achieve the common aim. He continued: "The Government adheres to the views expressed in this connection both by the Prime Minister and myself at the 1930 Conference, and especially to the Declaration made that South Africa would welcome the extension of trade relations in the Commonwealth by agreements providing reciprocal tariff benefits, and with the reservation then expressed that the industries which had been established in the Union must continue to receive the protection necessary for their preservation.

"The Government is not prepared at this stage to do more than lay down the general line of policy in the development of which we shall be largely guided by what transpires during the negotiations at Ottawa. We are in agreement with the expressed intention of the British Government that they will not exclude beforehand any proposals which may be brought forward by any of the Governments concerned, but that their final decision would always be subject to considerations of domestic policy."

Having referred to the preliminary but non-committal discussions which were being pursued with the High Commissioner representing the British Government in regard to possible Customs preferences on United Kingdom products imported into the Union, the Minister said that negotiations had for some time been proceeding with the Canadian Government's representative in South Africa in regard to a trade agreement between Canada and the Union. "It is understood," he added, "that the Associated Chambers of Commerce of South Africa intend to send two representatives to be present in Ottawa while the Conference is sitting, and although they cannot be officially recognised as part of the Delegation, I have assured them that when occasion arises I shall gladly avail myself of their advice and assistance.

"The Federated Chambers of Industries have been assured of similar recognition. Hon. Members on that side of the House have apparently construed the omission of reference to the Ottawa Conference in my previous utterance as a sign of the Government's apathy in this matter. On the contrary, while not entertaining the exaggerated expectations manifest in some quarters, the Government is fully alive to the potentialities of this Conference, to which the attention of the whole world is directed in the present turmoil of tariffs and trade restrictions, and a solution of the problems affecting the Commonwealth may well lead to a revival of trade that will benefit not only its members, but all other countries whose well-being is equally essential to the restoration of world prosperity."

EMPIRE MARKETS.

(Purchase of Empire goods; Value of Empire Marketing Board; Research work; etc.)

On 11th March, in the House of Assembly,

Mr. J. S. Marwick (South African Party, *Illovo, N.P.*) asked the Minister of Mines and Industries: (1) Whether he received an invitation to become honorary vice-president of the forthcoming "Buy Empire Goods" campaign in Johannesburg; if so, (2) whether he caused a reply to be sent stating that whilst it was the general policy of the Government to promote the welfare of South African industries, and to foster trade from all countries who buy and sell merchandise to the Union, it was impossible for the Minister to identify himself with a campaign advocating discrimination in South African markets in favour of the products of a particular exporting country or countries; (3) whether the work of the Empire Marketing Board of Great Britain, established in 1926, had successfully aided in the marketing of South African eggs, oranges, grape fruit, peaches, pears, plums, wines and grapes in Great Britain, through expenditure which had not been borne by the Union taxpayer, so that the sale of such products reached its highest peak in 1930: (4) whether the Imperial Conference of 1930, attended by the Prime Minister, the Minister of Finance and the Minister of Mines and Industries, adopted a Resolution acknowledging the value of the work of the Empire Marketing Board to the British Commonwealth as a whole, and recommending its extension beyond the United Kingdom and its continuance in the spheres of market promotion, etc.; (5) whether, from a trade point of view, the advertisement, free of cost to the Union taxpayer, of Union products by the Empire Marketing Board in national, provincial and trade newspapers; by posters on omnibuses, hoardings, trams and vans in London and other large cities; by circular leaflets to 150,000 housewives; by publicity leaflets exceeding 4,000,000 in number; by lectures, broadcasting, films and cookery competitions; by "South African shopping weeks" in the Empire Marketing Board shops in Glasgow and Birmingham; and by contract posters in factories in receipt of orders from the Union, had not proved to be of definite benefit to its primary producers; (6) whether the Empire Marketing Board had granted to the Union Government a sum of £10,000 towards capital expenditure on the extension of Onderstepoort Research Veterinary Station and a sum of £11,000 per annum for five years; (7) whether the chairman of the Empire Marketing Board was a Minister of His Majesty's Government of the United Kingdom, the Right Hon. J. H. Thomas; and whether, in the interests of trade reciprocity and the export trade of the Union the Minister was not prepared to extend his patronage to the "Buy Empire Goods" campaign in Johannesburg?

On 15th March,

The Minister of Mines and Industries (Hon. A. P. J. Fourie) replied to (1) and (2) in the affirmative, but said his reply was not quite correctly reflected in the hon. Member's question, as he used the expression "trade with all countries" and not "trade from all countries."

In reply to part (3) of the question the Minister said that the work of the Empire Marketing Board was much appreciated by the Union Government, and had undoubtedly stimulated the interest of the British public in British Commonwealth products generally, thus creating a fruitful background for the sale of Union products and usefully supplementing the intensive propaganda of the Citrus and Deciduous Exchanges as well as that of the wine and egg producers, ably assisted by the organisation of the South African Trade Commissioner, Mr. Dimond, and his staff.

In regard to (4) Mr. Fourie said the answer was in the affirmative. The Empire Marketing Board was a British institution, set up and financed by and under the exclusive control of the British Government. The extension of the Board's activities beyond the United Kingdom and the supplying of funds for that purpose was, therefore, primarily a concern of the British Government. The Union Government saw no reason to offer any adverse comments on the proposal to remove the limitation of the Empire Marketing Fund to the United Kingdom. In regard to (5) the advertisement of Union products had been beneficial to the extent indicated in his reply to (3).

The answer to (6) was in the affirmative, in consideration of which the Union Government had undertaken to extend the character of and opportunities for research work at

Onderstepoort so as to be of service to the whole of the Commonwealth and to afford research facilities to students from other parts of it. This constituted Onderstepoort a link in the chain of research stations contemplated by the Empire Marketing Board. The researches in question were already in active progress.

Regarding (7) the reply was in the affirmative; and with respect to the last part of the question which he answered in the negative, the Minister said the hon. Member would appreciate that that would place him in an invidious position, seeing that he was entrusted with the promotion of the Union's trade with all countries, including non-British countries, and that he could not, therefore, become protagonist of any particular trading interest. The Johannesburg "Buy Empire Goods" campaign, he added, was not comparable with the Empire Marketing Board, which was created in lieu of certain economic preferences which the British Government proposed at the Imperial Economic Conference of 1923, but to which they were precluded from giving effect.

INDIAN CONFERENCE.

(Cape Town Agreement; Colonisation scheme; Discussion on the Asiatic Tenure Bill.)

On 5th April, in the House of Assembly, the Minister of the Interior made a statement regarding the results of the recent Conference with representatives of the Government of India.*

IN THE HOUSE OF ASSEMBLY.

The Minister of the Interior (Dr. the Hon. D. F. Malan) explained that the delay in making this statement had been unavoidable as the conclusions of the Conference had naturally to be submitted to both Governments for approval, and a public announcement by both sides had to take place simultaneously—but only after the Indian Delegates had returned to their own country.

Benefits of the Cape Town Agreement.

In accordance with paragraph 7 of the Cape Town Agreement, Delegates of the two Governments met at Cape Town from 12th January to 4th February, 1932, to consider the working of the Agreement and to exchange views as to any modifications that experience might suggest. The Delegates had a full and frank discussion in the Conference, which was throughout marked by a spirit of cordiality and mutual goodwill. Both Governments considered that the Cape Town Agreement had been a powerful influence in fostering friendly relations between them, and that they should continue to co-operate in the common object of harmonising their respective interests in regard to Indians resident in the Union.

* *Vide* also under "India," p. 801.

Colonisation schemes: Asiatic Tenure Bill.

It was recognised that the possibilities of the Union's scheme of assisted emigration to India were now practically exhausted owing to the economic and climatic conditions of India, as well as to the fact that 80 per cent. of the Indian population of the Union were now South African born. As a consequence the possibilities of land settlement outside India, as already contemplated in paragraph 3 of the Agreement, had been further considered.

The Government of India would co-operate with the Government of the Union in exploring the possibilities of a colonisation scheme for settling Indians, both from India and from South Africa, in other countries. In this investigation, which should take place during the present year, a representative of the Indian community in South Africa would, if they so desired, be associated. As soon as the investigation had been completed the two Governments would consider the result of the inquiry. No other modification of the Agreement was for the present considered necessary.

This statement, the Minister of the Interior said, fully and correctly summarised both the spirit and the conclusions of the Conference. He might, however, remind the House that the Asiatic Tenure Bill, of the introduction of which he had given notice that afternoon, was held over from last year with the special object of affording an opportunity at the Conference to discuss its scope and intention with the Delegates from India. This was done more or less informally, as it was realised that the measure was a purely domestic concern of the Union Government, dealing as it did with a situation which had arisen as a result of contraventions and evasions of existing laws. The discussion proved to be helpful. As a consequence, and with the subsequent assistance and approval of the members of the Select Committee which originated the Bill, he had effected certain important modifications which appeared to be real improvements and would, he hoped, commend themselves to all sections concerned.

Co-operation practicable.

Referring to the welcome and significant fact that it had been found possible for representatives of both sides of the

House to associate themselves with each other in the Conference negotiations, the Minister of the Interior said in principle this did not signify a new departure, as for a considerable time it had been demonstrated in various Select Committees that the general outlook of the different Parties on the Asiatic question was fundamentally the same, and that co-operation on non-Party lines was therefore eminently practicable.

On the other hand, the country would not fail to appreciate the importance of this further step which had now been taken, by which political Parties had deliberately associated themselves with each other in a common responsibility in order, for the country's sake, to keep an important national question out of the arena of Party strife. The Asiatic question was pre-eminently one where the public interest demanded the co-operation of every section of the community in an atmosphere of self-restraint and calm deliberation. The path which they had so successfully followed he proposed to continue in the future. Even at this stage, therefore, he wished to assure the House that when the investigation of the possibilities of overseas settlement to which both Governments had agreed was completed, and when the whole position would have to be reviewed in the light of that report, he should once more invite to their councils and to their assistance those representatives of the Opposition who co-operated so cordially with them at the Conference.

NATIVE CONFERENCES.

On 11th March, in the House of Assembly,

Hon. P. Duncan (South African Party, *Yeoville, T.P.*) asked the Minister of Native Affairs whether he would state what was the policy of the Government in regard to the holding of annual Native Conferences in terms of Section 16 of Act No. 23 of 1920.

The Minister of Justice (Hon. O. Pirow), replying for the Minister of Native Affairs, said: "The policy of the Government is to convene Conferences of Chiefs and other leading natives in terms of Section 16 of Act 23 of 1920 whenever the necessity arises. The policy hitherto has been to convene a general Conference consisting of representatives from the whole Union. I am not convinced that this is the best way of securing the objects of the Act owing to divergences of policy and laws in the various Provinces, and I am giving attention to the advisability of convening local Conferences as circumstances require instead of a general Conference."

HIRING OF NATIVE PRISONERS.

On 15th March, in the House of Assembly,

Mr. A. O. B. Payn (South African Party, *Tembuland, C.P.*) asked (1) whether the Minister of Justice was considering or giving effect to a scheme for hiring out short-term native prisoners at sixpence a day; if so, (2) what were the details of the scheme; (3) what were the anticipated effects of such a scheme on native wages and unemployment; (4) whether the Minister had excluded from it native prisoners convicted for non-payment of taxes and, if so, for what reason.

The Minister of Justice (Hon. O. Pirow) replied in the affirmative to the first part of the question, and stated that he was laying on the Table a circular containing all details. In regard to (3) the Minister replied: "None." To the latter part of the question the Minister replied in the affirmative, for the reason that it might lead to deliberate non-payment of taxes on a large scale.

NATIVES AND DEALERS' LICENCES.

On 11th March, in the House of Assembly,

Mr. C. M. van Coller (South African Party, *Cathcart, C.P.*) asked the Minister of Native Affairs (1) how many dealers' licences had been granted to natives to carry on business within the native locations under the Native Urban Areas Act; (2) whether it had come to his notice that certain municipalities were definitely opposed to and had declined to grant general dealers' licences to natives applying for them; and (3) what action he was taking to give practical effect to the provisions of the Native Urban Areas Act, enabling natives to obtain general dealers' licences in municipal locations when refused by the municipality.

The Minister of Justice (Hon. O. Pirow) said in regard to (1) that the information was not available to the Department. To the second part of the question the answer was in the affirmative; and in regard to (3) the relative Section of the Act was being followed, but finality had not been reached.

UNEMPLOYMENT.

(Statement by Minister of Labour; Labour representation at Geneva: League of Nations Delegate.)

On 25th April, in the House of Assembly,

Col. C. F. Stallard (South African Party, *Roodepoort, T.P.*) moved, as an unopposed Motion, that the Order of the Day for the adjourned debate on the Motion on Unemployment introduced in the House on 9th February,* be discharged.

This was seconded and agreed to.

On 28th April, in the House of Assembly, in Committee of Supply on the Estimates, the House discussed Vote 25, "Labour," £217,110.

DEBATE IN HOUSE OF ASSEMBLY.

The Minister of Labour (Hon. F. H. P. Creswell) made a general statement on the unemployment position and the policy and intentions of the Government. He asked Members to recognise that it was important to get a clear view of the background, *i.e.*, the normal position with the circumstances peculiar to South Africa which were relevant thereto.

Biological and racial factors.

The factor of that background was a combination of two factors: one a biological fact applicable to the European community; the other the co-existence of the Europeans and the native peoples. Not every European born into the world was endowed with the capacity, nor with the power to enable him to develop those powers which he possessed. A certain percentage of any European community was not so endowed that they were capable, under our social order, of that self-direction enabling them to earn their living in any other way than by the exercise of bone and muscle in unskilled work.

They found, in studying the figures of other large European communities, that the number of adult males earning their living in unskilled occupations varied between 17 and 21 per cent. or so of the whole population. One might fairly say that this indicated that in any community of the European race somewhere about 18 per cent. were likely only to be able to be usefully employed in bone and muscle work.

The significance of the second point—the co-existence of the European and the native, and the traditional quasi-monopoly of unskilled labour by the latter, now gradually being broken down—was also so very present with them that it would not need stressing were it not that its effect on the subject they were discussing eternally tended to being ignored. A normally perennial fact in the life of these South African European communities was the existence of a large proportion of people who, year in and year out, led a life of habitual under-employment verging on unemployment. This fact,

* *Vide* JOURNAL, Vol. XIII., No. 2, p. 507.

which had been shown up by many Commissions, was the feature which throughout his public life he had always held to be the greatest danger to their healthy national well-being and their future. Any wave of general depression turned that under-employment into total unemployment.

Unemployment figures.

Throughout last year, in spite of the relief afforded by various works, stimulated by his Department, the number of registrations at the various offices of his Department was 9,000 up to December last. Since December there had been a steady rise for the first three months of the year of 1,000 a month until, on 31st March, figures were 10,718 Europeans and 1,560 coloured male adults. Their registrations did not represent the total of those unemployed. In normal times in large centres they usually added 50 per cent. to their registration to give a truer reflection. Latterly he had been in the habit of doubling that percentage.

Last year he had £50,000 to use as subsidies to other employing authorities on his Revenue Vote and £100,000 on his Loan Vote, apart from provision for Buchuberg. With these sums, and some remains of the works under the £1,000,000 grant of four years ago, he was able to provide employment for some 6,000 men. He was sure the best way to administer was not to employ white labour.

During the last six years they had spent considerably less per annum than in the previous last five years, when it was an average of nearly double, a disbursement they made without a murmur, and when their opponents were in power. He thought it was £15,000 per annum that they spent in the last six years, and they had spent £30,000 a year before that. Their present policy was that while the Government had given and was giving a lead by its white labour policy, it was essentially not a matter which could be done by the National Government alone; there must be a pull together on the part of all public authorities and employers.

He was aware that £125,000 on his Loan Vote would not meet the position but Members would find when that Vote was submitted that a provision was made for £600,000 in place of the £100,000 which was on it last year. He felt that with this provision they would be able to meet the situation.

They should consider whether, when good times came again, they should not then make provision against a recurrence of this trouble. That was first recommended by the Webb Commission in Great Britain in 1904. It had been played with in many countries but never really put into effect. The Government was perfectly aware of the great strain on the usual organs of relief and felt it their duty to take additional precaution against any man, woman or child starving. It recognised with great appreciation the voluntary movements of citizens in many large centres to provide organised supplementary relief, but in spite of these efforts of various organisations and provincial administrations, they were aware that there was a risk of cases occurring which might be in real and urgent need of immediate help.

Labour representation at Geneva.

Mr. P. V. Pocock (South African Party, *Pretoria, Central, T.P.*), referring to the question of Labour representation at Geneva, said that in the last Report submitted by the employers' representative to the International Labour Conference at Geneva, he made some drastic criticisms regarding the extra European members at the Conference, pointing out that although they represented 30 per cent. of the organisation, their representation was only six, while the employers had only one representative out of six. Very strong protest was made on this subject by Mr. Gemmill, the South African employers' representative, and the matter had been discussed at Geneva although the Press reports had not been very full.

Had the Minister, Mr. Pocock asked, made any representation on the lines indicated by the employers' organisation? It opened up a very wide point, because early in the Session the point had been raised as to the increase of the amount paid to the organisation at Geneva.

The Minister of Labour said that Mr. Gemmill in his Report called attention to the fact that in regard to the Coal Convention the proceedings were not strictly regular, and that overseas conditions and interests were not sufficiently represented. The Government took the same view, and informed the International Labour Office that the Minister was not prepared to submit the Convention " to competent authority." He raised certain other points which, however, the Government did not view in the same light as he [the Minister] did.

Mr. M. Alexander (Constitutional Democrat, *Woodstock, C.P.*) said that it had happened more than once that the man accredited by the Government had also been the Government Delegate to the League of Nations. The result was he had had to attend meetings of the Labour Convention when he was also due to attend the meetings of the Permanent Mandates Commission; consequently South Africa was not represented at one or other of the two meetings. This habit of sending an incomplete Delegation to Geneva had been much commented upon, because small nations, including South Africa, were always asking for more representation.

They were spending money in this way, Mr. Alexander continued, yet the South African Government hardly ever ratified any of the Labour Conventions. The Delegation had agreed to the Forced Labour Convention, but the Government would not ratify it.

They wanted to know, Mr. Alexander added, what attitude the Government was adopting towards financing unemployment schemes in a scientific way. Other countries had not waited as that Government had waited year after year without doing anything. They had had unemployment insurance in Britain and Germany and all over the Continent for many years. There was a scientific method in every country in the world for financing the unemployed and making their hardship less.

At the conclusion of the debate the Vote was agreed to.

IRISH FREE STATE.

The following summary deals with some of the debates in the Dáil and the Senate in the new Session which opened on 9th March, after the General Election, which resulted in the formation of a Fianna Fáil Ministry, under President E. de Valera. The opening proceedings and a summary of the Bill for removing the Oath of Allegiance from the Constitution were included in the JOURNAL *for April, 1932.*

IMPERIAL ECONOMIC CONFERENCE.

(Representation of the Free State; Question of exchange of views with Great Britain; etc.)

On 27th April, in the Dáil, replying to a question by **Mr. D. Morrissey (Independent Labour,** *Tipperary*),

The President of the Executive Council (Mr. E. de Valera) said: " The Irish Free State will be represented at the Ottawa Economic Conference. No final decision has yet been taken with regard to the composition of the Delegation."

Replying to a further question, as to whether the Saorstát Delegates would accept the hospitality of the Canadian Government, the President said that the whole question of the Conference had yet to be gone into.

On 25th May, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) asked, in relation to the suggestion made by Great Britain last December to the Saorstát Government, that views should be exchanged on questions which might come up for discussion at Ottawa, whether the Saorstát Government had made any representation or request to the British Government, and with what result.

The Vice-President of the Executive Council (Mr. S. T. O'Kelly), replying for the President, said that no such exchange of views had taken place. The Government understood that their position in this respect was not different from that of at least two other States of the Commonwealth. The High Commissioner had asked for information or suggested discussion on five distinct occasions between the new year and the middle of May. He had received certain documents relating to trade between the two countries on 18th April. Further information was promised. The Agenda for the Conference had only just been circulated by the Canadian Government, and without the Agenda discussions could hardly yield concrete results.

Mr. McGilligan pointed out that the suggestion of informal exchanges of views last December clearly intended discussion prior to the circulation of an agenda. He asked, had the High Commissioner on behalf of the Saorstát Government made any request to have discussions commenced ?

The Vice-President said he understood there had been some communications but he was not familiar with them.

On 31st May, in the Dáil,

Mr. McGilligan asked whether the High Commissioner had suggested discussion or requested information since 20th April.

The President of the Executive Council (Mr. E. de Valera) replied that the giving of such precise details as the Deputy required concerning the actions of a particular civil servant in relation to such communications with another Government could hardly serve the general interests of the State or the efficient working of the Department of External Affairs. The Deputy would have to be satisfied with the information that no change had taken place in the situation described in his answer given on 25th May.

Mr. McGilligan said he would raise the question on the adjournment, but the President intimated that he would not discuss the matter further.

On the adjournment,

Mr. McGilligan said that the date 18th April, mentioned in the President's reply, was significant, as it was two days before the introduction of the Bill concerning removal of the Oath. The situation now was that an important Conference was impending, and that until legislation arising out of that Conference was formulated, a certain preference given to Saorstát goods in the British markets would hold until 15th November. They had been told in the Dáil that day that some Ministers would be going to Ottawa on 8th July, the last date possible if they were to attend the Conference. The Deputy thought it clear from the answer given to his questions that the Saorstát Government had not yet received the long document which the British Government had now communicated to the Canadian, New Zealand, Australian and South African Governments. The Delegation would go to Ottawa at the taxpayers' expense, and within five weeks of departure no previous discussions had apparently been held. Without good and sound preparation there could be no good result from that Conference. The President had tried to throw responsibility on the shoulders of a civil servant. Until his questions were answered, the feeling would certainly prevail that the suggestion of discussions was not favourably received by the British Government and that the request for information was answered up to 18th April but not since.

On 31st May, in the Dáil, in moving that until the adjournment for the Summer Recess the Dáil sit later than 9 p.m. on Tuesdays,

The President of the Executive Council explained that the Dáil would adjourn on 8th July. The deputation going to Ottawa would require to leave on that date in order to have sufficient time in advance to make preparations. It was proposed to send on that deputation at least two Ministers who would be in charge of some of the heaviest part of the legislative programme he indicated.

Mr. W. T. Cosgrave (Leader of the Opposition) said he was rather staggered by the suggestion that the President of the Executive Council, who was himself Minister for External Affairs, was not going to the Ottawa Conference.

Mr. D. Fitzgerald (Cumann na nGaedheal, *Dublin County*) said that every indication to every intelligent man was that there was no business for Ministers to do in Ottawa. The only business that could be done would be to provide for special arrangements with Great Britain. Their business with the other Dominions was not such as would justify wasting the fare going there. The indication from Great Britain was that no arrangement was going to be made and no agreement come to between the Saorstát and Great Britain at Ottawa; consequently all this talk about Ottawa was merely an attempt to mislead the people.

CONSTITUTION (REMOVAL OF OATH) BILL.

(Consultation with Great Britain; Advance in Dominion status; Union with Northern Ireland; Constitution and the Treaty; Labour Party's attitude; etc.)

This Bill to abolish the Oath of Allegiance which Members of the Oireachtas have been required to take under the Constitution of 1922, was introduced by the President of the Executive Council on 20th April, 1932. A summary of the main provisions of the Bill was given in the last issue of the JOURNAL (*vide* Vol. XIII., No. 2, pp. 523-24).

When the Bill was introduced, the Opposition announced that they would not oppose its introduction but would oppose its subsequent stages. One dissentient speech was made by Mr. F. MacDermot (Independent, *Roscommon*), and the First Reading was then declared carried.

DEBATE IN THE DÁIL.

On 27th April, in moving the Second Reading of the Bill,

The President of the Executive Council (Mr. E. de Valera) recalled that the first item on his Party's programme at the Election had been " To remove the Article of the Constitution which makes the signing of the Oath of Allegiance obligatory on Members entering the Dáil." A note was added that " This Article is not required by the Treaty. It stands in the way of national unity and of willing obedience to law. Government by coercion is the result." The present Bill was intended to give effect to that item.

At the Election, Fianna Fáil had also stated in their manifesto that " We pledge ourselves that if elected in a majority we shall not in the field of international relations exceed the mandate here asked for without again consulting the people." The President said that they now proposed scrupulously to honour that pledge.

Consultation with Great Britain.

There was no obligation, the President insisted, to consult Britain with respect to the Bill. To act as the Opposition suggested would be to give away what had to a certain extent been secured. The Opposition had themselves claimed that, as a result of their labours, the Treaty had been expanded until the British Government itself and the British Parliament itself recognised that the Free State now stood on terms of equality not merely with Canada, Australia, New Zealand, and South Africa, but even with Britain itself as regards status. That being so, the President challenged them to deny that the British Parliament could to-morrow introduce a Bill to remove the Oath of Allegiance and that any other Dominion could do so. If co-equality of status existed, why could it not be done also in the Free State ?

" I say that it can be done here," declared the President, " and if we were to go and ask permission of the British Government I would say that we could be justly accused of a retrograde step, of giving away something which the present Opposition said that they gained during their time in office. It is for that reason, if for no other, that I certainly am not going to be drawn into negotiations in that particular matter."

Advance in Dominion status.

The Treaty, the President argued, was obviously divided into three parts. The part concerning status was clearly not intended to hold the Free State fast in the position in which Canada was at the time it was signed, and to allow Canada, Australia and the others to advance. The Opposition had themselves proposed to remove the Article of the Constitution which provided for appeals to the English Privy Council. The basis for that action was the same as the right the Government now meant to exercise in removing the Oath.

Treaties as a rule, said the President, were not part of the fundamental or constitutional law of countries. Why should this Treaty be put in a very special position? The Government proposed to regularise the position and put the Treaty in its proper place, by removing Article 2 of the Free State Constitution Act. It should not be open to their courts to invalidate municipal law by saying that it was in contravention of a treaty. Section 3 of the Bill would remove a back-door method of getting the same result.

Concluding, the President contended that the removal of the Article would mean peace for the country. Coercion only produced suppressed revolution, and it was a wrong method of government if it could possibly be avoided. The Oath of Allegiance ran counter to the principle that all sections of the people should be free to send their representatives to the people's assembly without their being called upon to forswear any opinions they held or to give up any principle. Deputy Cosgrave's Amendment insisting upon negotiations with the British Government would put in jeopardy whatever rights and liberties had been secured by the people.

An independent Republic.

Regarding the other proposed Amendment, the President declared that the ultimate hopes of his own Party were known. They would adhere to their pledge to remain within the mandate obtained at the last Election, but "the moment that the people are ready to stand for an independent Republic," said the President, "we will be quite ready to lead them."

Mr. W. T. Cosgrave (Leader of the Opposition), in moving the following Amendment :—

> To substitute the words "believing that the rights and liberties assured to the people by the Treaty of 1921 are placed in jeopardy by the Bill, the Dáil declines to give it a Second Reading pending negotiations and agreement between the Executive Council and the British Government upon the question at issue,"

said that the introduction of this Bill appeared to be one of the greatest pieces of political chicanery in history. The validity of international agreements, he argued, depended not upon form but upon substance. Relations between the country and Great Britain had been based on the Treaty, and the sanction for its observance on both sides rested upon a basis solely of mutual respect and confidence in each other's good faith. That was, he believed, the only possible basis for good relations. A purely legal action of a unilateral character in respect of an international agreement would not

commend itself to the representatives of any other nation in the world. The basis of their case had been adherence to the bond they had made and which at successive elections the people had approved for something like ten years.

The British Commonwealth of Nations, said the Deputy, was as far removed from what was the British Empire of his early manhood as they were from the battle of Waterloo. Within ten years of the Anglo-Irish Treaty it had become a completely different institution, as a result of the Imperial Conferences within that time. Nor was the Irish nation the same to-day as the nation which had for several centuries struggled against British domination. A line had been drawn excluding part of Ireland from the Free State; but the people in that part must be considered in any action now contemplated.

Union with Northern Ireland.

"Speaking altogether free from any economic consideration," said the Deputy, "if I got the offer of a free and independent Republic for this area of the Irish Free State, or even less powers than we have at the present moment with the unity of the country, I would plank for the unity of the country. . . If such a division is made as will forever divide off a very important portion of our country, then what do Irish national aspirations mean?"

Continuing, the Deputy argued that if the country's name and the reputation and popularity of its goods were to be discounted in the great market in which it sold practically all its produce, the economic disadvantage would be very great. Could they stand any further tax upon their industrial or commercial activity, or the farmer bear any lower prices than they were now getting for their goods? Great Britain bought £30,000,000 of Free State goods and supplied fully 90 per cent. of its imports. That trade, and also the tourist traffic, were vulnerable.

Concluding, the Deputy denied that a mandate had been got for the present policy. Fianna Fáil had polled about half a million votes, but the Labour Party was understood to stand for the Treaty; so that Fianna Fáil was in a minority of 200,000. The President's mandate was to go and negotiate an improvement on the instrument signed ten years ago, which had already been improved. It could and ought to be altered, but only by agreement with the British Government.

Mr. F. MacDermot (Independent, *Roscommon*), in moving an Amendment that :—

> The Dáil declines to give a Second Reading to this Bill pending a definite declaration of policy by the Government on the subject of remaining in the British Commonwealth of Nations,

said that the country was inexpressibly sick of the kind of issue and discussion they were engaged upon. He wished to keep the new Government in office so that they should have a taste of political responsibility. Did the Government regard themselves as Ministers of the Crown or as Republican Ministers? If they were going to Ottawa as Ministers of the Crown, why did they find it necessary to walk out of a Legation party whenever the Governor-General came in? He suggested that if they believed that peace could never be obtained owing to dislike of the Treaty, then, instead of committing what he regarded as an obvious breach of international good manners, they should go to the British Government and open negotiations on the basis of the Statute of Westminster.

On 28th April,

Mr. D. Breen (**Fianna Fáil**, *Tipperary*) said that as the only Deputy who took part in the attack on Lord French, the King's representative in the country, in December, 1919, he would be false to his comrades if he did not support the Bill. He did not try to kill Lord French to make room for James MacNeill or any other man to take on his job, but to kill the last link of British supremacy in the country. He would do the same if occasion arose to-morrow morning.

Labour Party's attitude.

Mr. W. Norton (**Chairman of the Parliamentary Labour Party**) said his Party realised quite clearly that removal of the Oath would not provide work for one unemployed man or woman, or provide houses for people in slums. If the Opposition had not removed the Referendum from the Constitution, a specific mandate could have been got concerning the Oath. He held that the Oath was not mandatory in the Treaty and that Great Britain had sought to make it mandatory in the Constitution, and exerted pressure upon the Provisional Government in 1922 to insert it in the Constitution. Let them not play Britain's game by imagining that the privileges of association with the British Commonwealth were one-sided. The Free State bought much more from Britain than Britain bought from it. The Labour Party regarded the Oath as a bad, useless, and unnecessary instrument, which ought to go now.

On 29th April both Amendments were negatived by 77 votes to 71, and the Second Reading was passed by 77 votes to 71.

The Committee stage was taken on 4th and 5th May, when the first Section of the Bill was carried by 77 votes to 67. As a result of disagreement about the time allotted for debate, the Opposition withdrew their Amendments until the Report Stage, which was taken on 19th May.

Mr. P. McGilligan (**Cumann na nGaedheal**. *National University*) moved to amend Section 2 of the Bill, which was to repeal Section 2 of the Saorstát Constitution Act, 1922, by adding the words :—

So far as it has application to the amendment of the Constitution by the deletion of Article 17 thereof.

Obligations of the Treaty.

The Section as it stood, he said, would involve the disappearance of the only Section which gave the force of law to the Scheduled Treaty, and also of the only piece of legislation which said that the Constitution must be construed in reference to the Treaty. The Deputy regarded his own Amendment as "very much the second or even the third best thing." He preferred to abide by the plain meaning of Article 4 of the Treaty. If any interference with the Treaty was unavoidable, he wished the change to be as narrow as possible. If the Treaty and its obligations were not kept, the second best thing would be a trial of the issue before a favourable tribunal.

The Amendment was defeated by 77 votes to 69.

Mr. T. Finlay (**Cumann na nGaedheal**, *Dublin County, S.*), moving an Amendment that

Notwithstanding the provisions of Section 2 hereof, Article 10 of the Treaty of 1921 shall continue to have the force of law,

said that its purpose was to preserve for a large number of Civil Servants certain rights which they acquired under the Treaty.

The President of the Executive Council opposed the Amendment as being quite unnecessary, because the legal rights of Civil Servants would be determined by the Civil Service (Transferred Officers) Compensation Act of 1929.

The Amendment was defeated by 77 votes to 69. The final stage was later carried by 77 votes to 69.

DEBATE IN THE SENATE.

On 25th May,

The President of the Executive Council, moving the Second Reading, said that if it were not for the question as to whether the Oath could be removed without interfering with the Treaty, he thought there would be unanimous approval for the Bill. He had heard nobody defend the Oath on its merits, or argue that it was right to impose such an obligation. In other countries some Constitutions had an Oath and others had not. France had no Oath.

Whatever Australia or Canada or South Africa was entitled to do, said the President, the Free State could equally do. It had never been claimed that the Treaty fixed for all time a position from which their status could not advance. The position regarding the appointment of the Governor-General, and the position with reference to the British Cabinet, had changed completely since 1921. " Our right to pass laws whether they do or do not conflict with the laws that the British may wish to pass, is co-equal," said the President; " we are no longer subject to the will of the British Parliament here as regards our operations, and that being so, the will of the British Parliament cannot operate as against our right to change this particular section if we please."

Relations with the Commonwealth.

In the 1926 Imperial Conference it was clearly admitted by the representatives of the British Parliament and of the other States of the British Commonwealth, that there would be no attempt by one Parliament of the Commonwealth to dominate another. This Bill would be a real test of whether the declarations of 1926 and 1930 meant what they said or not.

If Canada or Australia, the President continued, were to eliminate the Oath, would that act cut them off from the other States of the Commonwealth? The Oath was a matter between the State and its individual citizens. No question was involved of any deliberate act of severance of the Saorstát from the States of the British Commonwealth.

Section 2 of the Constitution Act was being repealed by the Bill, because, if it were not, the question might possibly be referred to their own courts, and it was wrong on principle to submit international questions to a home court. The only proper court to decide the matter was the Legislature. Another reason for repealing the Section was that a treaty between two peoples should stand in relation to domestic law in the position itself occupied by treaties, outside domestic law. If treaties were to be justiciable at all, it should be in a court of an international character in which the two nations involved would appear as two persons before it. Section 3 of the Bill had the same purpose, to put the Treaty in its proper place as an international instrument.

Senator James Douglas said that if this were simply a matter of whether an Oath was desirable, he would vote for its abolition, as he would for abolishing all obligatory Oaths or affirmations, not only for Members of the Oireachtas but for jurymen, court witnesses and the Civil Service. He would substitute a statutory obligation of loyalty to the State as by law established, and a similar legal obligation to tell the truth. He believed that if this particular Oath was discussed in a friendly way at an Imperial Conference, it would be

found to be of no real value to the country or to the various members of the British Commonwealth.

Other issues involved.

Passing this Bill not only raised the question of Treaty obligations, but might also affect their membership of the British Commonwealth—their trade and commerce and, not least, the ultimate political unity of Ireland. The Government could easily have found out by friendly negotiation where it would lead to, but they could not see their way to do so. The Government believed that they could remove the Oath without breaking the Treaty or altering their position in the Commonwealth; but the British Government held strongly a diametrically opposite view. The Senator was not prepared to accept the opinions of either the President or of Mr. J. H. Thomas as authoritative or final.

Had the Government introduced a resolution in favour of abolishing the Oath without breaking the Treaty, it would probably have passed both Houses, and the Government could then have negotiated with full authority with Great Britain. If such negotiations failed, the issue could have been put to the country openly. But the Government had instead chosen the method best calculated to cause misunderstanding and bad feeling with the people of Great Britain which had already injured trade and caused insecurity in many industries. They could not have it both ways; while in the Commonwealth, they must accept the common obligations. They could try and alter those obligations by consent, or announce the intention to secede. But the present method was neither honourable nor dignified, and had created an intolerable situation.

Effect in Northern Ireland.

To their friends in Northern Ireland the present situation was particularly intolerable. The new Government had by their extreme actions given the extreme Unionist Party in Ulster a new lease of life; whereas by friendly negotiations with Great Britain they might have brought Irish unity within the bounds of possibility in this generation.

Friendly interchange of views at the Imperial Conferences, the Senator contended, had resulted in great constitutional development since the Treaty was signed, but the fundamental basis remained the same. The Saorstát had taken a prominent part in that development, but only because they had presented their case in a friendly manner. Only five common forms now remained:—

(a) The King as head of the Commonwealth, with his representative in each Nation, nominated by the respective Governments;

(*b*) The King as an integral part of each Parliament, which consists of the King and two Houses;

(*c*) The King as nominal head of the Executive, acting only on the advice of his Ministers;

(*d*) An Oath to His Majesty taken by all Members of Parliament in each State; and

(*e*) An obligation to consult together from time to time on all matters of general interest, and, in particular, to consult with any, or all, of the other Governments on any matter which any of them may consider likely to affect their interests in any way.

Mutual obligation to consult.

It was a very proper matter for discussion how far any or all of the first four were essential. But the fundamental link was the absolute obligation to consult on any matter which any of the nations in the group considered to be of common concern. The Senator believed this friendly consultation before taking action to be the really vital link, greater even than acceptance of the common Crown. The Government was proposing to break the fundamental basis of the Commonwealth's existence. Not the proposal to delete the Oath, but refusal of discussion, was the breach.

On that matter, said the Senator, the country had not been consulted; and one function of the Senate was, besides revision, to ensure that the people were consulted on any matter of vital importance. The Senate should allow the Bill to pass its Second Reading, but in Committee should ask the Government to explain its steps to ascertain the true position and to fulfil the President's assurance that the constitutional position would not be altered without another Election.

Senator Sean Milroy denied that the President had obtained a mandate at the last Election. The Fianna Fáil Party were returned in a minority of nine, with a majority of 140,000 first preference votes against them. The Bill was therefore being carried under false pretences. Secession from the Commonwealth would involve all the disadvantages of isolation and none of the advantages of either an independent Republic or of Commonwealth status.

Constitution and the Treaty.

On 1st June.

Senator Thomas Johnson held that the Bill, far from violating the Treaty, fulfilled it and vindicated the attitude of those who accepted its obligations. But the Constitution fell far short of the Treaty, and placed the country in a position inferior to what the Treaty established. He wished to see the question cleared out of the way as quickly as possible. Delay by the Senate would allow a political matter to retain the front of the stage and occupy attention which should be

devoted to social and economic matters. If the Senate showed that neither self-government nor independence had been secured, there would be further strife and political agitation.

On 2nd June,

The President of the Executive Council said that the fundamental question was whether the Bill was a violation of the Treaty. If it was not, why should they be threatened for passing it? He was not asking the Seanad to agree to a policy of severance. All that was involved was the simple question whether they should have imposed on their own Members a test that prevented a section of the people from being represented in the Parliament of the country over which they had jurisdiction.

Replying to Senator Douglas, he claimed that the Imperial Conference had discussed what common forms were essential and had reserved only two points: the law of succession to the Crown of Britain and the Royal style and title. The Oath of Allegiance had been treated as so domestic a question that it was regarded as a mere Standing Order in one of their Parliaments.

Development through Conferences.

As a result of the 1926 and 1930 Imperial Conferences, said the President, he thought that the Twenty-six Counties [of the Saorstát] had practically got into the position—except only that instead of being a Republic it was a Monarchy —which he aimed at in 1921 for the whole of Ireland. He confessed that advances had been made which he did not believe would be made. " If we do go to Ottawa and meet these British representatives," he said, " and if there is a Council representative of the other States, and this question is discussed, I believe that every one of them will realise that we are fighting the common fight in standing up for this principle in this case, and that it is a common fight and that there are common interests involved there."

Recalling the position in 1921, the President said that he had then proposed a policy of external association with the British Commonwealth for the Irish Republic. He was still prepared to examine that with an open mind. He had then defended association on the ground that it would satisfy some of the people who could not be satisfied without it. But he felt bound to say that he thought a completely independent Ireland would have a more prosperous future than an Ireland bound to the British Empire.

The Second Reading was carried by 21 votes to 8.

On 8th June, in Committee, Section 2 of the Bill was deleted by 30 votes to 22 and Section 3 was deleted by 31 votes to 22.

Senator Milroy, in moving an Amendment to insert the following new Section as part of the Bill :—

This Act shall not come into force until an Agreement has been entered into between the Government of the Irish Free State and the British Government, providing that Article 4 of the Treaty of 1921 shall cease to have effect and such Agreement has been ratified and approved by Resolution of Dáil Eireann,

said that the majority of the Seanad desired to delay the operation of the Bill until an attempt had been made to secure agreement by negotiation.

Senator A. Jameson seconded, saying that it was vital that the matter should be settled amicably with Great Britain.

Senator Johnson opposed on the ground that the Amendment would have the effect of saying that the British Parliament might veto an Act of the Oireachtas. Quoting the South Africa Constitution Act, he contended that the South African Parliament had power to alter the Constitution, including the Section prescribing the taking of an Oath. If there was any question of equality of status between South Africa and the Irish Free State, then it was clearly the duty of the Oireachtas to pass the Bill without reference to the British Parliament or Government. There was no common form throughout the Commonwealth concerning the Oath. Its wording differed.

Senator Douglas denied that the Amendment meant that the British Parliament had or could have a veto. The most it could possibly mean was that the people of the Saorstát could have a veto. If the people, after being consulted, decided to go on with the Bill without agreement with Great Britain, then no British Parliament had a right to veto that.

The Minister for Posts and Telegraphs (Senator J. Connolly) said that at this critical stage the influence of what was supposed to be a national assembly was being thrown on the side of those with whom the country might be supposed to negotiate. There were in the Seanad some 30 people who were definitely lined up against the country and for the Union. The country would go on in spite of the people who stood against it.

The Amendment was carried by 33 votes to 22.

PAYMENT OF LAND ANNUITIES.

On 21st April, in the Dáil,

Mr. T. J. O'Donovan (Cumann na nGaedheal, *Cork County, W.*) asked whether in view of the prevailing agricultural depression and the fact that the land annuities were not immediately required, steps would be taken to defer until 1st October the demand for payment of annuities due on 1st June.

The Minister for Lands and Fisheries (Mr. P. J. Ruttledge) replied that the suggestion was not practicable. If the annuities were not paid as they fell due, their payment by the tenant purchasers and their collection by the Land Commission became increasingly difficult, and the ultimate loss fell upon the general taxpayer through the Guarantee Fund. The question of the retention by the State of the land purchase annuities hitherto paid to Great Britain did not affect in any way the liability of annuitants under both old and new Acts for full and prompt payment to the Land Commission. They were being paid satisfactorily, and the Minister had no reason to conclude that they would not continue to be paid.

NEGOTIATIONS WITH BRITISH GOVERNMENT.

On 17th June, in the Dáil, before the adjournment, the President of the Executive Council made a statement concerning the recent negotiations with the British Government in Dublin and London.

IN THE DÁIL.

The President of the Executive Council (Mr. E. de Valera) said that since assuming office after the elections, the Government had been more satisfied than ever as to the soundness of their own attitude both in law and in justice. When they had taken steps to remove the Oath from the Constitution the British Secretary of the Dominions made inquiries, in reply to which they politely stated their view and their intentions. The result was what the President regarded as an unwarranted outburst by the Dominions Secretary in the British Parliament. A series of Notes between the two Governments followed. Wishing to make clear that the Saorstát Government sincerely desired the most cordial relations between their people and the people of Great Britain, the President thought it his duty to suggest having some friendly discussions. In consequence, Mr. J. H. Thomas and Lord Hailsham came to Dublin, and they had conversations in which, the President said, he had made clear what in his opinion would be the best way to set about establishing peaceful and friendly relations. They were not formal negotiations, but friendly discussions ; and he had made clear that lasting and friendly relations could be founded only upon justice and a respect for the rights of both peoples. He told the two Ministers that he feared the present British Government would not have the courage to face the position and really get down to make a proper peace between the two peoples.

The immediate issues.

Dealing with the immediate issues, the President said he had told them that regarding the Oath their position was unchanged; but regarding the land annuities, two points of view had been expressed. As no agreement could be reached between them, the British Government offered to refer the legal questions involved to arbitration, and suggested a tribunal of the nature envisaged in the Report of the 1930 Imperial Conference. The President indicated that it was a very big step for a small country to submit such a matter to any international tribunal. The position of Ireland in the British Commonwealth was peculiar. Other States were attached to Britain as their mother country; but Ireland did not occupy that position, and its people would naturally feel that there would be a bias against Ireland in any such event—not any wilful desire to do injustice to Ireland—but a difficulty in appreciating the historical and other background of the whole present position concerning Ireland. In justice to the Irish people the President could not take the responsibility of accepting a tribunal of that sort.

Arbitration within the Commonwealth.

He subsequently despatched a reply to the British Government, which said:—

> The Government of the Irish Free State accepts the principle of arbitration and agrees that a tribunal of the general character outlined in the report of the Imperial Conference of 1930 would be suitable, but is unable to agree to the restriction of the personnel of the tribunal solely to citizens of the States of the British Commonwealth.
>
> The Government of the Irish Free State is of opinion that, in justice to the people of the Irish Free State, the matters to be submitted to the Tribunal for determination must include not merely the land annuities, but also the items of the other annual payments to the British Government by the Government of the Irish Free State, except those made in pursuance of agreements formally ratified by the Parliaments of both States.
>
> I may further add that in the view of my Government any agreement reached, between the Governments on these matters, must be submitted to both Houses of the Oireachtas for their approval.

Emphasising the importance of the last paragraph, the President insisted that the people's representatives must decide whether such a matter should be submitted to arbitration and exactly what matters should be the subject of arbitration. Where arbitration was concerned, he regarded the preliminary steps as steps of negotiation; and as there would be no question of ratification after the award was made, it was only right that the Government should bring the proposal before the Dáil. Mr. Thomas, he now understood, was not going to accept these proposals. "We have done our part," said the President, "and it is extraordinary to think of the British Prime Minister presiding at Lausanne and pointing out how these inter-governmental payments are crushing the countries of Europe, and to see a colleague of his, in the British House of Commons, insisting not merely upon his pound of flesh but insisting definitely that they themselves shall determine exactly how much."

Payments to be withheld.

The annual payments of the Saorstát to Britain, said the President, amounted to five-and-one-third million pounds, representing a greater export of the revenues of their people than practically that of any other country in the world. The country could not afford to part lightly with these moneys, and the Government would hold them until Britain established her right to get them, before a Court in which, as he had said at the London Conference, there could be no suggestion that there was any loading of the dice against Ireland.

Concluding, the President said the Government could do no more than arrange the preliminary negotiations and the tribunal to which the matters would be submitted. The people's representatives must give their final judgment as to whether or not they would commit the interests of the people by submitting the matter to a Court. The Dáil could reject that proposal.

Replying to **Mr. W. T. Cosgrave (Leader of the Opposition)**, **The President** said that of course the country would be bound by the award if the people's representatives submitted the matter to arbitration.

Mr. Cosgrave said that the dice were being loaded against the country by the Government. The decision and responsibility rested upon the Government. The negotiations, and the Ottawa Conference, were matters of first importance to the country, and on the Government rested responsibility for whatever advantages or disadvantages might accrue from it.

The President promised a full discussion in the Dáil.

Replying to a question, he insisted that the Government's position on the land annuities had been made quite clear to the farmers. He had always insisted that the farmers must pay their annuities. Any suggestion to the contrary would do neither good to the farmers nor to the country and would put the farmers in a very difficult position if they listened to it.

THE BUDGET.

(Estimate of capital liabilities; Departure from gold standard; Falling revenue: prospective deficit; New taxes; Tariff policy; Tax on sweepstakes; Annual payment to Great Britain; The Opposition and increased burdens; Labour Party's attitude.)

On 11th May, in the Dáil, the Minister for Finance introduced the Budget for 1932-33.

DEBATE IN THE DÁIL.

The Minister for Finance (Mr. S. MacEntee) said that the Saorstát might have escaped the worst consequences of the present economic situation if at any time since the first ample forewarning given by the Hatry crash, its financial and fiscal policies had been informed with a little prudence, foresight and courage. It was his duty to set truly before the Dáil the magnitude of the present task.

Commencing with a statement of the Public Debt, the Minister summarised the direct liabilities, of which the principal items were :—

First National Loan	£8,020,280
Second National Loan	6,674,864
Third National Loan	5,744,075
Savings Certificates	8,139,000
Exchequer Bills	1,000,000
Dáil Eireann (External) Loan	1,000,000
Capital Liabilities under—	
Telephone, Telegraph and other Acts	972,350
Land Acts, 1923 to 1931	2,396,700
Compensation Annuity	4,623,350

Against these debts must be set various cash items, totalling £13,373,076 in all, of which the chief were :—

Exchequer Balance at Bank	£1,739,725
Shannon Electricity Fund	5,764,930
Electricity Supply Board	3,020,386
Local Loans Fund	2,536,237

Estimate of State Debt.

There was also an additional liability to be provided for compensation for property damaged or destroyed during the Anglo-Irish and Civil Wars, in respect of applicants disqualified under the Damage to Property (Compensation) Act. There were also the following contingent liabilities :—

Land Bonds	£24,226,509
Trade Loan Guarantees	143,400
Agricultural Credit Corporation	1,000,000

They could not leave out of consideration capital items, amounting in the aggregate to £92,565,000, which their predecessors in office held to be inter-Governmental obligations, namely :—

Land Purchase Annuities (under Land Acts prior to 1923)	£76,000,000
Local Loans Annuity	5,300,000
R.I.C. Pensions	11,265,000

The total of those two groups of contingent liabilities was £117,934,909, against which might be set assets valued conservatively at £25,000,000, leaving a net deficit on this account of £92,684,909.

Allowing for those items, the Minister continued, their little community was burdened with a net State or Public debt, direct and contingent, of no less than £115,000,000. A truer measure, however, was its annual cost to the community, as follows :—

Interest and Sinking Fund	£2,046,297
Land Annuities	2,976,591
R.I.C. Pensions	1,152,500
Compensation Annuity	250,000
Bonus and Excess Stock Annuity	134,500
Local Loans Annuity	600,000
	£7,159,888

Departure from the gold standard.

Continuing, the Minister contrasted the capital position of the State with the position on 31st March, 1931. During the preceding year there was an investment income of approximately £9,735,000 gold, derived largely from investments in Great Britain. Their capital value was about £177,300,000 gold, equivalent to 41,779,000 gold ounces. But in 1931-32 the investment income shrank to about £8,950,000 sterling, and the capital value to about £163,960,000 sterling, or only 30,061,000 gold ounces. " It will thus be realised," said the Minister, " that due to the default by Great Britain in her gold obligations, this country has lost no less a capital sum than 11,717,600 gold ounces, or in sterling at 31st March, 1932, £63,900,000." Income from these investments had similarly decreased by £3,560,000, mainly because of departure from the gold standard. " It is to be hoped," said the Minister, " that these facts will be kept in mind by every section of the House when the question of the land annuities comes to be discussed."

Dealing with the trade position, the Minister said that the total import and export trade in 1930-31 was £98,068,000 gold. That value, expressed partly in gold and partly in paper pounds, had declined to £85,750,000 in 1931-32. Expressed in gold ounces the total value was only 68 per cent. of what it was in 1930-31, and only 63 per cent. of what it was in 1927-28.

Condition of revenue.

In such circumstances, revenue shrank in almost every direction during 1931-32, except where taxes had been increased to inflate it. The beer duty declined by £666,000 to £2,761,000; the motors and tyres duty by £115,000 to £394,000; and the duty on tobacco, failing for the first time in many years to expand, even declined. The duty on light oils yielded £115,000 less than the estimate, in spite of its rate being doubled. The diminished yield of beer duty was not due to increased temperance, but to the fact that the duty had been collected in advance of consumption.

Inland Revenue, however, had exceeded expectations by £325,000, producing £4,600,000 from income tax and surtax. Excess Profits Duty also beat the book by £52,000. Stamp duties were £30,000 below the estimate, but the wireless apparatus duty was £8,000 to the good.

The total apparent deficit on the year was £639,000, but certain other items had been treated as "abnormal" expenditure, totalling £797,000; and £100,000 was appropriated from the Local Loans Fund to meet "normal" expenditure. Also the year had brought two large windfalls, in £295,000 arrears of interest from the Electricity Supply Board, and £200,000 representing what was called "surplus interest," transferred from the Post Office Savings Bank, although £624,000 of accrued interest on Savings Certificates was left uncovered. The real and effective deficit, therefore, was £1,195,000 instead of £639,000. The difference between the real and the disclosed deficit had been met by appropriating to revenue what should have gone to reduction of debt.

Future prospects.

Continuing, the Minister said that the coming year presented a grim and forbidding aspect. "It will be a hard year, a year of self-denial for all of us," he said. "But it will be an honest year. We shall honour our obligations to our people, and we shall pay our way." Central Fund Services would require £4,824,000 and Supply Services £21,969,000. But other sums would be required under the new Old Age Pensions and Military Pensions Bills; and also for Widows' and Orphans' Pensions and for special works to create employment.

In segregating normal and abnormal expenditure, the Minister held that both the extent and the manner previously applied had been indefensible. Only two items would this year be treated as abnormal—the Vote for Property Losses Compensation and provision for repaying the Dáil Eireann (Internal) Loan, totalling £137,000 in all. These sums would be deducted from the total required for the year's Budget, but £270,000 additional would be required for the new Old Age Pensions and Military Pensions proposals. The year's "normal" expenditure would, therefore, be £26,926,000.

Existing taxation would produce, against this, only £19,893,000, and non-tax revenue would be £3,417,000, leaving a deficit of £3,616,000 to bridge, besides providing for new housing schemes and unemployment relief. New taxation would be needed; every branch of the public service would have to accept retrenchments, and they might have to borrow. "One thing, however, we shall not do," said the Minister. "We shall not cut the social services, and we shall also, so far as may be possible, suit the burden to the back." Additional unemployment relief, by means of free grants for housing and public health schemes, and partly by loans at low rates of interest from the Local Loans Fund, and borrowings undertaken by the Road Fund, would require £1,550,000. Also £250,000 would be required in relief of rates on agricultural land and £100,000 to provide milk for the children of families receiving home assistance. The total deficiency to be covered would therefore be £5,516,000.

Proposed new taxes.

First among the new taxes would be an increase of income tax, from 3s. 6d. to 5s. in the £, and the half-rate relief would be confined to the first £100 of taxable income. But the earned income allowance would be raised to one-sixth of the amount earned, up to £450, with a maximum earned income allowance of £900. The relief for children would also be increased to £50 for each child. The personal allowance of unmarried persons would be reduced to £125. This re-arrangement of reliefs would bring in about £56,000 in a full year, in addition to an additional £1,000,000 from raising the standard rate to 5s.

To encourage investment in new Irish industries a special allowance of 20 per cent. would be made on any dividends from capital invested in any authorised Saorstát public company after passing of the Finance Act. The conditions would be that such companies must trade mainly in the Saorstát, be managed and controlled in the Saorstát, and this capital must be wholly devoted to establishing or extending new business. Certain types of business would be excluded from the concession. It should particularly assist new issues made by the Agricultural Credit Corporation.

Surtax at 6d. in the £ would in future be charged on the first £500 of income above £1,500. Corporation Profits Tax would have its general rate increased to $7\frac{1}{2}$ per cent. for companies registered in the Saorstát and 10 per cent. for foreign companies not registered. The scope of the tax would be widened to bring in public companies with unlimited liability. The tax-free allowance would be reduced from £10,000 to £5,000. This should yield an additional £230,000 in the current year. The banks would also be charged an additional 1½ per cent. on their Consolidated Bank Notes, and a further 3 per cent. on all notes not in circulation. These new Inland Revenue taxes would yield an additional £1,445,000 in all.

Customs and Excise.

In Customs and Excise, the recent tax of ½d. a lb. on sugar, yielding about £400,000, would be repealed, but a tax of 4d. a lb. would be put on tea, to produce £418,000. To encourage the packing trade, a new duty of 2d. per packet on parcels imported would be imposed, applying to all articles of food and drinks, and also cosmetic and medicinal packets ready for sale. The entertainments tax would be extended to dances and all outdoor sports, horse-racing and coursing. Tobacco duty, at present ¼d. per lb. below the rate in Great Britain, would be raised by ½d. per lb.; but a special rebate of 7d. per lb. would be allowed to all tobacco manufacturers established in the Saorstát prior to April, 1922. The tobacco tax would thus yield £350,000 more. The excise duty on home-grown tobacco would be repealed. Increased licence fees would also be charged to tobacco dealers. Mechanical lighters also would be taxed.

To assist the smaller brewers, a remission of 5s. per standard barrel would be made on the first 5,000 barrels. The duty of 33⅓ per cent. on all gramophones, pianolas and similar instruments would be re-imposed. All complete or assembled wireless apparatus would be charged 50 per cent. *ad valorem*. The "McKenna Duties" on musical instruments, clocks, watches and cinema films would be made permanent.

New tariff policy.

The policy of the Minister for Industry and Commerce coincided with the needs of the revenue, and 43 new import duties would accordingly be imposed and produce £910,000. All these duties applied to articles which could be produced in the Saorstát. Among them was a tax on newspapers and periodicals, except full-sized newspapers, of 1½d. a copy, with an [Imperial] preferential rate of 1d. Reductions of salary in various branches of the Public Service, which the Minister hoped would include the judiciary, would have to yield a further £250,000. The Minister would allow only 1½ instead of 2½ per cent. as the margin for over-estimation by the Spending Departments, and the whole administrative system would be examined by a special committee. The Minister allowed £330,000 for over-estimation and £100,000 for future economies. To provide for unemployment relief, £100,000 would be given to supplement grants for housing schemes undertaken before September; and £350,000 for public health work, minor roads and arterial drainage schemes; also £150,000 to be used in works to absorb the maximum of labour. In addition to £877,000 available from the Road Fund, £1,000,000 would be borrowed on security of that fund. Also, not less than £550,000 would be lent, at much lower interest than at present, to Local Authorities for local public health and housing schemes. The grants in aid of unemployment would therefore total £2,150,000.

Tax on sweepstakes.

To provide for the still uncovered balance and £350,000 for the Supplementary Agricultural Grant, and to supply milk to necessitous children, the Minister would impose a levy of 25 per cent. on the hospitals' share of the proceeds of all sweepstakes drawn after 1st March, 1932, which should produce at least £650,000.

A special concession would be made to hasten liquidation of income tax arrears, while special legislation would penalise those who did not take advantage of it before January, 1933. Twenty-five per cent. of the arrears due since 1914 would be remitted if they were promptly paid after producing accountants' certificates. New legislation, the Minister hoped, would make fraudulent income tax returns punishable by imprisonment. From collection of arrears he hoped to realise £350,000. The Budget would thus close with a surplus of £62,000.

To solve the housing problem. which was a shortage of some 50,000 houses, advances up to £5,000,000 would be made. The Estimates included £150,000 to cover interest and sinking fund charges on this.

Payment to Great Britain.

Concluding, the Minister insisted that in respect of the Land Annuities, the Local Loans Annuity and Royal Irish Constabulary Pensions, the Saorstát was paying to Great Britain £4,799,000 a year. "It is clear," he said, "that the continued payment of this sum is a burden which is far beyond the capacity of our people. The whole question of this continuance is being re-opened. The Government, because it feels that the issue is now one of life or death for the country, is determined to maintain our rights in that regard." If it succeeded, the position of the next Budget would be easy. Next year he hoped to reap the full fruits of the Government's policy in regard to industrial development and housing, and thereby solve the unemployment problem. "The country is on the eve of a great change," said the Minister, "and great changes cannot be brought about without great sacrifices."

On 12th May,

Mr. E. Blythe (**Cumann na nGaedheal**, *Monaghan*) contended that far from ending with a deficit of £639,000, the last year ended with a surplus of £160,000. It was ludicrous to suggest that capital should not be borrowed for the Local Loans Fund, which had lent money only on an economic basis, for purposes with which the taxpayer should not be burdened. The Minister wanted to create an atmosphere for the sort of Budget he intended to bring in. He had also tried to create confusion about the State's capital liability. Thus, he had treated the Land Purchase Annuities as an item of capital debt, without even mentioning the Government's claim to collect the land annuities from the tenants. To capitalise the R.I.C. Pensions, which were essentially a part of the normal cost of police, was as ludicrous as it would be to capitalise the pensions of civil servants or old age pensions.

New taxes and falling revenue.

The essential feature of the Budget, said the Deputy, was that, with a falling revenue, heavy additional burdens were being put on the taxpayer to the extent of £1,764,000 more, although Fianna Fáil had claimed they could reduce taxation by £2,000,000 without reducing efficiency of administration. The Budget was entirely irresponsible and cynical and took no account of the evil effects of increased taxation, when the country had neither a great industrial development nor great accumulations of wealth. One reason why the Deputy had in his former Budgets kept income tax low was the Corporations Profits Tax. But the Minister had increased income tax to the English level while also increasing the Corporations Profits Tax, when to retain it at all, with a high income tax, must have a very bad effect on business. A large company in the Saorstát would now pay 6s. 6d. in the £, as compared with 5s. in England. Capital would be lost to the country; while uneconomic industries, ill-placed, ill-designed, ill-managed would be established. The Deputy wished the Budget could be postponed until the Government had gone to Ottawa and the country knew whether the Budget was to be wholly upset by the loss of Dominion Preference.

Mr. P. Hogan (**Cumann na nGaedheal**, *Galway*) declared that the Budget would lead to bankruptcy on a wholesale scale within six months. Everything the new Government had done since taking office had increased the price of everything farmers had to buy and decreased the price of everything they had to sell. That was bound to lead the country to bankruptcy. The Budget was, he believed, the economic counterpart of the civil war, and a more insidious and effective attack. For every man put into employment by the Budget three men would be disemployed. The political policy preceding the Budget would create a hostile market abroad and increase the price of goods at home to every Irishman, whether agriculturist or industrialist. It would do more real harm, cause more real suffering and more real want in the country than did the civil war.

Effect of new policy.

On 13th May,

Mr. W. T. Cosgrave (**Leader of the Opposition**) reminded the Government that they had opposed the supplementary Budget last autumn because they thought it unnecessary, and that the prospective deficit could be met by economy. Those who had then opposed an increase of 6d. in income tax and 4d. on petrol now raised income tax to the English level, and asked to spend approximately £5,000,000 more than the taxes of a year ago would have yielded. The Minister had, on assuming office, found ordered conditions in the State, its credit good, its industry much improved, and a successful tariff policy which had improved employment, so that the country had escaped prevailing economic distress much better than any other country in the world.

Income tax for wealthy people would now be higher than in England. But the country had very few rich people, so that the burden of taxation fell much more heavily upon the whole people.

On 18th May,

Concluding, Mr. Cosgrave said that the Budget would hinder development when prices were already falling. The sooner the goodwill of Britain as a market was got the better it would be for the finance and business of the State.

Mr. W. Norton (**Chairman of the Parliamentary Labour Party**) accused the Opposition of having shown no sympathy with the poor when in office. The late Government had a "low-wage mentality," but its spokesmen were now full of concern for the poor and needy. The Budget showed that the housing problem would be tackled in a more effective and comprehensive way. It was an attempt in very difficult circumstances to give hope to the unemployed.

The Deputy criticised the tax on imported newspapers, and thought the proposal to make a special cut of civil servants' salaries was wrong in principle. In spite of criticisms in detail, he thought it a very good Budget in many respects, and a thousand times better than what the late Government would have introduced.

The Minister for Finance, replying, said that Deputy Cosgrave's "key speech" for the Opposition had been one long wail for the plutocrat. The Minister claimed to have introduced a Christian, humane and honest Budget, which would give employment and a living for many who, up to now, had faced death by slow starvation.

On a division the Budget resolution was carried by 71 votes to 59.

DIPLOMATIC REPRESENTATION.

(Consular appointment in Paris.)

On 3rd May, in the Dáil, replying to a question by **Mr. F. MacDermot (Independent,** ***Roscommon*****),**

The Minister for External Affairs (Mr. E. de Valera) said the additional cost of appointing a Consul and Commercial Attaché in Paris would be approximately £1,000 a year. It had been found that the diplomatic and consular functions of the Legation made it impossible for its officers to deal adequately with the commercial side. The Commercial Attaché would shortly extend his functions to deal with trade relations with Holland and Belgium. The Minister in Paris would be later accredited to the Belgian Government. It was the Minister's intention to develop the trade side of the foreign establishments.

Replying to a further question, the President said that there was no selection board in this case, as Mr. Kerney had formerly represented Dáil Eireann in Paris.

EMIGRATION AND IMMIGRATION.

(Statistics for 1930 and 1931; Migrants to Great Britain.)

On 21st April, in the Dáil,

Mr. P. McGilligan (Cumann na nGaedheal, ***National University*****)** asked for statistics of emigration from and immigration into the Saorstát in 1930 and 1931, and for an estimate of an average for the last five years of (A) those who annually emigrated from the Saorstát to Great Britain, and (B) the number of migratory labourers who went there for temporary employment.

The Minister for Industry and Commerce (Mr. S. Lemass) replied that immigrants into the Saorstát from countries outside Europe were 3,295 in 1930 and 4,102 in 1931. Emigrants were 16,202 in 1930 and 1,557 in 1931. Aliens landed at Saorstát ocean ports were 9,848 in 1930 and 9,108 in 1931. Aliens who embarked were 8,433 in 1930 and 6,329 in 1931. Precise figures of emigration to Great Britain were not available. The net efflux between 1927 to 1931, excluding the extra European immigrants above-mentioned, was estimated not to exceed 3,000 per annum. The average number of migratory labourers going to Great Britain was estimated at about 14,300 going to insurable employments and about 10,725 to non-insurable employments.

CONTROL OF MANUFACTURES BILL.

(Restrictions on the carrying on of manufactures; Issue of licences; Attitude towards foreign capital; etc.)

This Bill was introduced in the Dáil on 8th June by the Minister for Industry and Commerce. Its main provisions are explained in the following summary.

DEBATE IN THE DÁIL.

On 14th June,

The Minister for Industry and Commerce (Mr. S. Lemass), in moving the Second Reading, said that its purpose was to ensure that control could be exercised over the number and the nature of external firms which might in future engage in manufacture in the Saorstát. No new restrictions were being imposed by the Bill on any firm which was engaged in manufacture in the Saorstát prior to 1st June, 1932, nor upon any Saorstát firm which might become established. The Bill did not preclude the possibility, should necessity arise, of taking special action regarding a particular industry. Licences would be issued to external firms, subject to any conditions deemed necessary, for permission to engage in a particular form of manufacture in the Saorstát. The licences, if granted, would not be subject to withdrawal except on application from the licensee or upon conviction of the licensee for an offence under the Bill.

It was, the Minister contended, an extremely moderate measure, reaching the barest minimum which any Government starting on a protective policy in a country like the Saorstát would have to undertake. The Government was endeavouring to promote rapid industrial development, and was imposing a system of protective tariffs designed to ensure the production, in much greater volume than formerly, of goods hitherto produced in the Saorstát or, in some cases, not hitherto produced. Such a policy inevitably encouraged firms which formerly supplied the Saorstát markets to get over the new tariff wall by transferring their factories bodily. That had in fact happened already. Because that result naturally followed any general system of protection, and because the previous Government lacked the powers conferred under this Bill, the machinery it had established for considering tariff applications was largely nullified.

Under-selling by branch factories.

Many Saorstát firms, the Minister argued, which desired and required the aid of protective duties refrained from applying for tariffs because they realised that such tariffs, if introduced, might make their position worse by inducing their rivals to enter the country and deliberately undersell them in the Soarstát. Firms engaged in the Saorstát were mostly small firms, who were in competition with highly capitalised, highly developed countries. It would be easy for any very efficient and powerful combine in the neighbouring country which had been supplying the Saorstát market to put out of business any Irish firm which offered serious competition.

If industrial development were to be achieved in the Saorstát Irish industries must be secured, not merely against unfair competition from abroad, but against the competition which could be undertaken by branch factories established with that purpose. Such branch factories would never undertake any foreign trade.

Attitude towards foreign capital.

On the general question of foreign capital in Irish industry, the Government had no objection to its investment, provided that foreign capital did not also involve foreign control. Foreign control usually meant not merely that the policy of the factory was directed without regard to the country's interests, but also that the executive and skilled posts in the factory were retained for foreign operatives. The Irish were retained as unskilled or semi-skilled workers, and seldom got a chance of acquiring skill.

While not objecting to foreign capital in Irish industry, the Government intended to use powers secured under the Bill to provide that external companies should not dominate any industry. The Bill did not create monopolies or limit the number of firms or individuals who might engage in an industry. In certain cases monopolies might have to be granted to existing industries because for some classes of goods the economic unit of production was the entire consumption of the Saorstát market. But no restriction would be imposed on any firm already established. To secure an opportunity of profitably investing money in Irish enterprise the Bill was urgently necessary. Well over £100,000,000 of Irish capital was invested throughout the world, which was needed in Ireland.

It could be confidently invested in the Saorstát if the Executive obtained these powers to prevent powerful foreign competition.

Extent of economic penetration.

Mr. P. McGilligan (Cumann na nGaedheal, *National University*) said that after nine years of a tariff *régime*, which had tariffed 50 per cent. of those imports which could be regarded as suitable for tariffs, there had been no such economic penetration as the Minister feared. The only industries in which foreign combines had established a strong interest in the Saorstát were tobacco, candles and soap, and jam. But the reason was nothing peculiar to the Saorstát, as these industries had in Great Britain passed into the hands of big combines. It might be assumed that in attempting to supervise foreign firms, the Government would ensure their having national treatment thereafter. The Minister apparently desired certain foreign firms to come in to help in the swift development he foresaw under a tariff policy. But the Bill gave no guarantee of national treatment to those which came in. There would be mixed competition between the licensed foreign firms and those established at home. But if the foreign firms were able to bear increased taxation when the native firms could not, there might be taxation discriminating against them, as had happened concerning Gallaher's tobacco factory in the recent Budget.

Minister's power to grant licences.

Under the Bill, the Deputy continued, the Minister would have full power on his sole discretion, unassisted by any outside body, to grant licences to foreign firms. Not even a Tariff Commission would have to be consulted.

On 15th June,

The Minister for Industry and Commerce, replying, said that practically every country in the world had some form of legislation regarding foreign countries operating in it, and many had much more drastic legislation than this Bill. There had been something like a stampede of English capital into the country, but only in regard to particular industries in which it was not wanted.

The Second Reading was carried by 69 votes to 57.

NEWFOUNDLAND.

A Proclamation dissolving Parliament was issued on 7th May, 1932, and a General Election was held on 11th June. The following summary deals with the General Election results and the formation of the new Government, and also with the Budget statement and debate which took place prior to the Dissolution.

RESIGNATION OF FINANCE MINISTER; GENERAL ELECTION; STATE OF PARTIES; NEW GOVERNMENT (*Note*).

After the Speech from the Throne had been delivered by the Governor (Sir John Middleton), on 4th February, 1932, the Hon. P. J. Cashin, the former Finance Minister, who, on 1st February, had resigned his Portfolio, at the same time announcing that he would keep his seat in the House of Assembly as an Independent Member, gave as his reason for leaving the Government that a certain Minute of the Council had been falsified without the knowledge of the Government. On 16th February, in the House of Assembly, Mr. Cashin made a series of charges against the Prime Minister (Rt. Hon. Sir Richard Squires) and certain of his colleagues. On 18th February, the Speaker of the House of Assembly (Hon. A. J. Walsh) ruled that the Opposition Motion for a Parliamentary inquiry into the charges must specify each charge separately. On 23rd February, the Leader of the Opposition (Hon. F. C. Alderdice) moved the appointment of a Select Committee to inquire into the charges made by Mr. Cashin, each charge being specifically mentioned. The Prime Minister moved as an Amendment that the House should send an Address to the Governor to inquire into the charges and this was carried.

On 22nd March, in the House of Assembly, replying to the Address from the House asking for an inquiry, the Governor stated that there had been no discrepancy, no falsification and no irregularity.

Parliament was dissolved by Proclamation on 7th May and a General Election was held on 11th June. As a result of the Election the state of Parties in the House of Assembly is now as follows:—

United Newfoundland Party	24
Liberal (Squires) Party	2
Independent	1
	27*

The composition of the new Cabinet is as follows:—

Prime Minister and Minister of Finance	Hon. F. C. Alderdice, M.H.A.
Secretary of State	Hon. J. C. Puddester, M.H.A.
Minister of Justice	Hon. L. E Emerson, M.H.A.
Ministers without Portfolio ...	Hon. H. A. Winter, M.H.A. Hon. J. S. Ayre, M.H.A. Hon. F. McNamara, M.L.C. Hon. J. Stone, M.H.A. Hon. H. Mitchell, M.H.A. Hon. S. J. Foote, M.H.A. Hon. W. J. Browne, M.H.A.

* A Redistribution Act passed prior to the Dissolution reduced the number of seats in the House of Assembly from 40 to 27.

The following Ministers are not in the Cabinet:—

Minister of Lands and Fisheries	Mr. W. J. Walsh, M.H.A.
Minister of Public Works ...	Mr. H. W. Quinton, M.H.A.
Minister of Posts and Telegraphs	Mr. W. C. Winsor, M.H.A.

THE BUDGET.

(1930-31 results; Position regarding 1931-32; Estimates for 1932-33; New taxation; Sale of Labrador; etc.)

On 1st March, in the House of Assembly, the Prime Minister made a financial statement.

The Prime Minister (Rt. Hon. Sir Richard Squires) said they had been faced for the past eight months with a grave crisis in their economic affairs. That was in a large part a reflection of the wider economic upheaval from which every country was suffering, but it was also in a special degree a domestic crisis due to local conditions and to the need for the reorganisation of the administrative and financial machinery of the country. He instanced the fall in the price of fish, the decline in the price of newsprint, and the falling off in the exports of iron ore, etc.

1930-31.

Dealing with the year 1930-31, the Prime Minister said the actual results were as follow:—

Expenditure	$12,898,933
Revenue	9,655,640
Deficit	$3,243,293

Adding to the above Expenditure the additional expenditure made on Loan Account the grand total for the fiscal year was $15,426,059. The deficit noted above had been met by temporary loans of $500,000 made in March, 1931, and of $2,000,000 raised from the Canadian banks in June, 1931. The remainder had been met out of general balances amounting to $1,081,225. For this same year there was a railway deficit in addition, a temporary loan of $600,000 being used to meet it.

Position regarding 1931-32.

Continuing, the Prime Minister said that with regard to the year 1931-32, the Finance Minister had estimated as follows:—

Estimated Expenditure	$11,467,146
Estimated Revenue	10,010,391
Estimated deficit	$1,456,755

For the first six months of the year, 1st July to 31st December, 1931, the actual Revenue and Expenditure was :—

Expenditure	\$5,672,675
Revenue	3,655,229
Overspent	\$2,017,446

This included interest payments made on the debt of 1st January, 1932, amounting to \$2,328,183. During the period also there had been heavy expenditure for relief at \$700,000. As an estimate, he would say that the deficit as at 30th June, 1932, would be \$3,800,000, this being inclusive of relief payments, interest payments due on 1st July, 1932, and any further deficits on the railways. Of this deficit \$2,200,000 was covered by the Loan secured on 31st December, 1931.

"The position likely to arise at the close of the present financial year," the Prime Minister declared, "will be a momentous one in the history of Newfoundland. Our country will be called upon to meet a part, and a large part, of the interest payment falling due on 1st July next by means of a loan raised within the Dominion . . we have ample local resources at our disposal in liquid form sufficient to cover many times the amount required to be raised. I shall, therefore, before the end of this Session introduce a Bill in connection with this loan and I hope it may be possible to make some interesting suggestions in connection with it. Thereafter our balanced Budget will look after the full interest charges on the Debt of Newfoundland and with the total interest on both Funded Debt and temporary loans fully secured as a prior charge on Customs Revenue Account, our bonds will form a most attractive investment security."

Proceeding, the Prime Minister stated that a Committee of Ministers had been formed in May, 1931, to undertake the reduction of expenditure. All grants made by the Government had been reduced or eliminated. The Public Service has been reviewed and a large number of posts abolished. A 10 per cent. cut had been effected upon all official salaries and a cut of 25 per cent. had been effected upon Ministerial salaries. The net saving by these changes was about a million dollars a year. They had actually saved about \$500,000 by 31st December. Against this, there had been an expenditure of \$250,000 on Relief and other charges.

Estimates for 1932-33; Taxation proposals.

It was the policy of the Government that the Budget should be balanced for 1932-33. The estimates of Revenue

and Expenditure balanced at about nine and a half million dollars. He felt that there would be a very substantial surplus because positive signs of a revival of trade were already in evidence. In the present financial circumstance he did not consider that the country could carry a burden of more than nine and a half million dollars for the coming year. The reduction of Expenditure to this figure, he said, would only be achieved as a result of a most resolute campaign of economy in every direction. Unfortunately, the Budget could not be balanced solely by reductions in expenditure and improvements in Revenue without any new taxation.

The Prime Minister then gave details of new taxation, of which the following is a summary :—

Flour.—50 cents a barrel; *Salt Pork and Salt Beef.*—\$2 a barrel; *Kerosene.*—5 cents a gallon; *Goods imported by religious bodies and educational organisations.*—Half the rates collected on the same goods when imported by others; *Butter and Butterine.*—Duty raised from 3 cents to 5 cents a pound and Excise Duty increased by 2 cents; *Meat, Fresh.*—Duty increased 1 cent a pound; *Tea.*—Duty increased 1 cent a pound; *Confectionery.*—Duty increased by 10 per cent.; *Eggs and certain Farm Products.*—Duties to be increased, thereby affording protection to local farmers; *Outport Coal.*—Duty 50 cents per ton; *Sales Tax.*—Increased from 5 per cent. to 7½ per cent.; *Glue.*—For local manufacturing purposes, duty free; *Sugar.*—A rebate of one-third on sugar used in the local manufacture of confectionery, jam, etc.; *Income Tax.*—Tax raised from 5 per cent. to 6 per cent. on incomes up to \$6,000, from 8 per cent. to 12 per cent. on incomes exceeding \$6,000. Exemption in case of unmarried persons reduced to \$1,000, and in the case of married persons to \$2,000; *Corporation Profits Tax.*—Tax increased from 8 per cent. to 12 per cent; *Tax on Insurance Companies' Premiums.*—Tax increased from 5 per cent. to 6 per cent., and a tax of 2 per cent. on Life Insurance Premiums.

DEBATE IN HOUSE OF ASSEMBLY.

On 16th March, in Committee on Ways and Means.

Hon. P. J. Cashin (Independent,* *Ferryland*) said that in order to place the affairs of the Dominion before the people it was essential that every detail be presented to the House. This Budget had failed to present such details. The Prime Minister in his Budget speech had pointed out that it was noticeable that an improvement was taking place in the general business of the Dominion. Mr. Cashin said he wanted to make this statement: that the trade of the country was

* Mr. Cashin resigned the portfolio of Finance on 1st February. *Vide* Note on p. 790.

in chaos. Curtailment had taken place in every branch of business. Unemployment was rife all over the country. The Government had not had the courage to tackle the situation in a business-like manner. On 30th June next, under the present Budget estimates, both as to Revenue and Expenditure, the Exchequer would default. The Budget speech did not reveal the true financial conditions of the country.

Tariff Revision; Sinking Fund.

Referring to Tariff Revision, Mr. Cashin said that in 1929 he had realised that the country was up against it financially and had suggested that the free list should be tackled. It had now been tackled in time of distress. The time to increase taxation was in time of prosperity.

Proceeding, Mr. Cashin said the Budget speech made no provision whatever for a Sinking Fund to repay the floating indebtedness of the Colony to the Banks at the present time.

Sale of Labrador.

Referring to the Government's attempt to dispose of Labrador to Canada, Mr. Cashin said the correspondence relative to negotiations had already appeared in the Press. He wanted to go further and say that in his opinion the Prime Minister during the negotiations [in which Mr. Cashin had taken part] had done everything he could to block progress being made towards the disposing of the Labrador territory in Canada and he [Mr. Cashin] had come to the conclusion that the Prime Minister was attempting privately, in some form or another, to put Newfoundland into confederation with Canada.

Summary of Budget Speech.

Summing up the Budget Speech, Mr. Cashin said its contents would prove conclusively that: (1) the Government with the assistance of so-called experts were incapable of handling the situation; (2) on 30th June, 1932, they would be faced with a deficit of $4,500,000, plus $500,000 Railway deficit; (3) the Government were side-stepping the main issues, and Party politics were creeping in to destroy any semblance of sincerity; and (4) in order to meet obligations an additional $2,700,000 must be found. The Loan Bill called for $2,500,000, which would be absorbed in paying deficits outstanding on 30th June, 1932. Finally, the Revenue Act, as proposed in the Budget, plus the proposed tax on petroleum business, added to the taxpayers an extra taxation of $2,000,000 or an all-round tax of 25 per cent. The only hope of straightening their financial affairs was to reduce their interest charges in some form.

On 22nd March,

Hon. F. C. Alderdice (Leader of the Opposition)* said the Budget balancing had been an apparent success, but he was afraid it was going to mean economic death for Newfoundland. He was convinced that they did not need a major operation to get the country out of the mess it was in—all that was needed was the minor operation of cutting out graft, mismanagement and misgovernment, and with time and careful nourishment and with a clear-cut industrial programme and a determination to recover he had no misgivings for the future.

Failure of the Government.

Continuing, Mr. Alderdice asked if the Government had accomplished anything of a constructive nature? Could one point out where they had increased labour to the extent of one five-dollar bill? No; nothing had been done. The Minister had availed himself of no opportunity to help the fishery, with the exception of erecting a bait-fishery at Ramea. No agricultural policy had been introduced. The last Report of the Board of Trade showed that importations of articles that could be produced in Newfoundland amounted last year to $1,600,000, and included oats, hay, potatoes, several vegetables, fresh meat, poultry, eggs, canned milk, pigs, cheese, etc., each of which could be provided in Newfoundland. There was a great future for mining. He did not believe the Gander proposition [pulp and paper industry] was killed, but only stunned, and would come to life when another Administration came into power. There was also room for a pulp and paper industry on the south-west coast, drawing its supplies from the Labrador. Those two projects were not outside the bounds of possibility within the next five years and would increase the earning power of the country by six million dollars.

Labrador.

There would then be no necessity to sell Labrador for $110,000,000. Unless they were at the point of desperation they should never consider the sale of the Labrador for any sum. They had no right to sell it; they had a duty which they owed to future generations. The territory had tremendous mining possibilities as well as other things. If he owned Labrador he would not consider its sale for $200,000,000. If it was sold how were they to get employment for their people? Alaska had been sold for $7,600,000, and last year there had been exports of fish alone from Alaska amounting to $52,000,000.

* Now Prime Minister (*vide* p. 790).

An "emergency tariff."

The purchasing power of the people was never lower than at the present time, and now the Government was making it more difficult for them to live by the imposition of additional taxes. Mr. Alderdice said he would have thought of an emergency tariff, and have informed the manufacturers that he was prepared to help them by that means for a time, so that they could open their factories and keep out any articles which could be manufactured locally, provided they did not increase their prices.

INDIA.

The following is a summary of some of the further proceedings of the Third Session of the Fourth Legislative Assembly, which opened at New Delhi on 25th January, 1932, and closed on the 6th April; also of the Third Session of the Third Council of State, which opened on 25th February and closed on 6th April.

INTERNATIONAL LABOUR CONVENTIONS.

(Hours of work in coal mines; Ship-loading labour.)

On 2nd March, the Council of State passed the following Resolution:

This Council, having considered the Draft Convention limiting hours of work in coal mines adopted at the 15th Session of the International Labour Conference, recommends to the Governor-General-in-Council that he should examine the possibility of reducing the statutory limits for hours of work in mines, and that the result of this examination should be placed before the Council.

The Industries and Labour Secretary (Hon. J. A. Shillidy), in moving the Resolution, said the Convention recommended that the hours of work underground in mines should be limited to 7 hours 45 minutes a day, and that work in open mines should be limited to 8 hours a day, with a 48-hour week. The position in India was that under the Indian Mines Act there was a 60-hour week for above-ground work and a 54-hour week for underground work. The House would, he thought, agree that it would be improper for Government without further inquiry to rush from a 60-hour week above-ground and a 54-hour week underground to a 48-hour week above-ground and something less than a 48-hour week underground. The Government did not ask the House to refuse to ratify the Convention but to take the proposals into consideration. They proposed to consult Local Governments and associations of workers and employers. In reply to a question, he said he had no information as to whether South Africa, Japan and other countries from which coal was imported into India had adopted or accepted the Convention. The Convention had been passed only recently and final decision by those countries could not yet have been reached.

A similar Resolution was adopted by the Legislative Assembly on 24th February.

On 14th March, in the Council of State,

The Commerce Secretary (Hon. Mr. J. C. B. Drake) stated that the Government of India had consulted the Local Governments and through them the Port Trusts and commercial heavy drop in Exports, from £7,497,000 in 1930 to £5,894,000 in 1931. But eliminating items such as Government exports and specie, and so on, the fall in the export of merchandise was from £7,362,000 in 1930 to £5,681,000 in 1931. Exports overseas dropped by £735,000, to the Union by £340,000, and to Northern Rhodesia by £606,000.

That was a figure, their trade with Northern Rhodesia, for which some explanation was forthcoming. Due partly to the fact of the outbreak of foot-and-mouth disease in Southern Rhodesia exports, not only of local products but also of any packing material used in sending goods to Northern Rhodesia, fell away before the mines closed down. The mines were controlled largely from Johannesburg, and trade which they might have expected to get was transferred to Johannesburg. That continued until Northern Rhodesia and they themselves went off the gold standard, but as soon as that occurred the position tended to rectify itself. Their imports for the year amounted to £5,394,000 and their exports to £5,681,000, a difference in favour of exports of nearly £300,000.

Estimates for 1932-33.

The Treasurer pointed out that with regard to the Estimates for 1932-33 they had the most difficult problem with which they had been faced since they had assumed Responsible Government. They had to bear in mind existing conditions and to see whether there were any indications of relief within the next twelve months.

There had been a check in the downward trend of prices in those countries which had adopted sterling, and in England itself there had been some recovery of confidence; but there still remained the problem of Tariffs, Reparations and War Debts. These were engaging the attention of the nations and would be discussed and, they hoped, settled at the International Conference to be held at Lausanne. There was no doubt that recovery was dependent upon a settlement of these questions, and there was nothing that would have a more immediate or lasting effect than a solution of them. As an exporting colony they in Southern Rhodesia were vitally concerned, because recovery there was dependent upon the improvement in the price of commodities which they exported.

Dealing with the general position, the Treasurer said that gold mining had received a great fillip from the gold premium which would bring to the mining companies very considerable additional profit, and would also encourage the prospector and the small worker. As regards agriculture they had had a good season, and the tobacco crop was said to be of good quality and somewhat increased in quantity.

The Revenue Estimates showed that the total from existing sources was expected to be £1,900,000, less than the receipts of the year now closed by £212,000. Customs Duties were placed at £525,000; Income tax, £290,000; Native tax, about £24,000 less than last year.

The total estimated for Expenditure was £2,143,000. Revenue had fallen in two years by £549,000, and that position had been met to the extent of £334,000 by cuts and expenditure. Education was less than two years ago by £26,000; Native Development by £14,000; Defence by £19,000; Public Works by £36,000; Roads by £24,000; Agriculture by £89,000. The Lands Department had been reduced by £26,000.

New taxation.

Continuing, the Treasurer said they were left with a total shortfall (including £18,000 brought forward from last year) of £261,000, and that was the formidable problem with which they had to deal. Among the proposals for meeting the situation the first item of taxation was the premium on gold. The premium had, of course, come as a windfall, an accrual of a fortuitous nature to the mines through no action on their part, but due to the decision of the Government to abandon the gold standard. The extra profit which would accrue to the gold mines was estimated at an amount between £600,000 and £700,000. They proposed to tax the premium to the extent of 15 per cent., but subject to the condition that no tax would be levied on any output that did not exceed 150 ounces.

Letter and spirit of the Rhodes Clause.

In regard to Customs Duties, the Treasurer said Members were aware of the proposals in connection with the notice of Motion which was given on the opening day of the Session.* That proposal involved breaking away from something that they had regarded in Southern Rhodesia as almost sacred—the letter of the Rhodes Clause, which had been honoured in that country for about 35 years and had never been touched except by the Amendment by the Order-in-Council in 1914; but they had long realised that the time had come when they would have to make some Amendments.

The Rhodes Clause placed a limit on duties based on the Tariff framed in 1897 and 1898. It was not a scientific Tariff. It did not differentiate between necessaries and luxuries, and there were good grounds for departing from that rigid limitation. But whilst they departed from the letter of the Clause they proposed to adhere—and he hoped it would always be the policy of their country—to the spirit of it; and in regard to the alterations or, at any rate, the great majority of them respecting which an increase had been made in the duties on British goods, a corresponding or even higher increase had been applied to foreign goods.

Ottawa Conference.

They did not overlook the fact that it might be necessary to make still further amendments as a result of the Conference to be held shortly at Ottawa, and so they proposed to take power in the Tariff Act to vary or to increase, if necessary, the duties during the period of the financial year. These duties were estimated to yield £90,000. More than half of that sum would be borne by the motor traffic.

Income tax.

Regarding income tax, the minimum rate stood at present at 1s., which applied to the first £500 of the taxable income, namely, that income which remained after the deduction of abatements. They proposed that the flat rate of 1s. should apply to the extent of £200 instead of £500, and that the increase at the rate of one-two-hundredth of a penny should operate from that point. The married abatement was to stand as at present at £800, and the abatement of the single man at £360; but

* The Treasurer announced on 31st March, the taxation proposals contemplated in a draft Bill to amend the laws relating to Customs and Excise and the Customs Tariff and Excise Duties.

in regard to the former an alteration had been introduced whereby it was to be a diminishing abatement.

The maximum income tax at present was 3s. in the £, which it was proposed to increase to 4s. Companies registered in England would be entitled to relief from double taxation to the extent of 25 per cent., that is, to the extent of 1s. in 4s. They got a further abatement from the British Government, where the tax was 5s. in the £, of 2s. 6d. Local companies and individuals would pay 4s. in the £ if their income exceeded £7,400. So far as gold mining companies were concerned, the rate was the same as that recently proposed in the Union* ; but that, of course, had not influenced them in Southern Rhodesia, because it was decided before they knew anything of the Union's proposal. In Southern Rhodesia they had the advantage of 85 per cent. on the premium, and on the full premium for the first three or four months.

Postage rates and entertainment tax.

The inland postage rate within Rhodesia had been increased from 1d. to 1½d. ; other parts of South Africa from 1d. to 2d. ; the Empire rate had not changed, and a slight adjustment had been made in the foreign rate. The yield from these increases would be £25,000.

The entertainment tax would be increased from 12½ per cent. to 20 per cent., *i.e.*, from 1½d. to 2½d. in the shilling ; and when it was realised that the people of Southern Rhodesia spent between £80,000 and £90,000 a year on entertainments—theatrical and cinema shows alone—they could afford this comparatively small increase, which would yield £6,000.

The heavy scale of taxation, the Treasurer added, did not compare unfavourably with taxation in any other part of the British Empire at the present time. It was a load that might have been heavier still had it not been for the decision to abandon the gold standard.

It was estimated that the Loan Estimates would not exceed £300,000. There were important considerations to be borne in mind in this connection. The first was that they had now exhausted available Loan Funds, and they were urged by the Imperial Government to refrain from placing Loans on the money market in England until things righted themselves. There was another important consideration—that with falling Revenue, some caution must be exercised in incurring fresh liabilities until they could be sure that the clouds were lifting. They had taken a middle course, confining themselves to the most urgent and pressing work—public works, etc.—which would afford a certain amount of employment, and would at the same time provide them with buildings which were really necessary.

Position at Imperial and other Conferences.

Referring to the Ottawa Conference, the Treasurer said Ottawa was essentially an economic Conference. They had taken opportunity to urge their claim to be heard in the counsels of the Empire. By the grace of the Imperial Government they were invited to attend both the Colonial and Imperial Conferences in 1930 in the capacity of observers. But the Colonial Conference consisted of representatives of the Crown Colonies and dealt with matters concerning the Crown Colonies only, and the business of the Crown Colonies was of no particular interest to

* *Vide* p. 737.

Southern Rhodesia. "But the Imperial Conference," Mr. Fynn continued, "deals with matters of very much wider policy affecting all parts of the Empire, and we feel that we have some claim to consideration, to representation at that Conference. Our representations have been taken note of by the Secretary of State, and we are indebted to him no less than to the Canadian Government for the invitation which has come to us. By attending this Conference we get a footing on the lower rungs of the Imperial ladder, a footing which we hope may take us, in the course of time, to some higher place. We have no aspirations for Dominion status, but we do feel that even the plaintive voice of the youngest member of the family is entitled to be heard at such Conferences."

They would go to Ottawa with the idea of assisting to secure the acceptance of a principle in which they had professed belief—something akin to the Rhodes Clause—the development of trade within the Empire, that any part of the Empire that was unable to supply all its own requirements would give preference in regard to what it must import to the products of other parts of the Empire.

If they could help in a very small way in securing the acceptance of that principle, then their mission would not have been in vain. Behind that principle, of course—and they hoped it would be accepted—there might be opportunity to do something more directly beneficial to Southern Rhodesia.

DEBATE IN LEGISLATIVE ASSEMBLY.

On 18th April,

Lt.-Col. E. L. Guest (**Rhodesian Party**, *Charter*), referring to the period of depression they were going through, agreed that the time had come for a closer examination of their primary industries and to endeavour to find a cure for the ailments from which they were suffering.

Drawing attention to the "May" Report, which was written concerning Great Britain, he said the difficulty of diagnosing the complaints from which their primary industries suffered was much more acute in England than in Southern Rhodesia. Their primary products, with the exception of gold and tobacco, suffered from a disease which they could not cure except by means that House would not approve of, namely, the high cost of production and the lack of markets at a price which returned to their primary producers sufficient to pay the cost of producing and a sum over to justify their producing. They had made an attempt from time to time to control prices, but those attempts were doomed to failure. There could be no lowering of the cost of production without lowering the standard of living of the employer and employee.

Customs Agreement with South Africa.

With reference to the advocated cancellation of the Customs Agreement with the Union of South Africa, he said that any agreement which was intended to apply any preference to them from the Union, or which was intended to grant a preference in the other direction, was a type of agreement that would not be made at Ottawa, but would come into being as a result of Ottawa.

"A turning point in history."

Certain hon. Members still had some difficulty in realising that the Union of South Africa was a part of the British Empire. The eyes of

Southern Rhodesia particularly were turned towards Ottawa, and so were the eyes of every individual in the Empire. They believed it might turn out to be one of the turning points in history. It was not intended to be and would not be a Conference of commercial travellers. It would be a Conference of statesmen endeavouring to create an atmosphere and to discuss the principles of inter-Imperial trade, and he believed that a great increase in inter-Imperial trade would follow, not only to the profit of each individual part of the Commonwealth, but to the Empire as a whole. Further, he believed it would cement those feelings of brotherhood without which the Empire could not continue.

He hoped that the system of the granting of quotas would be considered, because that was a matter which particularly interested them. Southern Rhodesia, while it would play a very honourable part in the Conference, would not, he feared, play a very important one, and one of the principal benefits they would derive from it would be its educative effects.

Native development.

The policy of native development had been criticised, and it had been suggested that their education should be less academic and more practical. But the problem was not so easily solved. If once the native was introduced into export markets in a commodity not manufactured by the European, he would soon find that the most attractive market was the local market, and he would depart from the manufacture of the particular commodity that they desired he should manufacture, and would enter into active competition with the European in commodities for the local market.

They could not control the native in that direction, and if he were industrialised, the Member who had criticised their native policy must be prepared to face not only the abandonment of the unskilled labour market already abandoned, but the complete abandonment of the semi-skilled market, and very heavy encroachments on the skilled market to the native.

Mr. S. M. L. O'Keeffe (Reform, *Insiza*) said the depression provided a wonderful excuse for the slackness of the Government. Rhodesia was suffering from seven different serious illnesses of which the first might be called a Constitutional one, going back to the beginning of their history. Rhodesia was founded on altogether too extravagant ideas. They all thought Eldorado had been discovered, and the plans for development were based upon this as if it were an absolutely proved fact. Gradually these fantastic ideas were abandoned and the country then fell back on agriculture, the greatest extravagance being in that direction. Slowly but surely, however, they had been forced, much against their will, to face facts and give up their policy of make-believe.

Expenses of administration.

The Colonial Secretary (Hon. W. M. Leggate), pointing out that the present basis of administration and expenditure was hopelessly out of touch with what they were able to afford, said they could not afford a Governor at £10,400 a year, neither could they afford six Ministers costing £12,500 per annum. They could not afford 30 Members of Parliament to represent the population as it now was. Brighton in England returned one Member to Parliament, and his majority at the last Election was 61,400. The town of Bulawayo, which had only 6,069 voters, returned no less than six Members. Neither could they afford to spend something like £700 a day on the Agricultural Department, which had proved inept and useless. They could not afford to have 1,817 native officials, not counting the native police, at a total cost of £60,780 per annum, nor could they afford the Department which existed for the purpose of obtaining figures at a cost of £11,450.

Referring to the mining policy of the country, the Colonial Secretary said he believed that the time had come when mining development in Rhodesia could not be left to individual effort. He was sure the country would support a proposition that every year the Government should decide how much they could spend on this object and, having decided that, they could appoint a Board of successful mining men who knew their job. They could tell this Board they had so much money available for any one year, and they could take their choice as to which mine, or which two or three mines, they thought fit to develop.

Another scheme was to do what England had very often done in the past, namely, to guarantee the interest on a big Loan for a specific purpose.

Mineral rights.

Coming to a "rather touchy subject," the mineral rights, he said ever since the Rhodesian Party was formed, and the Government emerged from it, their declared policy had been that the mineral rights belonged to the Chartered Company. They, in fact, made several efforts to give this Company those rights, but bowing to public opinion they withdrew the Bills. They were very glad that the Government had changed their minds regarding this important matter, but, of course, the reason was obvious. The pendulum was swinging, and now the Government were going to tackle this mining rights question on behalf of the people.

The next trouble was the Customs Agreement with the Union; by virtue of balance of trade they had a big stick to bargain with, and they should use it. Each time, however, they went to the Union they had cold feet, and came back with something always disadvantageous to Rhodesia. They had to change all that, and they must be free. They must have a preference for their best customers and a tariff for those who were not friendly towards them.

Inter-trade prospects.

Capt. L. L. Green (Rhodesian Party, *Marandellas*), touching on the Ottawa Conference, said it was an opportunity which must strengthen the invisible bonds that held the Empire together. He was sure that their Delegates would not be lacking in offering reciprocal tariffs to Dominions besides Britain where prospects of inter-trade were offered, and, in particular, he referred to tobacco, the one bright spot in the gloom of agriculture. Their goal was the English market; but there was another very important market where their Delegates might be able to achieve something—the Australian market. Australia to-day imported 20,000 lbs. of tobacco, 80 per cent. of which was bright—80 per cent. was of a value of over 2s. There was a duty on that tobacco of 5s. 8d., and he understood the present proposal of the Lyon Ministry was to fix the import duty and the Excise duty in such a manner that it would give the local producer a 3s. preference.

The Australian farmer was growing tobacco increasingly year by year. He was up to 7,000,000 lbs. now, but there was still a big leeway to make up before he reached their own demands—nearly 27,000,000 lbs. He submitted that if they could get somewhere in the neighbourhood of a 1s. preference from Australia, and could offer them something in connection with dried fruits, wines, etc., it would be to their mutual benefit.

Capt. H. Bertin (Reform, *Salisbury, S.*) mentioned one great asset that they had in Southern Rhodesia, the native population. They were a million settlers who were immovably fixed upon the land of that Colony, and were in the stage only one step removed from the most primitive condition. They were a class of people that could be raised in the social scale, and they were tremendous consumers of what was regarded as material for European consumption. There was a great vista opening there, if they could only look at it with a long and a just view.

There were from time to time various objections raised when it was a matter of the development of the native; but it was not only to their interests that they (the natives) should be raised, but to their own interest (as Rhodesians). In Professor Clay's report he pointed out that the development of the native population would provide greater employment for Europeans throughout the Colony.

Unemployment—Europeans and natives.

Referring to unemployment amongst the European population, Captain Bertin said, curiously enough, there were ten or twenty times the number of natives thrown out by the very same conditions. He pointed out that it would be perfectly hopeless to take the great majority of unemployed Europeans and offer them tools, seeds, etc., and tell them to grow their own food and to carry on. These people were accustomed to division of labour, and it was impossible to try and put them back and tell them to do for themselves like the natives. The native would simply go back and build his grass hut and grow his food and live until employment came along again. At the same time, owing to the low value of what he produced there might be difficulty in collecting taxes from him. They must by some means or other arrange that these natives produced not £20, but £30 or £40 per annum, whether they grew ground nuts, cotton, maize, or anything else. When each of these natives produced £40 there would not be the slightest difficulty in raising higher taxes from them, so helping to relieve the finances of the Colony. The native of South Africa and Rhodesia was a great spender, so from every point of view development was advisable—of course, on sound lines.

On 19th April,

Capt. R. E. Downes (Independent, ***Hartley*)**, referring to the question of mineral rights, said it was true that they had the right to change the law of the country and to submit that request to the Imperial Government. He pointed out that in the unfortunate state of their finances this question was a very important one. It was most urgent from a business point of view to obtain an asset which would amount to, probably, at least £2,000,000. When they had settled that they could proceed on the task of reconstruction.

Mentioning the question of the railway and cattle routes to Walvis Bay, Captain Downes said surely this would be a good opportunity for their Ministers at Ottawa to find out and push the idea that they should

have this portion of the Mandated Territory of South-West Africa mandated to them (Southern Rhodesia) instead of to the Union. There could be no difficulty about that, because Great Britain had already forced this policy upon other nations, and if they knew how to talk in diplomatic language they would probably not have very much difficulty in getting what they wanted.

The gold standard; Stability in currency.

The Colonial Secretary alluded to the gold standard. Previous mention had been made of the great value of stability in currency and the great interference with trade if, when a bargain was made, the payment agreed upon could not be relied upon owing to the shifting of currency. He pointed out that it was because there was not stability of currency value that Great Britain required to go off the gold standard, and that they (in Southern Rhodesia) required to follow it. In leaving the gold standard Great Britain achieved, one might say by accident or more correctly by force, a better measure of stability in currency than it had previously. A Member had anticipated, as a result of the Government going off the gold standard, that there would be a rise of prices and that the ordinary citizen would suffer. The departure by Great Britain from the gold standard did not have that result, because there was such an extraordinary gap between the wholesale and retail prices, which was the cause of all the trouble there; and although there was a substantial rise in wholesale prices, that rise still permitted of a fall in retail prices.

That had been an eminent justification for the anticipation of British statesmen that going off the gold standard would absolve Britain from the deplorable effects suffered in other countries which left gold, the difference being that Britain balanced her Budget. That was the reason retail prices did not rise—why they (in Southern Rhodesia) had not suffered, but had reaped the benefit in their primary industries by the step they took. They did not go off the gold standard in order to help the gold industry. It did not require it; it was already in a most favoured position, inasmuch as it did not suffer from any fall in prices while all other commodities had.

The Devonshire Agreement.

On 21st April,

The Prime Minister (Hon. H. U. Moffat) dealt at length with the question of the mineral rights, quoting from the Devonshire Agreement of 1923, Clause 2 (d) of this Agreement, which reads as follows:—

> Subject to the law in force for the time being in Southern Rhodesia, the Crown recognises the Company [B.S.A. Company] as the owner of the mineral rights throughout that territory save in so far as the Company has by its own acts parted with such rights.

There was also a Clause in their Constitution, the Prime Minister continued, "the most sacred document which we have," which referred to the same question, setting forth that any legislation on this matter was reserved for the signature of His Majesty the King, which, of course, depended upon the Secretary of State. He had made it absolutely clear what his views were, and he would make it clear to the Imperial Government when the matter went before them.

An hon. Member: "Are you going to do it on your way to Ottawa?"

The Prime Minister: "That, Sir, would be a very good opportunity.

I feel that I am at liberty to do that because my view will not affect in the very least the judgment of the Privy Council or whatever authority may decide it. If by taking that standpoint and making it known—if I was by that action going to prejudice the rights of this country, it would be another matter."

Members knew, the Prime Minister continued, what steps had been taken so far, and he read the following extract from a letter from his Office, addressed to four Members of the House, which was on the Table :—

In view of the resolutions received from public bodies, particularly from those representing the mining industry, and also in view of the widespread feeling throughout the country that the question of the "ownership" of the "mineral rights" should be settled through the Law Courts and, if possible, by the Judicial Committee of the Privy Council, the Government (very reluctantly on the part of the Premier, whose views on the matter are well known) has decided to initiate proceedings with a view to obtaining a decision which the public must accept as final.

Ministers consider it desirable that a Committee representing the three parties of the House of Assembly should be appointed to advise the Minister of Mines :—

1. What steps be taken to ascertain whether this question can be so submitted.

2. The best method of so submitting it.

3. On the general conduct of the case or whatever process may be adopted.

Ottawa Delegation.

Regarding Ottawa, the Prime Minister continued, the Delegates representing Southern Rhodesia would be the two Ministers accompanied by the High Commissioner, London. They would also take with them certain other officials to advise on technical matters. In the Dominions and Great Britain, he added, representatives of various industries were accompanying the Delegations. These representatives were paid for by the industries, and the Government of Rhodesia would welcome any such Delegates from the Colony.

Government's policy at Ottawa.

The line of policy to be adopted by their representatives was in line with the whole object of the Conference, which happened to be the policy they had followed faithfully and consistently for the last thirty or thirty-five years—since the Rhodes Clause was incorporated by Order in Council; the policy of giving preference both to the Mother Country and to all other parts of the British Empire, giving preference even in cases where other parts of the British Empire did not reciprocate. Of course, there was going to be a certain amount of what might be called bargaining negotiation; but they agreed entirely with the views put forward by Mr. Baldwin and the Secretary of State, Mr. J. H. Thomas, that none of them should go to that Conference in any bargaining, haggling spirit.

An important point had been mentioned, that Southern Rhodesia should not be tied by other Customs Agreements. He entirely agreed, and felt that the outcome of the Ottawa Conference might be a breaking of their Customs Agreement with the Union of South Africa.

The Motion was agreed to.

MALTA.*

As announced in previous issues of the JOURNAL, *the Third Parliament was dissolved by Proclamation on 17th April,* 1930, *and the General Election, which should have taken place at the end of May,* 1930, *was postponed in the interests of public safety. On 20th June,* 1930, *the Constitution was suspended.*

The Malta Royal Commission, which was appointed on 23rd February, 1931, *returned to London in June,* 1931, *and the Report was issued on 11th February,* 1932, *as a Blue Book (Cmd.* 3993).

On 2nd March, 1932, *it was officially announced in the British House of Commons (vide* JOURNAL, *Vol. XIII., No. 2, p.* 384) *that the Constitution would be restored to the Island in accordance with the Commission's main recommendation, and that the General Election would be held as soon as possible.*

The results of the General Election, which took place on 11th, 12th and 13th June, are given below.

On 21st June, the Governor (Gen. Sir David Campbell, K.C.B.) by Proclamation terminated the effect of the Malta (Temporary Government) Order in Council, 1930, *and brought the Constitution again into operation.*

GENERAL ELECTION : STATE OF PARTIES ; COMPOSITION OF THE MINISTRY (*Note*).

As a result of the General Election for the Legislative Assembly and for seven members of the Senate, voting for which took place on 11th, 12th and 13th June, the state of Parties in the Legislative Assembly will be as follows :—

Nationalist Party	21
Constitutionalist Party	10
Labour	1
	32

The results of the Senate† elections were :—

Nationalist Party	5
Constitutionalist Party	2
	7

It was announced on 21st June that the Nationalist Party had formed a Ministry, under the Hon. Sir Ugo Mifsud, M.L.A., constituted as follows :—

Head of the Ministry and Minister of Justice	Hon. Sir Ugo Mifsud, M.L.A.
Minister of Industry and Commerce	Dr. the Hon. Enrico Mizzi, M.L.A.
Minister of Education	Hon. and Most Rev. Canon Mgr. Enrico Dandria, M.L.A.‡
Minister of Public Works	Dr. the Hon. G. Adami, M.L.A.
Treasurer and Minister of Police ...	Hon. C. Mifsud Bonnici, M.L.A.
Minister of Public Health	Senator Salvatore the Hon. Borg Olivier.
Minister of Agriculture and Fisheries	Hon. G. Micallef, M.L.A.

* *Vide* also under "The United Kingdom," p. 618.

† For Constitution of the Senate *vide* JOURNAL, Vol. VII., No. 1, p. 185.

‡ The death of the Hon. and Most Rev. Canon Mgr. Enrico Dandria, M.L.A., was announced on 3rd July, 1932.

CEYLON.

The following summary deals with some of the proceedings of the First Session of the First State Council which began on 10th July, 1931, was adjourned on 10th December and reassembled on 12th January, 1932.

EMPIRE PREFERENCE.

(Rubber, coconut and tea industries; Question of preferential treatment for Ceylon produce; Preference for imports from United Kingdom.)

On 10th February, in the State Council, a debate took place on the following Motion, moved by Mr. G. E. de Silva :—

This Council is of opinion that a preferential treatment be accorded to Ceylon produce over other produce grown in countries outside the British Empire, and that the Secretary of State be requested to consider this favourably.

DEBATE IN STATE COUNCIL.

Mr. G. E. de Silva (*Kandy*) said that during the last two or three years all their products—rubber, tea and coconut—had been in a very bad position, and they had not been able to get good value for them. The only salvation at the present moment was to ask for preferential treatment in the way he had indicated in the Motion.

Rubber, coconut and tea industries.

There were 553,000 acres under rubber and nearly 300,000 people had been employed on the estates. About five or six years ago they had introduced restriction with regard to the industry, and when that came into operation the Dutch people refused to participate in it. The Ceylon and Malaya rubber producers continued to restrict their output and carried on satisfactorily up to a point. Then the Dutch people not only produced the utmost they could, but continued to extend their plantations, with the result that recently the whole industry had come to grief. Now they [in Ceylon] could not get more than 12 to 14 cents a pound ; when restriction had been in operation, they got Rs. 1·53 per pound.

The area under coconut cultivation was about 1,100,000 acres. A great portion of coconut produce found its way into the United Kingdom. According to the report of the Customs Department, in 1930 Ceylon exported nearly 700,000 cwt. of desiccated coconut, 1,800,000 cwt. of copra, and 763,000 cwt. of coconut oil. The Report also stated that the United Kingdom was the largest purchaser, buying 291,885 cwt. of desiccated coconut. Regarding copra, here again the United Kingdom was the biggest buyer. In the case of fresh coconuts, the Report stated that the United Kingdom took about one-third of the total quantity exported from British India—950,000 nuts.

Dealing with the tea industry, Mr. de Silva said that nearly 457,000 acres were under cultivation. With regard to high grown teas, prices were fairly good, but with regard to mid-country and low-country teas, prices during the last three or four years had been very poor. Nearly 600,000 people were employed on tea estates, and he thought nearly Rs. 500,000,000 had been put into the industry.

Up to 1929 there had been an import duty levied on all teas sent to the United Kingdom : in 1919 it was 12d. a pound, out of which Ceylon had preferential treatment to the extent of 2d. per pound. All British-grown teas had that concession. That went on until 1921. Up to that time Dutch tea had not been able to make any headway. In 1922 the duty in the United Kingdom was reduced to 8d. ; from 1924 to 1929 it was 4d. per pound ; and in April, 1929, the duty had been removed. In 1921 tea sent to the United Kingdom by the Dutch was about 29,000,000 pounds. In 1930 the United Kingdom imported 453,000,000 pounds, of which 367,000,000 pounds had been sent by British producers ; the balance was nearly all from the Dutch colonies. After 1929 the Dutch sent to the United Kingdom nearly 76,000,000 pounds in 1930. So it would be seen that it was the import duty levied by the United Kingdom that had helped the industry in Ceylon.

Mr. de Silva said he maintained that if an import duty were re-imposed and preferential treatment were accorded to Ceylon they would be able to protect the industry for the man who produced tea in Ceylon as well as the consumer in England.

Recently the Imperial Economic Committee had gone into the whole question, and had held that teas produced within the Empire could be blended to suit almost any taste, and that the Empire product was for the most part a superior article, and at its best the finest the world could produce. In 1930 the Dutch had agreed to a mutual understanding to restrict the output, to curtail their production by 10,000,000 pounds, and wanted India and Ceylon to curtail their production by 47,000,000 pounds. Ceylon had agreed, and not only had she reduced her output by that amount, but had exceeded it to the tune of 57,000,000 pounds. The Dutch, instead of curtailing their output by 10,000,000 pounds, restricted their output by 10,000,000 pounds. There could not be any mutual understanding between Dutch and Ceylon tea producers. If England was going to introduce import duty on foreign tea by even a tax of 4d. Ceylon would be greatly benefited.

In conclusion, Mr. de Silva asked the Council to accept the Motion and to supplement it by sending a cable to the Secretary of State for the Colonies and to the Chancellor of the Exchequer.

Major J. W. Oldfield (*Nominated*), in moving the following Amendment,

That this Council is of opinion that preferential treatment in the United Kingdom should be accorded to Ceylon produce over other produce grown in countries outside the British Empire in return for preferential tariff treatment of British-manufactured goods imported into Ceylon,

said he had left the Amendment very vague, because he fully appreciated the difficulties that would arise, and that further examination would be required before any decision could be arrived at as to what they could give Great Britain in return. His proposal would not affect import duties. He advocated a preferential duty. The existing duties could remain so far as Great Britain was concerned, but the duty for outside countries should be raised.

The Minister of Home Affairs and Leader of the State Council (Hon. Sir D. B. Jayatilaka) said that in view of the Amendment he thought it his duty to inform the House that the Governor had communicated to the Board of Ministers the request from the Secretary of State for the Colonies that the question of preferential tariffs should be considered by the Ceylon Government. The Board proposed to examine the question and to submit their views to the Council.

The Speaker (Hon. Mr. A. F. Molamure) said he understood that the Board of Ministers were engaged in the consideration of the matter.

Mr. de Silva said if that was the case he would withdraw the Motion.

The Motion by leave of the Council was accordingly withdrawn.

On 11th February,

The Minister for Home Affairs said that the previous day he had referred to a letter sent by the Governor with reference to a request of the Secretary of State that the Ceylon Government should consider the question of preferential tariffs. He proposed to place the communication before the House.

The letter addressed to the Chairman of the Board of Ministers referred to a telegram from the Secretary of State for the Colonies, stating that tariff proposals introduced in the United Kingdom on 4th February, 1932, gave free entry to all articles included in the tariff if produced in and consigned from British Colonies or Protectorates. The duty was 10 per cent. *ad valorem*. The tariff would cover nearly all articles not already subject to duty which were produced or were likely to be produced within the Colonial Empire and the production of which could be assisted by preference.

The letter continued :—

"2. . . . The Secretary of State . . . points out that the preferences accorded by many Dependencies to the Mother Country are fully appreciated there, and the present policy shows a desire of the Home Government to reciprocate in full ; he feels sure that those Colonies and Protectorates where the tariff includes United Kingdom manufactures upon which no preference is at present given will wish to review the position in the light of the preference now proposed by the United Kingdom. It is realised, of course, that no such action can be taken at present in territories which are debarred by treaty from granting the preference, but that will not, however, prevent those Dependencies from receiving full benefit of the United Kingdom preferences, and the fact that full preference in the Home Market is freely given will, he knows, encourage all in those territories to give a voluntary preference to British goods.

"3. The Secretary of State has added that he regards it as of first importance that preference proposals which Ceylon is able to put forward should be made concurrent with its proposals for increased Customs duties, a Resolution regarding which will very shortly be placed before the State Council. He cannot exaggerate the effect which will be created in the United Kingdom if proposals for preference in that country synchronise with or are apparently responded to by increased duties in Ceylon unaccompanied by preference to British goods.

"4. The Secretary of State has also invited me to examine without delay the possibility of development of trade between the Dominions and Ceylon by tariff preference, and to consider what preference in any Dominion market would be of real value to Ceylon and what reciprocal preference can be granted by Ceylon in return which would be of value to the Dominions concerned.

"5. I sincerely trust that the action of the British Government in according a substantial preference to Ceylon's products will meet with a ready and immediate response on the part of Ceylon, and I shall be glad if you will place this letter before the Board of Ministers at the earliest opportunity with a view to proposals being framed to meet the wishes of the Secretary of State as far as possible. I realise that, as regards reciprocal preference with the Dominions, negotiations must first be initiated with those countries which may take some considerable time to complete, and I would suggest, therefore, that proposals affecting the United Kingdom should first be considered in order that they may be placed before the State Council for acceptance with the minimum delay."

The Minister said he thought the House would agree that there were serious practical difficulties in giving effect to the request that the question of preferential tariffs should be considered concurrently with

the proposals to increase the Customs duties, and he wanted to be quite sure whether it was expedient to mix up the two things. In his opinion it would be far better to deal with the Customs duties apart from the question of preferential treatment. The matter required most careful consideration. It must be considered as a business proposition, and they must find out whether the acceptance of the proposal would benefit Ceylon. Already the Executive Committee of Labour, Industry and Commerce had begun to study the question, and he was sure the Board of Ministers would study the question, and it might be possible for them to place before the Council a definite Resolution. It was a very urgent matter to which they must direct their attention as early as possible.*

TEMPORARY LEVY ON SALARIES OF PUBLIC SERVANTS (ENABLING) BILL.†

This Bill proposed that a temporary levy should be imposed on the salaries and wages of persons employed in the public service. The main features of the Bill were outlined by the Financial Secretary in his speech on the Motion for the First Reading.

On 12th January, in the State Council,

The Financial Secretary (Hon. Sir Wilfrid Woods), in moving the First Reading of the Bill, said the determination of the method of calculating the levy and the method of its application was a function vested by the Bill in the Governor subject to the approval of the Secretary of State. Details of the measure of the levy were to be prescribed in an Order to be issued under the command of the Governor after it had been approved by the Secretary of State. The first Order would not have effect from a date anterior to 1st February, 1932.

The Bill provided that the levy should not affect the pensions or gratuities based on salaries or wages, or payments based on salary required by the Widows' and Orphans' Pension Fund. A draft Order to be issued under the Ordinance, if and when it was passed, was on its way. It would remain in force unless amended or revoked for one year. It contained details which were subject to the Secretary of State's authority. It divided the Government servants affected by the levy into four categories. In the case of public servants in receipt of salaries less than Rs. 450 per annum the levy would be 2½ per cent. ; those drawing Rs. 450 per annum but less than Rs. 900 per annum, 5 per cent. ; those drawing Rs. 900 but less than Rs. 4,800, 7½ per cent. ; those drawing Rs. 4,800 per annum and over, 10 per cent. He estimated that in a full year the levy should produce a sum of approximately Rs. 3,000,000.

The Motion was agreed to and the Bill was read a first time.

DEBATE IN STATE COUNCIL.

On 26th January, on the Motion for the Second Reading,

Mr. W. A. de Silva (*Moratuwa*) said that passing the Bill would mean a surrender of the power the Council possessed without any limitation whatever. He did not think it was necessary for them to have an Ordinance for the purpose. If it was said that the Order-in-

* On 25th May it was announced that the State Council had agreed to a proposal by the Financial Secretary (Hon. Sir Wilfrid Woods) for a preference on British imports, the voting being 24 for and 20 against.

† *Vide* footnote on p. 844.

Council or the Constitution given to the country took away from them the right of dealing with the salaries and pensions of the public services it would be as well if any levy on the salaries of public servants was made either by Order-in-Council or by Order made by the Governor.

They were asked to hand over blindly some power to the Governor. The Bill contained no mention of the percentages of the levy, the periods during which the levy should be imposed, and so on. For members of the House to pass an Ordinance of this nature would be to surrender liberties that had been enjoyed by the people of the country from 1806—from the time when there was no Legislative Council up to the time when they obtained a self-governing Constitution.

He did not object to the Governor levying certain charges on the salaries of the public service. But there were a large number of public servants, and they had the vote and did not Members of the Council represent the public servants ? If the Schedule had been attached to the Ordinance it would have been possible for Members to represent the views of their constituents who were public servants. If the Governor thought or was aware that he had the power to impose the levy they could not object to his doing so, but he did not think it was incumbent on the House to give autocratic powers to anybody at all.

Mr. F. A. Obeysekere (*Avissawella*) asked hon. Members to agree with him that this was a suitable opportunity to ask the Financial Secretary, the Governor and the Ministers of State not to make any attempt to rob Members of what they should always claim as their undoubted right. Here was an attempt to pass legislation—a question of finance—without bringing the details before them, and he would not allow his support to go to the Bill, which was not a pure and simple enabling Bill.

It was more than an enabling Bill. Let the Government purge it of its surplus features, and before cablegrams went to the Secretary of State let the Government come before them and consult their opinion as to what should be the rate that the Council considered suitable to levy. The Governor and his advisers were trifling with the Government.

" One may be entitled," Mr. Obeysekere added, " to work it [the new Constitution] according to the new Order-in-Council, but if that Order-in-Council in itself has varied what I claim to be pledges given to Members within this Chamber and to the country at large outside it, then it is high time that the method followed by the Government, even if the Government has the right, was altered and was amended." He asked every Member returned by a territorial constituency if Ministers should choose to follow the lead of the Financial Secretary to let them follow him, but let every other Member returned by an electorate, owing allegiance to his constituents, turn his back on this so-called enabling Ordinance.

Mr. S. W. Dassenaike (*Colombo S.*) said that if the Governor and the Secretary of State had the power, and they only had the power, to alter the emoluments of Government servants let them do it. Why, having done it, should they ask the blessing of the Council ? It would be placing Members in a false position if they gave their approval to a power which the Governor claimed of right. The second feature of the Bill, which was very bad, was that instead of enabling the Governor to deal with public servants merely in this particular case, it gave him

power whenever he liked to tear up their contracts and take from them what he liked in order to balance the Budget. The Bill was hopelessly and utterly bad, both in its constitutional aspect and in its arbitrary provisions.

Mr. V. S. de S. Wikramanayake (*Hambantota*) endorsed the criticisms of the last two speakers, but said he could not go to the length of opposing the Bill. He would suggest that it should go before either Standing Committee " A " or Standing Committee " B," and be so amended as to remove its objectionable features.

The Speaker (Hon. Mr. A. F. Molamure) pointed out that they had power under Article 68 of the Order-in-Council to refer the Bill back to the Board of Ministers.

The Minister of Labour, Industry and Commerce (Hon. Mr. P. Sundaram) observed that it was not the Board's Bill.

The Speaker stated that it had been brought up with the approval of and been considered by the Board of Ministers, and the Board had reported it on to the Council.

Mr. Wikramanayake said they were concerned with a question of principle, whether they were to give powers to the Governor and consent to the powers they had being taken away. He agreed that one of the methods they could employ was to refer the Bill back to the Board of Ministers, but he was not sanguine of the success of that proposal. He would prefer that the Bill should go before a Committee, like all other Bills and Ordinances, so that the Committee could submit amendments they thought necessary, and a simple solution of the difficulty would be to add a clause to that effect. He suggested :—

any such Order shall as conveniently as may be laid before the State Council and may at any of the next three meetings be rescinded or modified by Resolution of the State Council, but without prejudice to anything already done thereunder, and if not so rescinded shall be deemed to be valid.

What they were made to believe and what was in black and white was that the Secretary of State only reserved to himself the power of confirmation or disallowance of matters relating to the emoluments, pensions and gratuities of public servants and that the decision of the Secretary of State should be final. They were not trying to remove that power from the Secretary of State. What they said was that any such Order made by the State Council should be subject to the confirmation of the Secretary of State. The Council should in the first instance have the right to accept or reject any Order made under the Ordinance. Surely the Council were not going to yield to an attempt to take away from them such right by means of an enabling Ordinance such as the one under discussion ? He suggested that the Bill should go before a Committee.

The Speaker said it was bound to go before a Committee.

Mr. G. K. W. Perera (*Matara*) said the Bill had been introduced by the Board of Ministers. There were only three ways in which such a Bill could come before the House : firstly, by the Financial Secretary acting on his own as the Head of a Department or as a member of the Government with the concurrence of the Board of Ministers, whereupon the Board would add their observations and their Report upon t[illegible] ; secondly, by the Board with the consent and concurrence of the G[illegible] in which case the Financial Secretary would add his observation[illegible] thirdly, the Bill could come before the House by the Financial S[illegible] as the representative of the Governor.

Nothing had been said here to indicate that the Bill had come before the Council, that it had been placed before the Council by the Board with the consent and approval of the Governor, and he thought for a very good reason the enacting Clause not being present one would have thought——

The Attorney-General (Hon. Mr. E. St. J. Jackson) said the omission of the enacting Clause was a sheer accident. Obviously the Bill would require the same enacting Clause as any other.

Mr. Perera said he accepted the assurance of the Attorney-General. This was a Bill enabling the Governor to raise revenue. The Council had power to amend Bills raising revenue in certain respects. It had no power to reduce revenue but it had the right to increase revenue, so that if a Bill wanted permission to create a charge upon salaries of public servants, say, by 10 per cent., it was well within the power of the Council to raise the rate to 15 per cent. But they had no power to say that it should be reduced to 5 per cent. If the Bill had been introduced in the ordinary way they would have had the power to increase whatever surcharge was proposed. Government, however, did not wish to come to the House in the ordinary way, and the Governor had no other means of bringing about legislation of this kind because, in his opinion, the Governor had not the power under the Order-in-Council to reduce salaries on his own or even the power to reduce salaries. He did not think that the Council had the power to enable the Governor to do a thing which he could not now do under the Order-in-Council. So that an enabling Bill would be beyond the power of the Council to pass. The Council could not give the Governor a power which the Council itself had not.

The Governor could have recourse to Section 22 of the Order-in-Council, under which he was given certain powers to act in matters of paramount importance. That power was reserved to the Governor only in such cases where the Council had the power itself. So that the matter of certification was not possible except in such cases where the Council has power to act on its own. The wording of the Section was :—

> If the Governor shall consider it of paramount importance to the public interest or essential to give effect to any of the provisions of this Order, that any Bill, Motion or Resolution or vote which the Council is empowered to pass, in the exercise of either its legislative or its executive functions. . . .

In such cases the Governor could use the extraordinary powers under this Ordinance. Even if the Bill were rejected they could not act under that Section.

He did not think any Council would pass a Bill of this kind unamended with regard to important matters. It was intended to give power to the Governor to exclude or include any class of public officer to cut the salaries according to his will without consulting the Council. Mr. Perera said he would not consent to give anybody such a large power, and the Council ought without waiting to go into Committee to consider whether the Bill had the acceptance of the House or not, and if it had not, refer it back to the Board of Ministers. If the Board would not be placiresponsibility for the Bill, the Council would have to reject it.

power **e Minister of Health (Hon. Mr. T. Panabokke)** agreed with the the Billr of Labour that the Bill had nothing to do with the Board of to deal s. They had no right to consider cuts.

The Attorney-General said that in the "Statement of Objects and Reasons," it would be clear that for certain purposes the salaries of public servants would remain at the figure provided in the Estimates. As long as they remained at that figure public servants had a right, possibly enforceable—it had been enforced in one or two instances in England—but the position between the Government and its servants had never been clearly defined—to receive the salaries provided in the Estimates.

Now, they wanted to leave the salaries at the figure provided in the Estimates for certain purposes. If they did not it would be a perfectly simple matter to reduce the salaries by a mere executive order. No other step would be necessary. It was because the cut had peculiar qualities in it that it required the salaries to remain at a higher figure than was actually paid for certain reasons that legislative authority was necessary. It would have been just as necessary under the former Constitution. It was a purely enabling Bill. It was a Bill by means of which revenue would be raised in pursuance of the policy of the Board of Ministers and, therefore, the Board were consulted in regard to the Bill, and they had expressed their concurrence to the extent to which they stated in their report to the introduction of it.

The reason for not including in the Bill the schedule defining the actual terms of the cut was that the levy was going to be imposed in the exercise of the Governor's executive authority and that alone. The whole object of the Bill was to preserve with the levy the existing salary for certain purposes which would be beneficial to public servants.

Mr. S. W. R. D. Bandaranaike (*Veyangoda*) said he felt the Bill should be passed and that they should go into Committee and make any amendments they liked before finally passing it and leave it to the Governor to accept the amended Bill or certify it—just as he wished. The Bill was nothing short of making the public servants entirely dependent upon the Governor.

The Minister of Home Affairs and Leader of the Council (Hon. Sir D. B. Jayatilaka) moved that the debate be adjourned till the following day to enable the Board of Ministers to consider the matter further.

The debate was accordingly adjourned.

On 11th February, on the resumption of the debate on the Motion for the Second Reading,

The Minister of Home Affairs said the Board of Ministers had considered the matter and had submitted to the Governor a proposal which, in their opinion, would solve the difficulty. The proposal was that a Clause be inserted in the Bill providing that any order made by the Governor under the Bill should be laid before the Council with a Motion that it be approved. The Governor was not prepared to give his decision on the matter without consulting the Secretary of State, with whom he had agreed to communicate at once by cable.

The Governor had now communicated to the Board of Mi the reply of the Secretary of State. "I regret to say," the M continued, "that the Secretary of State has refused to give his to our proposal. In those circumstances the Board of Ministe decided not to proceed with the Bill, and they have asked the Financial Secretary, who is in charge of the Bill, to withdraw has consented to do so."

The Financial Secretary said he was agreeable to the withdrawal of the Bill, with the consent of the House. But it was his duty to inform the Council that he had been instructed by the Governor to reintroduce the Bill in substantially the same form as the one now proposed under Article 22 of the Order-in-Council.*

The Speaker, replying to a question, said the Bill would be introduced under Article 22 as a matter of paramount importance, and whether the Council passed it or not the Governor could certify it.

On a division the question that leave be given to withdraw was agreed to by 29 votes against 19, and the Financial Secretary withdrew the Bill.

INCOME TAX ORDINANCE.

A Bill to introduce a tax on incomes was introduced in the State Council and read a first time on 4th November, 1931.

The general object of the Bill was to tax profits and income derived from Ceylon in the case of non-residents and wherever derived in the case of residents.

On 10th December the Second Reading was agreed to on a division by 34 votes against 18, and the Bill was committed to Standing Committee "A." Amendments made by the Committee were considered on 19th, 20th, and 21st January, 1932, and on the latter date the Bill passed the Third Reading by 33 votes against 19. It was assented to by the Governor on 9th February, 1932.

On 9th February, in the State Council,

The Speaker (Hon. Mr. A. F. Molamure) read a message from the Governor, in which His Excellency stated that while he had assented to the Bill, he was of opinion that certain Amendments were required, and an amending Bill would be introduced immediately. He had chosen that method of asking the Council to consider those amendments in order to avoid delay in the enactment of this urgently required measure, and at the same time to provide the fullest opportunity for the consideration of the Amendments which would be proposed.

The Amendments, the chief points of which were dealt with in the Governor's Message, were mainly to allow interest on the Government's Loan issued before the imposition of the tax to be free of tax, and to provide for exemption from taxation of sums received in commutation of pensions which were taxable in the Ordinance as passed.

On 26th February the State Council rejected the Amending Ordinance by 29 votes against 15.

On 16th March, in the State Council, the Speaker delivered a Message of Certification by the Governor.

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* On 16th March it was announced that an Ordinance to enable a temporary levy to be imposed on the salaries of public servants had been certified by the Governor.

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